



# Madison

## COMMUNITY FOUNDATION

June 8, 2022

[madisongives.org](https://madisongives.org)

## Balancing Out the Market's Ups and Downs



The markets closed out 2021 strongly and MCF's portfolio realized a 20% return. Unfortunately inflation and rising interest rates, coupled with the war in Ukraine and ongoing COVID-related supply chain disruptions, have created a lot of volatility in 2022. We understand that as a fundholder, you probably have questions about how these same forces will affect MCF's investment portfolios and distributions from your funds.

Fortunately, MCF has tools to help minimize the impact of market fluctuations on our portfolio returns and endowment distributions. One of those tools is our spending policy, which is designed to minimize the short-term effects of market fluctuations on distribution levels.

### **Helping Mitigate Inflation's Bite**

Inflation in the United States is rising at a higher annual rate than we've seen in decades. Periods of rapidly increasing inflation often cause volatility in the markets as investors try to discern which sectors may benefit from rising prices, and which will be hurt by them.

Inflation affects nonprofit organizations just like it affects individuals, eroding an organization's spending power as the cost of goods and services increases. Some organizations may also experience fluctuations in giving, as donors adjust to the effects of inflation on their own finances.

Nonprofits that rely on distributions from an endowment as part of their operating budget have an advantage during these periods of uncertainty – they have a consistent, relatively predictable stream of income to rely on. Even though a sudden increase in inflation, like we're experiencing now, can cause an increase in market volatility, MCF's spending policy helps minimize the impact of that volatility on your endowment and distributions.

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Support the people of Ukraine,  
Buffalo and Uvalde.

**DISCOVER HOW**



## Converting Their Foundation to a Donor Advised Fund

If you missed Madison Gives, you still can watch Bill and Jan DeAtley talk about what motivates their giving, and share their excitement at seeing organizations grow. They also talk about why they chose to move their private foundation to MCF.

[>> Watch the DeAtleys share their story](#)



## Creating a Career Pathway to the Trades

MCF builds endowments to help nonprofits support their mission. Learn how building an endowment to support the new McKenzie Regional Workforce Center is a central part of the Boys & Girls Clubs of Dane County's plan.

[>> Learn about the new McKenzie Regional Workforce Center](#)

Did you miss Madison Gives this year? Don't worry.

**WATCH THE PROGRAM**

## Meet Camille Zaroni, MCF's Director of Donor & Giving Partner Engagement

We recently welcomed Camille Zaroni as Director of Donor & Giving Partner Engagement. Camille will be working with individuals, nonprofits and our giving partners as part of donor engagement team. A lifelong Madisionian, Camille is excited to join MCF and work with everyone here to enhance the common good for our community.

"I find immense joy in helping people make a difference in this world for the things they value most," Camille explained. "With this position, I get to help people and community partners do that. I work with individual donors and their advisors to guide their charitable giving and help them carry forth their philanthropic values. I also work with nonprofit organizations to establish or grow a fund to help provide a reliable and sustaining source of funding for their programs and operations."

"And I work with our Giving Partners to grow their funds and strengthen their impact in their communities," Camille continued. Giving Partners partner with MCF to serve donors who support specific local communities and causes. They include A Fund for Women, Columbus Area Endowment, Lodi Area Community Endowment, Middleton Endowment, the Monona Fund, Portage Area Endowment and Rio Community Fund.



Meet Camille continued on page 4



## Balancing Out the Market's Ups and Downs, continued from page 1

### Stewardship Focused on the Long Term

MCF manages endowments through good and bad economic times. These endowments are intended to provide distributions today and for generations to come. To make this happen, MCF takes a long-term approach to managing the endowments we steward.

Stock market fluctuations from quarter to quarter, or even year to year, are smoothed out by MCF's "total return" spending policy. The amount available for distribution each year is based on a percentage (historically between 4% and 5%) of the fund's average value over the past 20 quarters.

Using a total return policy maintains more balanced and sustainable distributions, minimizing the impact of market fluctuations on a nonprofit's operating budget or an individual fundholder's annual distribution amount. Policies that spend out a fund's earnings each year can produce much higher distributions when the market is strong, but much lower distributions when the market is weak – and perhaps none when the market is in recession and the resources are needed most.

"The predictability of distributions is an important part of the model, particularly in uncertain times," says Bob Sorge, MCF President and Chief Executive Officer. "This provides support to organizations and allows them time to project and adjust rather than react to immediate changes."

### Calculating Annual Distributions

Each year, the MCF Board of Governors determines the annual distribution percentage and applies it to all endowed funds at MCF (including those that support MCF operations). The distribution rate is currently at 4.25% of a fund's average value over the prior 20 quarters (five years). The long window means the market's peaks and valleys moderate each other.

The table below shows a hypothetical fund, opened for a nonprofit organization with a \$100,000 initial contribution at the end of 2016. Our hypothetical fund has received no subsequent contributions and has made an annual distribution to the nonprofit every year in March. In the table, you'll see investment returns for each quarter, along with the fund's value at the end of that quarter.

Looking at our illustration, during the 20 quarters ending on December 31, 2021, you'll see annual distributions have risen from \$4,712.72 in 2018 to \$5,011.68 in 2022. Even with the large drop in the endowment's value in March 2020 – caused by market volatility at the start of the COVID pandemic – the annual distribution from the endowment only decreased by \$8 from 2021.

