



Surplus Funds Proposal

St. Hope Leadership Academy | Board of Directors Meeting | October 2016

OVERVIEW AND PROPOSALS

Overview, Proposed Solutions

Overview of Issues

- St. Hope has significant cash on hand in excess of amounts needed for working capital (approximately \$1.4 million)
- St. Hope currently holds this excess cash at several banks, although, in some cases, the amounts deposited are in excess of the \$250,000 FDIC insurance limit and are therefore subject to bankruptcy risk.
- St. Hope may need a significant portion of this excess cash in the future, although there is no current need for these funds.
- St. Hope Board does not want any proposed management of these funds to involve high fees paid to financial advisors.
- St. Hope leadership does not want an excessively complex management of these funds.

VANGUARD FUNDS

Vanguard Wellesley Fund (VWIAAX)

- **Balanced allocation:** 60%–65% bonds, 35%–40% stocks.
- **Seeks long-term growth of income, a high and sustainable level of current income, along with moderate long-term capital appreciation.**
- **Intermediate duration, investment-grade fixed income securities.**
- **Equities with strong income orientation.**
- **Cost:** \$2240/year for a \$1.4 million investment

Vanguard Balanced Index (VBIAX)

- Balanced allocation: 60% stocks, 40% bonds.
- Seeks capital appreciation, current income, and long-term growth of income.
- Equity portfolio seeks to track the CRSP US Total Market Index; fixed income portfolio seeks to track the Bloomberg Barclays U.S. Aggregate Float Adjusted Index.
- Passively managed approach, using index sampling
- Cost: \$1120/year for a \$1.4 million investment

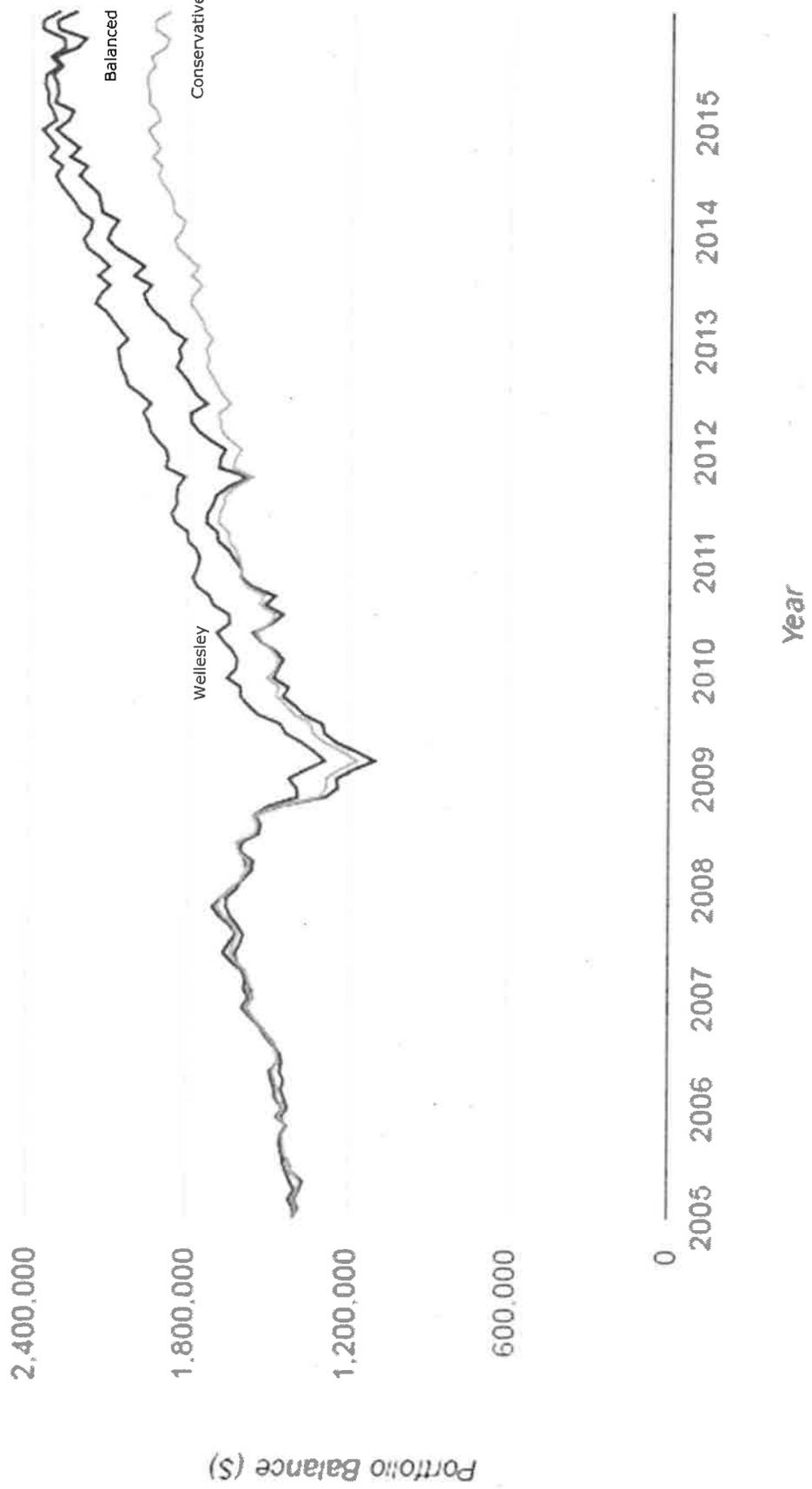
Vanguard Conservative Growth Fund (VSCGX)

