

# Groundswell Conservancy Policy

**Name:** Investments

**Approval:** Amended by Board of Directors, February 21, 2018

Land Trust Alliance Standards and Practices 3A. Board Responsibility. 2. The board provides oversight of the land trust's finances and operations by: ... (e) Adopting written policies or procedures for the responsible and prudent investment, management and use of financial assets.
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## *Purpose & Introduction*

The purpose of this Investment Policy Statement (IPS) is to guide the management of assets of Groundswell Conservancy. It was prepared by the Investment Committee of Groundswell Conservancy. This policy covers assets currently managed by SVA and held at Madison Community Foundation; it does not cover cash accounts held at First Business Bank and Heartland Credit Union. This IPS is an update of the IPS prepared for Groundswell Conservancy by Michael A Dubis Financial Planning, LLC that was approved by the Groundswell Conservancy Board of Directors on November 19, 2009. A major change between this IPS and the 2009 version (approved by the Board of Directors on September 9, 2015) is that the four investment funds described in the 2009 IPS have been consolidated into the one Land Trust Fund.

## **INVESTMENT POLICY**

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**Investor Name:** Groundswell Conservancy, Inc.

**Type Investor:** 501(c)(3) Non-Profit – Perpetual

**Funds:**

Land Trust Fund. Currently managed by SVA. The purpose of this fund is to act as operating reserve to assist in maintaining financial stability for the Land Trust, including by meeting short-term cash needs and occasional special purposes determined by the Board of Directors to be central to our mission. Sources for this fund are money in the former Operations, Conservation, Easement Enforcement, and Stewardship Funds.

Endowment Funds. These funds have been placed into two true endowments under the care of Madison Community Foundation to provide continuing financial support for Groundswell Conservancy. The purpose of one of these endowments is to support Groundswell Conservancy activities relating to easement enforcement. The purpose of the other endowment is to provide support as needed by Groundswell Conservancy. Groundswell Conservancy is the beneficiary of a third endowment fund at Madison Community Foundation, providing support as needed by Groundswell Conservancy.

**Current Asset Value:** Land Trust Fund: \$712,774 (as of 12/31/2017) (currently managed by SVA)

\$119,205 of this fund is restricted by the donors<sup>1</sup> or designated by the Board of Directors to support the defense of our conservation easements.

Endowment Funds (as of 12/31/2017) (held by Madison Community Foundation):

Bolz Gift Endowment (1030747):	\$184,367
Groundswell Matching Endowment (#1030739):	\$104,716
Groundswell Easement Enforcement Endowment (#1030740):	\$361,423

**Expected Annual Contributions:**

Land Trust Fund: None planned but contributions could come from bequests or operating surpluses, and, donors may make restricted gifts from time to time.

Endowment Funds: Per action of the Investment Committee August 19, 2014, new payments and contributions restricted to easement enforcement and monitoring are deposited into our Easement Enforcement Endowment at Madison Community Foundation. We also may put non-donor restricted bequests into either endowment.

**Time Horizon:**

Land Trust: Ongoing needs to fill operating deficits, occasional special needs, long term operating reserves, and easement enforcement.

Endowment Funds: Annual distributions with perpetual preservation of capital.

**Desired Income:**

The target annual withdrawal is less than 4.5% of all financial assets. The disbursements from Madison Community Foundation are calculated at a pre-set percentage (4.75% in 2017, 4.50% in 2018, and 4.25% in 2019) of the value of each fund, averaged over 20 rolling quarters. In addition, Madison Community Foundation limits annual decreases in the distribution to no more than 3.5% and annual increases to more than 6.0%. If Groundswell Conservancy elects not to receive the full distribution from any of its funds, the remainder will be reinvested into existing funds.

**Risk Tolerance**

Groundswell Conservancy understands that investments are by nature risky, and that a portfolio weighted more heavily into equities favoring long term capital appreciation may be subject to significant variability from year to year. We are willing to accept this risk in order to maintain a long term outlook with a substantial portion of our funds, becoming more risk averse for that portion of

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<sup>1</sup> Because of a lack of documentation on some gifts, some of this amount is assumed to be donor-restricted.

funds we expect to use in the next 1-3 years. In all cases, we will strive to be diversified among investment options.

**Evaluation  
Benchmark:**

Investment managers will be reviewed annually for their performance relative to market-weighted benchmarks.

