



## Ronald McDonald House Investment & Finance Committee Full Minutes

**Date:** January 19, 2022; 8:00 – 8:45 a.m.

**Attendees:** Kelly, JoAnne, Nick, Jason, Steve- (phone), and Patrick (Morgan Stanley)

### Meeting Objectives (Part I)

- Introduce new Chair: JoAnne
- Update on the new investment strategy
- Review new committee structure
- Complete year-end financial review (Part II)

### Agenda Part I: Investment Committee (8:00-8:45)

1. Committee Chair Welcome (JoAnne Vaccaro)
2. Organization & House Update (Kelly Ruppel)
3. Morgan Stanley Portfolio Review (Patrick Rindfleisch)
4. Discussion

### Agenda Part II: Finance Committee (8:45 to 9:30)

1. Complete 1<sup>st</sup> Meeting Toolkit Checklist
  - a. Formally Nominate and Appoint Committee Chair
  - b. Review Committee Charter
  - c. Discuss/decide on meeting minute protocol
2. Review 2021 Year End Financials (unaudited)
3. Review 2022 Budget for final Board vote: review Equity Reserved (House, Art, etc.)

### Part I

Agenda Topic	Discussion	Next Steps/Recommendations
Introduce new Chair	<ul style="list-style-type: none"><li>• JoAnne Vaccaro introduced herself as the Committee Chair and as the Treasurer</li><li>• Jason confirmed he was staying on the committee</li><li>• Nick confirmed he remains as Board President</li></ul>	None
House Update	Consistent full house at reduced 21 room capacity, continuing to use 6 to 8 hotel rooms every night to capture waitlist and overflow needs from the House. Family Room continues to eb and flow between 2 and 4 rooms a night (4 rooms is maximum). CareMobile is operating during school hours visiting low-income schools providing vaccinations, physical exams, and providing other referrals students may need. They are seeing lower #s due to COVID limitations of how many can be served on the unit at the same time safely.	

	Very strong finish to 2021, exceeding budget by \$400K. Success in the market saw a record number of stock donations at year end.	
<b>Review new investment strategy</b>	<p><b>See portfolio Review Q4 2021</b></p> <p>Overall, the market remains very volatile. This is due to several factors including inflation, the stimulus package holding up the economic recovery, and the Feds signaling more rate hikes. We are coming off a strong economy and will continue to see volatility for little while until it all balances out. This is expected and not something to be alarmed about, but to be planful around.</p> <p>Reviewed overall current account, Pg 5. Specifically last quarter the account was \$3.16 M – RMHC added \$580K, added in the earnings earned and ended the year at almost \$4.2M or a 13% gain for portfolio.</p> <p>Asset Allocation approx. 60% Stocks, 20% Bonds, 7% Alternatives, rest fixed assets.</p> <p>As discussed in the last meeting, the account was moved to a new investment strategy for RMHC – the Morgan Stanley Advisory. This is a more passive strategy, and it allows movements to be made to the managed account between meetings as, once we are assigned a model and the Morgan Stanley committee decides what to do, the account will automatically follow.</p> <p>Bond market exposure may be higher than we like. Were at 70% equity stock range, now at 60% equity stock range. Target is 65% typically, so not a big deal. The Investment Policy is a 60% to 80% allowed range.</p> <p>Open Question: Do we want to bring stocks back up to 70%? They would do that by taking the \$1,050,000 to equities.</p> <p>Madison Investment Advisors Accounts: YTD looked good overall – up 3.8 qtr., YTD 8.5% in line with the index.</p> <p>MIA – Did keep the covered call investment strategy, flat for the quarter, whereas index 7% for the quarter, but for the year the index was 20 and MIA was 13, should help to dampen volatility going forward. No concerns.</p> <p>Jason Question: Advantage Portfolio – What model are we? RMHC is Model 5. There is some advantage to having the fixed income in the model.</p> <p>Jason – feel like staying put for a quarter, might be the right strategy. No one has a crystal ball.</p> <p>Patrick – MS does expect a 20% swing, would expect a bit of a selloff in the market. Likely to find a time to go from 60% to 65%. Right now, comfortable staying put.</p>	<p>Patrick to send a few follow up documents once final year end numbers are in (meeting was too early for all to be finalized after year end)</p> <p>Revisit Equity Strategy and IMA investment portfolio in next meeting</p>



	Steve – don't have a problem staying at 60%.  Decision: Stay put at 60% equity for now.	
<b>Review Sleep Factor Ratio</b>	Sleep Factor including the current Cash at MIA and using the same sleep factor calculation as the past is 9.2 months. This has been consistent. It is an ok place to be until we find the opportunities to execute the equity strategy, at that point we could go back to the 6 or 7 months.	
<b>Next meeting</b>	<b>Next meeting is April 20, 2022</b>	

## Part II

<b>Complete Checklist</b>	<ul style="list-style-type: none"><li>JoAnne put forward her interest in being Committee Chair. Nick seconded, all in favor.</li><li>Directed Kelly to send the monthly financials to all Committee Members for review monthly so they are always available ahead of a full regular Board meeting, even if the Committee doesn't have a formal meeting.</li><li>Otherwise, agreed to keep the meetings on the calendar for every quarter.</li><li>Directed Kelly and Nan to take draft notes to send to the Chair for finalization.</li><li>Confirmed that the high-level outline of the agenda for 1/19 would work for future meetings.</li></ul> <p><b>Charter: Attachment_ Finance &amp; Investment Committee Charter FINAL</b></p> <ul style="list-style-type: none"><li>Reviewed and finalized the Charter making a few changes to clarify goals and connection between the Chair and the Treasurer.</li><li>Confirmed that auditors should present to this Committee this year.</li><li>Discussed role of the Committee in reviewing financial statements and on internal controls.</li></ul>	<p>Kelly to send the Charter to regular Board meeting materials.</p> <p>Kelly to finalize notes.</p>
<b>2021 Financial Year End</b>	<p><b>Attachments: 12-31-21 Income Statement; 12-31-21 Balance Sheet</b></p> <p>Successful year end outpaced budget by over \$400K with an incredible year end campaign. Many new donors, many current donors increasing their donations, positive side of a positive market. Kelly warned 2022, if in an economic slip, we could see this pull back. But the good news is we know we can hit these new necessary budgets needed to run the new House and full organization.</p>	



	<p>Jason had a question on Investment Income recording on the I/S. Kelly pointed to the Balance Sheet assets and Unrealized Gains.</p> <p>Kelly asked the Committee to help her think about the layout of our Equity balances on the Balance Sheet, and to review our current processes for investing back into the organization in years like this year where large gains are recognized, linking in the relationship to the sleep factor discussion.</p>	
<b>Next meeting</b>	<b>Next meeting is April 20, 2022</b>	

#### Finance & Investment Committee Goals

1. Implement new ways of Committee work to support the budgetary and financial reviews and controls of the current year in Q1 and through Q4
  - a. Identify new ways of working within reviews of the Cash Flow Statements
2. Implement year end procedures for review with the auditors for 2021 in Q2
3. Implement new investment strategy through Q1 and monitor through Q4
4. Revisit and update any changes to the Board's Investment Policy by Q3