- **Balanced and static allocation: 40% stocks, 60% bonds.**
- **Seeks to provide current income and low to moderate capital appreciation.**
- **Highly diversified, fund of funds structure.**
- **100% indexed.**
- **Cost: \$1820/year for a \$1.4 million investment**

Back-Testing (Start in 2005, end in 2015)

With 2.0% Annual Withdrawal

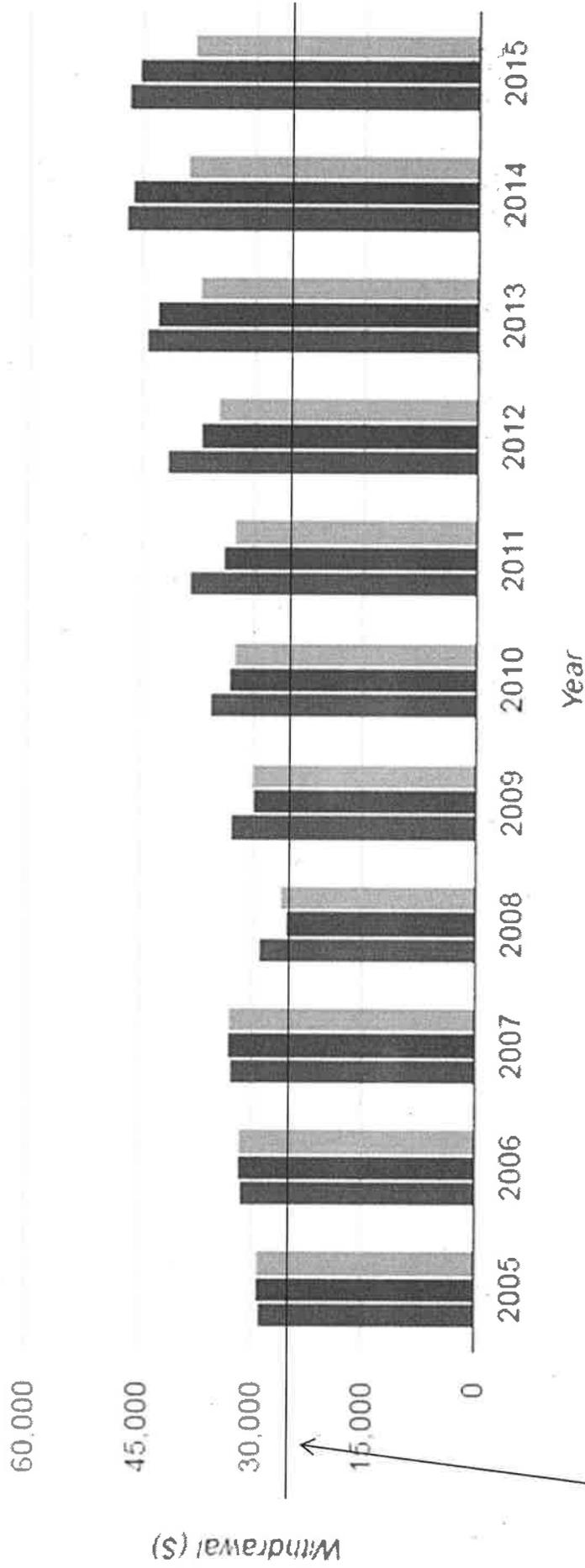
Portfolio Growth



Back-Testing (Start in 2005, end in 2015)

