

LOWER COLUMBIA COLLEGE FOUNDATION

FINANCE POLICY

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Table of Contents

LOWER COLUMBIA COLLEGE FOUNDATION FINANCE POLICY	1
I. PURPOSE AND BACKGROUND	3
A. The Role of the Finance Committee	3
B. The Purpose of the Finance Policy	3
II. GENERAL FISCAL MANAGEMENT	3
A. Fiscal Year.....	3
B. Authority to Function.....	3
C. Reporting.....	3
III. INVESTMENT OF ASSETS	4
A. Management of Investments.....	4
IV. GIFT POLICY	4
A. Gift acceptance	4
V. BUDGET AND SPENDING POLICY	5
A. Budget Preparation and approval.....	5
B. Spending Policies	5
C. Expenditure of Gifts	6
D. Unspent Budgeted Funds.....	7
VI. CASH MANAGEMENT	7
A. Cash Management	7
B. Checks over \$5,000 require two signatures.....	7
C. Release of Funds	7
VII. AUDIT	8
A. Audit.....	8
VIII. CHARITABLE GIFT ANNUITY PROGRAM	8
A. Program.....	8
B. Contract.....	8
C. Investment	8
D. Liability	9
E. Administration	9

I. PURPOSE AND BACKGROUND

A. The Role of the Finance Committee

The Finance Committee is a representative body of the Lower Columbia College Foundation Board of Directors that has the fiduciary responsibility for the Foundation's assets. The Foundation Bylaws state that the Committee shall consist of the chairperson and at least three (3) Foundation Directors. At least two (2) of these members should have experience in accounting and/or financial management. The Foundation Director and the Foundation accountant shall serve as ex officio members. The Finance Committee may utilize any additional individuals or experts as they may relate to the financial responsibilities of the committee. The chairperson shall report to the Executive Committee. The Finance Committee shall meet at least quarterly at the call of the chairperson.

B. The Purpose of the Finance Policy

The Finance Policy has been created to aid the Finance Committee in the tracking and fulfilling of the following responsibilities:

- Establish, review and update operating procedures, investment policy and spending guidelines for approval by the Board of Directors.
- Establish and review finance reporting procedures in concert with the Foundation staff and the Generally Accepted Accounting Principles.
- Review the annual audit of Foundation accounting procedures and records.
- Serve as the budget committee, to receive, review and recommend the Foundation operating budget.
- Develop guidelines for the management of any gift (including properties, stocks, bonds, securities, or equipment) which may be held by the Foundation.

II. GENERAL FISCAL MANAGEMENT

A. Fiscal Year

The fiscal year of the Foundation shall be July first (1) through June thirtieth (30)

B. Authority to Function

The Director, with assistance from the Foundation accountant, shall initiate and/or implement the ordinary and reasonable daily business of the Foundation as prescribed in the current Foundation By-laws and/or by authorized resolution of the Executive Committee and/or the Board. Unless otherwise authorized to do so by the Executive Committee, the Director shall have no authority to bind the Foundation by contract.

C. Reporting

The Director, with assistance from the Foundation accountant, shall present periodic reports of all receipts, disbursements, transactions, and end-of-period balances to the Finance Committee and then to the Executive Committee at the recommendation of the Finance Committee. The Foundation staff shall make an annual report of all business conducted by the Foundation.

III. INVESTMENT OF ASSETS

A. Management of Investments

The Board of Directors shall prudently administer the assets of the Foundation. The Board shall engage a qualified financial consultant who respects the investment philosophy and objectives of the Board and shall work with the Finance Committee in the selection of the fund managers.

- Criteria for manager shall include: all management fees will be inclusive; no upfront or custodial fees will be charged; no cost will be incurred to move between fund managers.
- Finance Committee will review the performance of the financial consultant annually to the Foundation Board of Directors.
- Finance Committee will review the investment activity quarterly and present a full report of activity to the Foundation Board of Directors.
- Investment Policy must be reviewed annually by the Finance Committee.

Refer to the Investment Policy Statement for details of investment policies accepted by the LCC Foundation Board.

The Foundation shall have the right to retain all or any part of any securities or property acquired by it in whatever manner. The Foundation also shall have the right to invest and reinvest any funds held by it, according to the judgement of the Board of Directors or its designated financial consultant (through authority granted by the Board of Directors after consultation with the Finance Committee.) As a general policy, all contributions of securities will be liquidated by the Financial Consultant upon receipt, unless directed otherwise, in writing by Lower Columbia College Foundation.

IV. GIFT POLICY

A. Gift acceptance

The Foundation will accept gifts that are consistent with the stated goals, objectives, and educational philosophy of Lower Columbia College and the Foundation. All gifts must be within the IRS regulations governing charitable contributions and must not jeopardize the Foundation's tax-exempt, charitable status under the Internal Revenue Code.

Gifts of assets of extraordinary value or of a controversial nature shall be subject to the approval of the Board of Directors after a recommendation from the Gift Acceptance Committee. The Foundation reserves the right to decline gifts.