**Asset Allocation:**

Land Trust Fund: The recommended portfolio allocation is for a balanced growth portfolio consisting of 50% - 70% equities, 20-50% bonds, and 0-10% cash or cash equivalents.

Groundswell Conservancy defers to the investment manager the breakdown of asset classes and sub-asset classes and target ranges to be used for investing our portfolio within the overall allocation targets. We request an annual update from the investment manager regarding diversification across asset classes and sub-classes.

**Cash Management:**

The Executive Director of Groundswell Conservancy will inform the Land Trust Fund's Investment Manager annually and as soon as the upcoming fiscal year budget is approved of cash needs from the Land Trust Fund.

**Cash Accounts:**

Groundswell Conservancy maintains several cash accounts to meet short-term term needs. The checking account at First Business Bank is the account where we deposit most contributions and pay all invoices, payroll, etc. The money market account at First Business Bank is where we keep temporarily restricted funds we expect to spend in the short-term, such as grant funding to pay for special projects and agricultural rental income to pay for preserve management activities. The checking account at Heartland Credit Union is used for contributions made electronically by donors.

First Business Bank Balances (as of 12/31/2017)

Checking account:	\$49,621
Money Market account:	\$124,498

Heartland Credit Union Balances (as of 12/31/2017)

Checking account:	\$25,044
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**Tax Policy:**

Because Groundswell Conservancy is a 501(c)3 corporation, there is little need to consider tax impact on transactions.

**Investment Manager:**

The Investment Manager for Land Trust Fund was selected through a competitive bid process. The current manager is SVA Wealth Management of Madison, Wisconsin. The Investment Manager for Endowment Funds is currently the Madison Community Foundation.

**Investment Committee (as of 12/31/2017):**

Jed White (Board Chair), Tom Krauskopf (Committee Chair), Kevin Shelley, Barry Perkel, Willi Van Haren.

The Investment Committee will meet on an annual basis to review the performance of the Investment Managers (considering fund performance relative to benchmarks, diversification, fees, responsiveness, and transparency), to ensure that management of the portfolio has been compliant with the Investment Policy Statement, and to consider whether revisions to the Investment Policy Statement or changes to the Investment Managers should be made.

**Staff Contact:**

Jim Welsh, Executive Director

**Custodian of Land Trust Fund:**

Schwab

**Auditor:**

Wegner CPAs

**CPA:**

Dana Chabot, CPA

**A Note about the Uniform Prudent Investor Act (UPIA)**

The UPIA was approved for use in all states at the 1994 annual Conference of Commissioners on Uniform State Law and by the American Bar Association in 1995. The act provides excellent guidelines about the “prudent investment process.”

Key provisions of the UPIA include:

- No investment is inherently prudent or imprudent, except in how its inclusion or exclusion impacts the portfolio as a whole.
- Trustees are expected to use all reasonably available strategies to improve the risk/reward relationship
- Under most circumstances, the assets of the trust must be diversified.
- Trustees are obliged to spread portfolio investments across asset classes to enhance performance and reduce risk.
- The possible effect of inflation must be considered as part of the investment strategy. As a result, use of equities is encouraged to allow the possibility that the portfolio’s growth will outpace inflation.
- Fiduciaries have a duty to either demonstrate investment skill in managing trust assets or to delegate investment management to another, more qualified party.

**Steps Taken to Establish an Investment Policy**

1. Assess Groundswell Conservancy’s financial situation. Identify the goals and needs.
2. Determine Groundswell Conservancy’s tolerance for risk, which is dependent on time horizon, capacity to take risk, and obligations.
3. Develop clear objectives for Groundswell Conservancy’s respective funds.
4. State how the investments are expected to help meet Groundswell Conservancy’s objectives.

5. Identify any restrictions on the portfolios and its assets.
6. Determine the asset classes and mix appropriate (i.e. Asset Allocation) to maximize the likelihood of achieving the objectives at the lowest level of risk.
7. Determine the investment methodology to be used with regard to investment (manager) selection, rebalancing, buy and sell disciplines, portfolio reviews and reporting, etc.
8. Implement the decisions.
9. Review results.
10. Document all investment decisions.

The net effort of the written policy is to increase the likelihood that the portfolio will be able to meet the financial needs of Groundswell Conservancy.

Groundswell Conservancy is accredited by the Land Trust Accreditation Commission. Policies may be updated to reflect changing accreditation standards and practices, as well as changing local organizational needs.