With 2.0% Annual Withdrawal

Annual Withdrawals



\$25,000/year

Back-Testing (Start in 2008, end in 2015)

With 2.0% Annual Withdrawal

Portfolio Growth

2,400,000

1,800,000

1,200,000

600,000

0

Portfolio Balance (\$)

Wellesley
Balanced
Conservative

2015

2014

2013

2012

2011

2010

2009

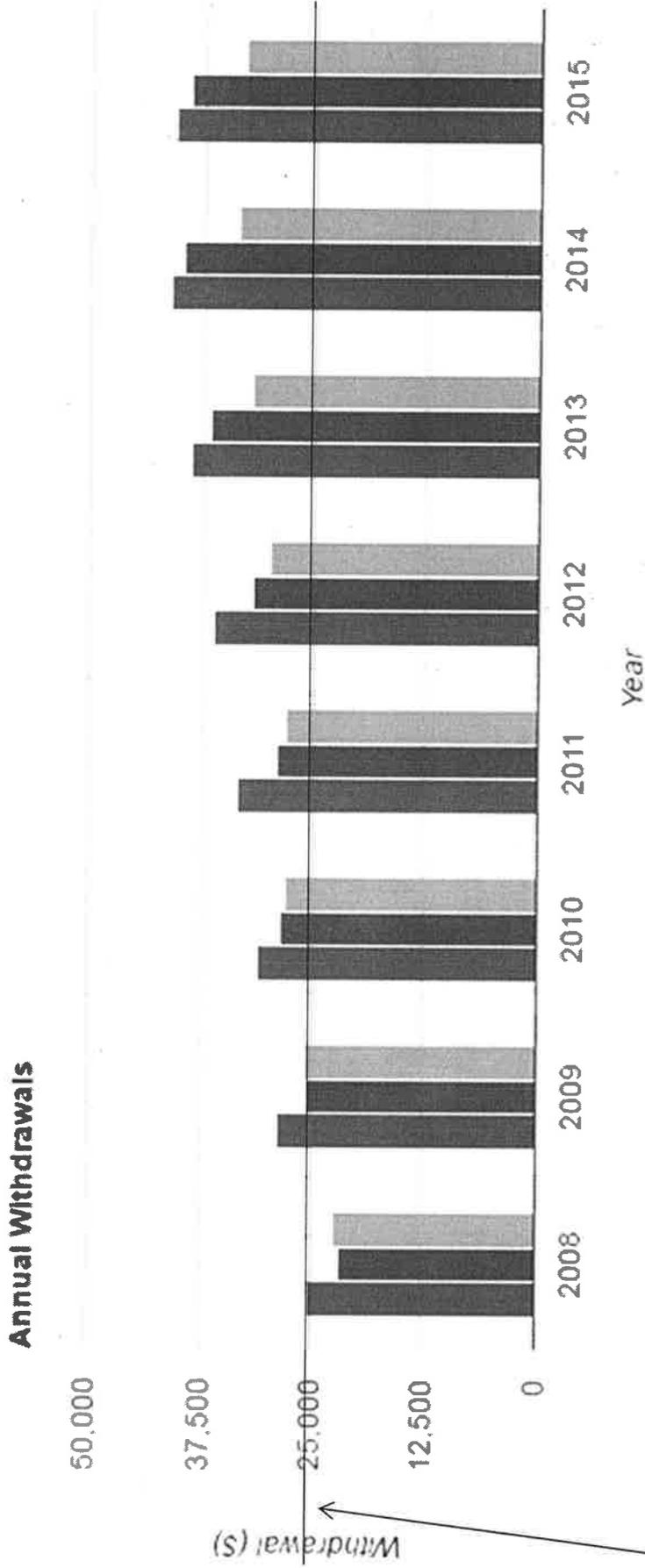
2008

Year

20% - 33% drop in value

Back-Testing (Start in 2008, end in 2015)

With 2.0% Annual Withdrawal



\$25,000/year