The Gift Acceptance Committee is appointed annually by the LCC Foundation Board Chair and shall include, but not be limited to, the chairperson of the Planned Giving and Development Committee, the President of the College, the College Vice President for Administration & Finance, the chairperson of the Finance Committee, the Foundation Director and such professional expertise as deemed necessary.

If the value of the donated property exceeds \$5,000, the donor must get a qualified appraisal by a qualified appraiser, who earns an appraisal designation from a recognized professional appraiser organization, for contributions of property to be tax deductible. The LCC Foundation is not a qualified appraiser for the purpose of valuing the donated property.

The Gift Acceptance Committee has the authorization to commit expenditure of Foundation funds when reviewing acceptance or refusal of a gift to the Foundation, and expenses incurred following acceptance of a gift.

Acceptance of gifts also shall be subject to the approval of the President of the College and Director. Acceptance of planned gifts shall follow the Planned Giving Guidelines authorization for negotiation, and criteria for evaluation and acceptance of gifts approved by the Foundation Board of Directors.

The Foundation director is authorized to negotiate planned giving agreements with prospective donors following the guidelines and the format of the specimen agreements approved by the Board of Directors. All other agreements require the approval of the Gift Acceptance Committee, the LCC Foundation Executive Committee and legal counsel.

The Foundation reserves the right to reject in-kind donations. The Foundation reserves the right to sell all non-cash gifts (securities, materials, and equipment) upon receipt. Gifts accepted by the Foundation are with the condition that the gift may be used or disposed of in accordance with the needs of Lower Columbia College and at the discretion of the Foundation unless specific restrictions are documented.

A Non-Cash Gift Acceptance form must be filled out by the donor and signed by the appointing dean/administrator before the Foundation will review acceptance of the gift. It is important to review any restrictions, terms/costs of acceptance, and maintenance costs that may be involved.

B. Endowment Establishment

The minimum funding requirement to establish an endowment is \$20,000. Endowments funded through pledges are payable within five years. If the funding requirement is not met within five years, then either all contributions made will be combined with another endowment whose purpose is consistent with the original endowment fund, or for a purpose consistent with the Foundation's mission at the discretion of the Lower Columbia College Foundation Board of Directors.

V. BUDGET AND SPENDING POLICY

A. Budget Preparation and approval

The Director will work with the Finance Committee in the spring to prepare a draft of the next fiscal year's budget. A finalized budget will be brought before the Board of Directors for approval prior to July 1.

B. Spending Policies

1. Equity Fund

The spending policy for the Foundation's unrestricted Equity Fund shall not exceed 4% of a three year rolling balance at June 30, unless approved in the annual budget. These funds are transferred into the Operating Budget on July 1 and are available for expenditure during the fiscal year at the discretion of the Board of Directors. The Operating Budget contains those funds budgeted for annual operating costs and grant allocations.

2. Management Fees for Funds Participating in Earnings

A management fee of up to 2% of the balance as of March 31 from all participating funds (which includes endowments and other funds designated to participate in earnings) of each year may be taken if the fund is providing support for its intended use. If the participating fund is less than

12 months old or there has been a low return on investments and is not able to provide funds for its intended use, the management fee may be reduced or waived temporarily by the Finance Committee. The management fee will be swept into the Operating Budget for use designated by the Finance Committee in the current fiscal year.

3. Funds Not Participating in Earnings

Payout from non-endowed/non-participating gifts will be 100% of the value of the gift and no management fee will be assessed. The earnings on non-endowed/non-participating gifts will be reflected in the Equity Fund.

4. Management Fees for Large Gift Acquisition

Costs of acquiring gifts should be recovered from the gift unless waived by the Finance Committee. No other fees will be charged unless specified by the Finance Committee on a case by case basis.

C. Expenditure of Gifts

1. Program Support

a. Temporarily Restricted (non-participating) Funds:

The Director will notify the College Business Office of funds available and any restrictions or designations for the budget year. A budget number will be established and departments notified of available funds and restrictions. Funds will be released after expenditure through billing from the College. Supporting documentation detailing expenditures must be made available for monitoring by the Foundation accountant and auditor upon request.

b. Permanently Restricted (Endowed) Funds

In making a determination to appropriate or accumulate assets in an endowment fund, the Finance Committee and Board Members, acting in good faith, will apply the prudent person standard, and consider:

- The duration and preservation of the endowment fund.
- The purposes of the organization and the endowment fund.
- General economic conditions.
- The possible effect of inflation or deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the organization.
- The investment policy of the organization

The Endowment Policy and Agreement allows for up to 4% of the June 30 three year rolling average of the value of the endowment to support the fund's purpose for the following academic year; and additional 2% may be transferred to the Foundation's Operating Fund in the form of an administrative fee (Endowment Management Fee).

c. Regarding "Underwater" Funds:

In accordance with the obligation to preserve spending power, no permanently restricted net assets shall be appropriated for spending whenever the current value of an endowment gift is less than the historic gift amount. In addition, all investment income earned on such endowment gifts shall be reinvested until such time as the value of the endowment gift exceeds the historic gift amount.