### Committed to the Community

MCF has a long history of serving the Madison area. Our prudent spending policy safeguards the financial health of the endowments in our care so they can provide ongoing support for the community, even in challenging times.

Date	Endowment Value (\$)	Annual Distribution	Date	Endowment Value (\$)	Annual Distribution
Starting Value	100,000.00				
3/31/2017	104,884.57		12/31/2019	121,782.38	
6/30/2017	108,435.78		3/31/2020	102,059.19	(4,838.36)
9/30/2017	112,741.54		6/30/2020	109,561.95	
12/31/2017	117,488.20		9/30/2020	115,669.85	
3/31/2018	111,841.72	(4,712.72)	12/31/2020	125,071.76	
6/30/2018	113,591.21		3/31/2021	125,505.07	(4,830.35)
9/30/2018	117,557.05		6/30/2021	134,561.58	
12/31/2018	110,312.82		9/30/2021	136,773.39	
3/31/2019	113,062.73	(4,764.53)	12/31/2021	143,111.63	
6/30/2019	116,874.99		3/31/2022		(5,011.68)
9/30/2019	117,550.79				

This illustration assumes a \$100,000 starting balance on 12/31/16, invested in MCF's diversified portfolio with no subsequent contributions; 1% monthly fee; 4.25% spending policy distribution each March



## Meet Camille Zanoni, continued from page 2

Camille has a long history of working in the nonprofit field. She spent 17 years with the Natural Resources Foundation of Wisconsin, where she served as director of philanthropy. Prior to that, she served as vice president of advancement for the Aldo Leopold Nature Center, and friends group coordinator and executive director to the Friends of Wisconsin State Parks.

While Camille was born and raised in Madison, she hasn't spent her entire life here. "I served as an agroforestry and education volunteer with Peace Corps in Paraguay, and worked in Kenya with environmental conservation and education," Camille shared.

Camille and her family – husband Samuel Pratsch, and sons Kylan, age 13, and Bowen, age 10 – love to explore the outdoors: paddling, hiking, climbing mountains, stargazing and skiing. They also enjoy visiting Madison's many art, music and cultural treasures.

"I have been lucky to visit many places around the world, and have yet to encounter a city as wonderful as Madison," Camille explained. "It has such natural beauty with its lakes, nature preserves and forests, incredible art and cultural resources, and wonderful schools and neighborhoods. Serving as the seat of state government and home of UW also creates a vibrant city."

"However, I recognize that in many ways, Madison has not been a wonderful and thriving place for all community members," Camille continued. "I am inspired that MCF is joining with others to affect change in that area."

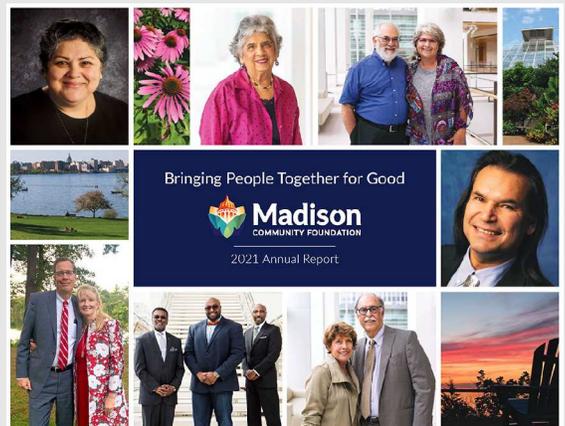
Camille's family shares her belief in giving back. She and her husband want to instill a volunteer ethic in their children, so they devote time to volunteering with the schools and other community organizations together. MCF also holds a fund that was established in her late sister's memory, the Nicole Zanoni Health Endowment Fund, which supports the health and dental needs of Madison public school children.

"It brings my family and I much joy to witness the impact her Fund has had in our community, and we are grateful to the Foundation for helping carry forth her legacy."

## The 2021 Annual Report is out. Did you get your copy?

MCF's 2021 annual report to the community was mailed out in early May. If you didn't receive a copy, you can [download a pdf](#) file from our website, or contact us at 608-232-1763 and we'll be happy to send you a copy.

If you're not currently on our mailing list and would like to be sure you get our annual report and newsletters, send a note to [news@madisongives.org](mailto:news@madisongives.org) and we will add you to the mailing list.



# Thank You Madison Gives Sponsors!

## Presenting sponsor



## Event sponsors



## Livestream sponsor



## Upcoming Dates to Remember

AUG

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### Letters of Inquiry Due for Community Impact Grants

MCF's Community Impact grant application process begins with the submission of a Letter of Inquiry. You can [learn more about the process here](#).

SEPT

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### Legacy Society Luncheon

Legacy Society members, save the date for our annual luncheon. We'll be back at the Overture Center. Not a member yet? Contact us to learn how [you can leave a legacy](#).

MAY 2023

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### Save the Date for Madison Gives 2023

Mark your calendars now for next year's Madison Gives celebration at Monona Terrace. Stay tuned for more details.

## Last Word

As the community's foundation, MCF works to help community members achieve their philanthropic goals, allowing them to tap into MCF's expertise in charitable giving, deep knowledge of the community, and commitment to permanent, sustainable philanthropy.

Have an idea for a story? Have exciting news you'd like to share?  
Join the conversation.



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## Madison Community Foundation

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