

**Proposed Use of \$590,000 Unrestricted Funds**  
**Analysis of Attorney hire and Investment**  
 January 2022

**Overview**

DRI is likely to receive roughly \$590,000 in Unrestricted Funds from attorney's fees awarded from the Boys State Training School lawsuit. Anticipated receipt of these funds is February or March 2022. The purpose of this analysis is to test the feasibility of hiring an additional Attorney for at least three years while also investing funds for future use.

**Hiring an Attorney at an assumed salary of \$60,000 per year**

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Salary (3% raise per year)	\$60,000	\$61,800	\$63,700
Bonus	\$1,500	\$1,500	\$1,500
Fringe Benefits	\$13,665	\$14,065	\$14,487
Licensing Costs*	\$1,000	\$1,000	\$1,000
Start-Up Costs **	\$2,000	\$0	\$0
<b>Total</b>	<b>\$78,165</b>	<b>\$78,365</b>	<b>\$80,687</b>

\*Licensing Costs: Per user fees such as email, IT support, software, etc.

\*\*Start-Up Costs: \$1,500 computer, \$1,000 moving expense, \$500 supplies

The cost of the new attorney over the first three years is \$237,217, comfortably less than the \$590,000 DRI is expecting to receive. DRI should keep \$160,000 in its current Unrestricted Green State Bank Money Market account to cover the first two years of this cost. More on this in the Investment Section.

**Investment**

It is in DRI's best interest to invest longer term Unrestricted Funds (beyond 2 years) in an effort to keep up with inflation and to build a larger pool of Unrestricted Funds. *It is important to note that any investment that has the potential to outpace inflation comes with inherent risk of losing money.* Based on history, which is not an indication of the future, the longer the money is invested the higher the likelihood of positive returns.

- **Short Term:** \$175,000 added to DRI's current Unrestricted Money Market account at Green State Bank of just over \$10,000. This account currently earns roughly 0.50% in interest per year.
  - \$160,000 covers DRI's new Attorney for the first two years
  - \$15,000 for important DRI activities that are not allowed to be done using grant funds including, but not limited to: lobbying, policy work, fundraising, team building (holiday party, farewell/welcome to staff, etc).
  
- **Longer Term:** \$415,000 added to a new Vanguard Business Account invested in Vanguard's LifeStrategy Conservative Growth mutual fund (VSCGX). This fund-of-funds maintains a 40% stock / 60% bond allocation.
  - Fund highlights and historic returns are shown on the next page.

DRI's Executive Committee must approve any investment decisions and/or actions including investing funds, withdrawing funds, and/or transferring funds prior to DRI taking any action.

## Product summary

The LifeStrategy Funds are a series of broadly diversified, low-cost funds with an all-index, fixed allocation approach that may provide a complete portfolio in a single fund. The four funds, each with a different allocation, target various risk-based objectives. The Conservative Growth Fund seeks to provide current income and low to moderate capital appreciation. The fund holds 60% of its assets in bonds, a portion of which is allocated to international bonds, and 40% in stocks, a portion of which is allocated to international stocks. Investors with a long-term time horizon who can accept modest movement in share price and can tolerate the risk that comes from the volatility of the stock and bond markets may wish to consider this fund.

Please note: The Lifestrategy funds are subject to the risks of their underlying funds.

## Fund facts

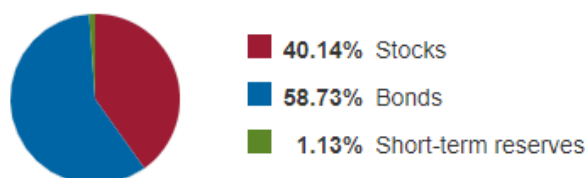
Asset class	Life-Cycle
Category	Conservative Allocation
Acquired fund fees and expenses as of 02/26/2021	0.12% This is <b>83% lower</b> than the average expense ratio of funds with similar holdings.*
Minimum investment	<b>\$3,000</b>
Fund number	0724
CUSIP	921909305
Fund advisor	<a href="#">View advisor details</a>

### Average annual returns—updated monthly

as of 12/31/2021

	1-yr	3-yr	5-yr	10-yr	Since inception 09/30/1994
LifeStrategy Consvr Grwth	6.05%	11.01%	8.05%	7.09%	7.07%
Conservative Growth Composite Index* (Benchmark)	6.25%	11.41%	8.34%	7.34%	7.04%

### Asset allocation as of 12/31/2021

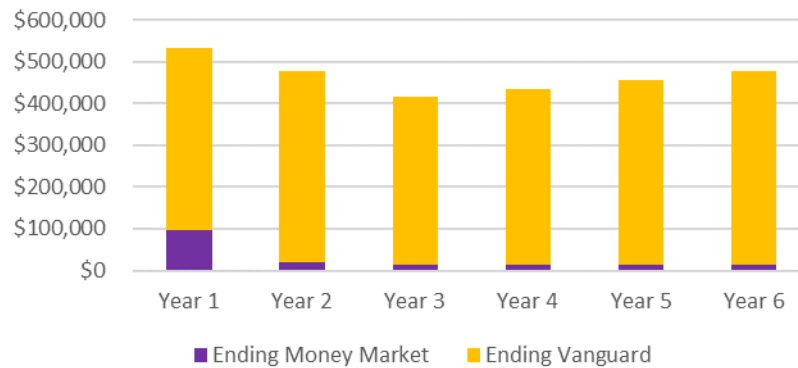


## Implementation

Below is a table showing how the plan outlined above would play out over a six-year period with the assumption that the Vanguard investment returns 5.0% per year (annualized return for the fund since inception is 7.07%).

