

ROTARY CLUB OF REDONDO BEACH COMMUNITY FOUNDATION FINANCIAL POLICY

Revision 2
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Purpose

The Rotary Club of Redondo Beach Community Foundation Financial Policy (Financial Policy) establishes the guidelines to manage funds of the Rotary Club of Redondo Beach Community Foundation (Club Foundation). It is developed and proposed by the Club Foundation Finance Committee and approved by the Club Foundation Board of Directors.

Scope

The Financial Policy consists of:

- Policies related to the management of endowment funds.
- Policies related to the management of operating funds and reserve funds.
- Accounting Policies

Policies

Procedure Modification

These procedures may be modified, or in special circumstances overridden, by a simple majority of the Board of Directors at any time.

Endowment Fund Policy

Endowment Fund Goals

- It is the goal of the Club Foundation to grow the endowment fund to a point at which the net investment income can make a significant impact on the total Club Foundation Area of Service Budget.
- The Endowment Fund Valuation Threshold (EFVT) shall be set for a period of five years and shall be reviewed and re-established by the Club Foundation Board of Directors at the end of the five-year period. When the EFVT is met or exceeded distributions from the Endowment Fund may be considered.
- The Endowment Portfolio's investments shall be managed consistent with the short-term and long-term financial goals of the Endowment Fund while providing flexibility to adjust for changes in capital market conditions.

Endowment Fund Investment Policy

- The Treasurer, as lead of and in conjunction with the Finance Committee, shall propose an Endowment Investment Policy to the Club Foundation Board for its approval. The Finance Committee may propose to the Club Foundation Board changes to the Endowment Investment Policy at any time for its approval.
- At a minimum of once a year the Finance Committee shall review this Endowment Investment Policy and propose changes or reaffirm its applicability and submit the result to the Club Foundation Board for its approval.

Endowment Fund Valuation Threshold

- EFVT = \$250,000

Endowment Fund Distribution Policy

- When distributions are planned, the Endowment Fund shall make use of a total-return-based spending policy, meaning that it will fund distributions from net investment income, plus net realized capital gains, plus net unrealized capital gains.
- Distributions will not occur until the EFVT is met or exceeded.

Endowment Fund Portfolio Management

- The Treasurer will be responsible to execute all trades based on the following guidelines
- The Treasurer shall use incoming contributions or outgoing disbursements to realign the current weightings closer to the target asset allocation set by this Endowment Fund Investment Policy.
- Asset Allocation percentages may vary plus or minus 5% from the target without approval of the Foundation Board of Directors.
- Purchases of shares of existing investments that meet the Asset Allocation percentage range do not require the approval of the Foundation Board of Directors.

Endowment Fund Investment Performance

- At least once a year the Treasurer shall measure investment performance of assets relative to benchmark indices.
- The Treasurer may recommend changes to the Investments and allocations. These changes must be reviewed by an investment consultant
- These changes must be approved by the Foundation Board of Directors.

Endowment Fund Investment Rebalancing

- At any time, the Treasurer, in concert with the Finance Committee, may provide a rebalancing recommendation to the Foundation Board of Directors for its approval.
- Rebalancing does not include the acquisition of new assets.

Allocation of Endowment Funds

- Allocate the Endowment Fund initial investment as follows:

Fund Symbol	Fund Name	Fund Target Asset Allocation
VTI	Vanguard Total Us Market Developed	70%
VEA	Vanguard Developed Int'l Market	24%
VWO	Vanguard Emerging Int'l Market	6%
Total		100%

Operating Funds and Reserve Funds

Operating Funds

- Operating Funds shall be held in a checking account and disbursed upon the approval of a Payment Request.

Reserve Funds

- The Club Foundation shall endeavor to hold in reserve an amount equal to \$20,000 (Reserve Fund). These funds are held to help make up for a potential fundraising short fall.
- Reserve Funds shall be held in short term (six months or less) interest generating vehicles and/or a liquid banking account.
- Unspent budgeted funds at the end of each year shall be used to make up any shortfall in the Reserve Fund.
- Any Reserve Funds more than \$20,000 may be invested in the Endowment Fund.

Accounting Policies

Bank Reconciliation

- In order to increase the security and transparency of the assets of the Foundation, the Foundation will engage a bookkeeper.
- Currently the bookkeeper is Betty Cashin
- The Bookkeeper will:
 - Perform the monthly reconciliation of all bank accounts
 - Review the monthly brokerage statement and prepare and post the journal entries for changes in value.
 - Notify the Treasurer if there and any observed issues or potentially mis-identified transactions.
 - Prepare annual 1099's

Preparation of Annual Tax and information filings

- The Foundation will engage a CPA firm to perform the following:
 - Prepare the year end Federal Tax Return (form 990)
 - Prepare the State of California information filings (form 199, form SI-100)
- Currently the CPA firm is Wayland & Vukadinovich

Reports

The following reports will be prepared and distributed regularly by the Treasurer:

Report Name	Report Source	Report Frequency
Balance Sheet	Quickbooks	Monthly
Income Statement	Quickbooks	Monthly
Community Service Budget vs. Actuals	Quickbooks	Monthly
International Service Budget vs Actuals	Quickbooks	Monthly
Vocational Service Budget vs. Actuals	Quickbooks	Monthly
Youth Service Budget vs. Actuals	Quickbooks	Monthly
President's Discretionary Fund	Quickbooks	Monthly

Accounting Procedures

The Club Foundation shall document and maintain a written set of Accounting Procedures as a separate document.