2. Non-Cash Gifts

a. Items with No Value at Disposal:

Items that will be used up or which will have no value at the time of disposal will be transferred to the College for use at its discretion at the time of receipt of gift.

b. Items with a Significant Value at Disposal:

For items with a life expectancy over one year that will have a significant value at disposal, the Foundation will retain ownership so as to allow flexible disposal for the college. The items will be “borrowed” by the College for the department during their usefulness. The College will assume all maintenance costs necessary to operate or use the materials and equipment (unless other arrangements are made). The Foundation recommends that any proceeds from disposal of materials and equipment be returned to the program for which it was designated to comply with the wishes and spirit in which the donor gave the gift. It is the Foundation’s policy that all funds be used to support the designated program and its enhancement and to not be used for other purposes.

D. Unspent Budgeted Funds

Returned or unspent funds budgeted for the current year will be re-awarded (in the case of scholarships) when possible or returned to the specific account or general budget for re-awarding in the following budget year.

VI. CASH MANAGEMENT

A. Cash Management

Staff, with assistance from the Finance Committee, will establish a policy to manage contributions and funds coming into the Foundation to have them delivered to the proper investment pool on a regular basis. In addition, the committee and staff with input from the Investment Advisor will agree to a disbursement plan from the investments to have access to adequate funds to pay program support and payables.

B. Checks over \$5,000 require two signatures

Checks written from the check writing account require two authorized signatures if the amount exceeds \$5,000. Transfers of funds between Foundation accounts or investments do not require a second signature.

C. Release of Funds

The Director shall approve disbursements of funds only upon due authorization by vouchers, written directives governed by the By-laws, or as recommended by the Finance Committee and approved by the action of the Board. Authorized forms of disbursements shall include checks, securities, and other financial instruments as well as deeds, trust agreements, contracts, leases, licenses and other financial devices. The Director shall maintain a complete and current inventory of Foundation fiscal and financial assets that shall be listed in the annual report.

VII. AUDIT

A. Audit

An annual audit shall be made of all books, records, and transaction documents by an independent auditor or as directed by the Finance Committee. All such records shall be available for inspection by any voting director of the Board upon request through the Staff Director responsible for operations.

VIII. CHARITABLE GIFT ANNUITY PROGRAM

A charitable gift annuity is a contractual arrangement between the donor and the Foundation. The donor transfers money or property to the Foundation in exchange for a promise to pay an annuity to the donor and/or other named beneficiaries for the life of the annuitant or a specified period of time.

A. Program

The Foundation offers a charitable gift annuity program and administers it in accordance with policies established by the Board of the Foundation.

B. Contract

1. Contract Information

Each contract between the Foundation and the donor shall state a legal obligation which shall include the date of the contract; the name of the donor and annuitant; type of property and value donated; amount and frequency of annuity payment and first payment date; signature of donor(s) and authorized signer for the LCC Foundation. In addition, the donor shall provide the name, address, phone number, birth date and social security number of the donor(s) and/or annuitants.

2. Frequency of Payments

The frequency of the payments should not be more frequently than quarterly.

3. Designation of Residuum

The donor will be encouraged to allow the residuum at the satisfaction of the contract to be used as unrestricted funds. In special circumstances, the donor may specify in general terms how the funds should be used, accepting current policies at the time.

C. Investment

The investment of funds received pursuant to the gift annuity program shall consider and provide for the contract obligations of the Foundation as defined in the individual annuity contracts and the obligations of applicable law.

1. Investment Guidelines

For each gift annuity issued, the gift shall be divided into two components: the annuity interest and the remainder interest.

a. Annuity Interest:

The Annuity interest is the present value of all future annuity payments to the annuitant, based upon either the fixed term of payments or the annuitant's life expectancy. The annuity interest will be invested in a strategy whose primary objective is stability, with current yield a secondary objective. The investment advisor will make recommendations based upon these guidelines.

b. **Remainder Interest:**

The remainder interest is the charitable gift value when the gift is made. It will be invested in the same strategy that the investment advisor has selected for the Foundation's participating funds.

2. Separate Gift Annuity Fund

The funds of the gift annuity program shall be held in a separate fund and shall be accounted for separate and apart from the other funds of the Foundation. The entire amount of the donation for the gift annuity shall be held in the separate fund until the termination of the contract. At that time the remaining balance of the contract can be transferred into the funds held by the Foundation.

D. Liability

1. General Obligation

Gift annuity payments are general obligations of the Foundation.

2. Termination of Contract

At the termination of each contract, if funds remain in the contract, the funds can be transferred into the general foundation account unless it is determined that the foundation has or is likely to be required to pay its general funds to cover annuity contract obligations on other contracts. In the latter event, the remaining funds can be applied to reimburse such payment or can be held and applied to cover such other annuity contract obligations.

E. Administration

1. Record Keeping

The Foundation shall provide appropriate record keeping ensuring accountability, the tracking of each individual annuity contract and compliance with state or federal reporting requirements filings.

2. Payment Frequency and Due Dates

Payments shall be paid to the annuitant within fifteen days of the due date stated on the contract. The contract shall provide that the annuitant shall be liable for and pay the expenses for any special delivery instructions of the annuitant.