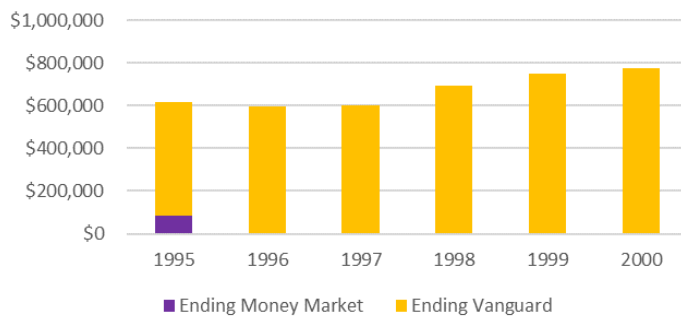
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Beginning Money Market	\$175,000	\$97,319	\$19,049	\$15,000	\$15,075	\$15,150
Attorney Cost	(\$78,165)	(\$78,365)	(\$4,124)			
Interest (%)	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Interest (\$)	\$484	\$95	\$75	\$75	\$75	\$76
<b>Ending Money Market</b>	<b>\$97,319</b>	<b>\$19,049</b>	<b>\$15,000</b>	<b>\$15,075</b>	<b>\$15,150</b>	<b>\$15,226</b>
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Beginning Vanguard	\$415,000	\$435,750	\$457,538	\$400,023	\$420,024	\$441,026
Attorney Cost	\$0	\$0	(\$76,563)	\$0	\$0	\$0
Investment Return (%)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Investment Return (\$)	\$20,750	\$21,788	\$19,049	\$20,001	\$21,001	\$22,051
<b>Ending Vanguard</b>	<b>\$435,750</b>	<b>\$457,538</b>	<b>\$400,023</b>	<b>\$420,024</b>	<b>\$441,026</b>	<b>\$463,077</b>
<b>Total</b>	<b>\$533,069</b>	<b>\$476,586</b>	<b>\$415,023</b>	<b>\$435,099</b>	<b>\$456,176</b>	<b>\$478,303</b>

### Vanguard Return = 5% per year



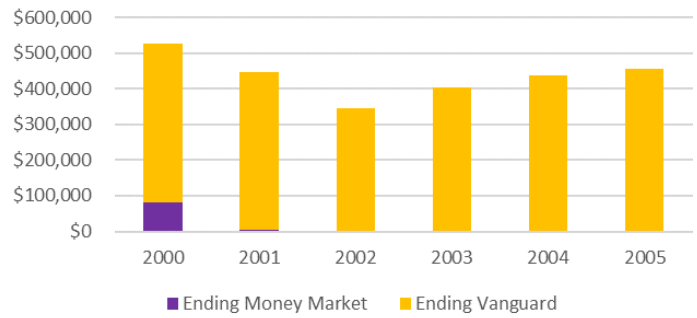
Below are additional tables showing what would have happened using a similar strategy over various six-year periods in the past using the actual fund returns in those years.

### Vanguard Return = 1995-2000



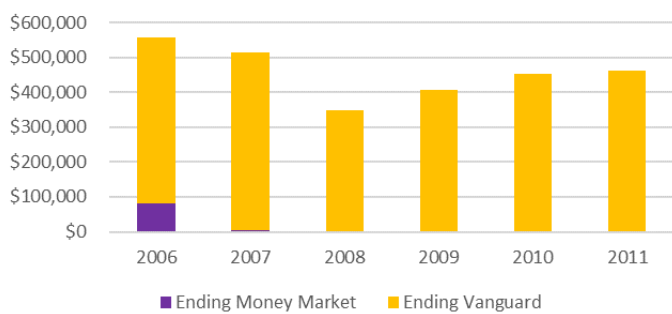
Ending Balance: \$772,811

### Vanguard Return = 2000 - 2005



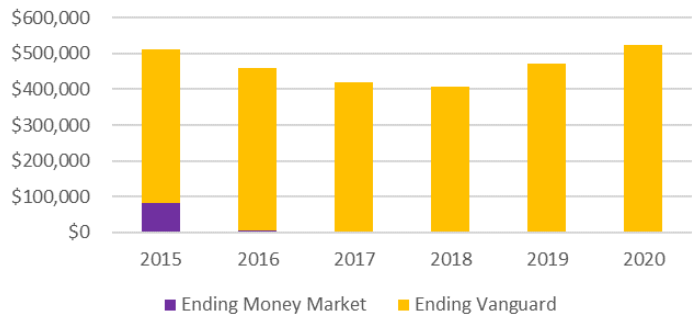
Ending Balance: \$455,910

### Vanguard Return = 2006 - 2011



Ending Balance: \$460,421

### Vanguard Return = 2015 - 2020



Ending Balance: \$524,981

## Alternatives

Should DRI want to be either more aggressive or more conservative in its investments there are other Vanguard LifeStrategy funds to meet the goal:

- **More Aggressive:** LifeStrategy Moderate Growth (VSMGX) 60% Stocks, 40% Bonds
- **More Conservative:** LifeStrategy Income (VASIX) 20% Stocks, 80% Bonds

## Considerations

- DRI's Executive Committee must approve any investment decisions and/or actions including investing funds, withdrawing funds, and/or transferring funds prior to DRI taking any action.

## Conclusion

Upon approval of the above considerations, DRI should feel secure in its financial ability to hire and maintain employment of an Attorney for at least three years by utilizing the expected \$590,000 of Unrestricted Funds. DRI should deposit \$175,000 of these funds into DRI's current Unrestricted Money Market account at Green State Bank and invest the other \$415,000 in Vanguard's LifeStrategy Conservative Growth Mutual Fund. Upon need of short-term Unrestricted Funds, it will be prudent and necessary for DRI to transfer from the Vanguard Investment account to the Unrestricted Money Market by going through the Executive Committee approval process required of all investment decisions and transactions.