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**BARSTOW COLLEGE FOUNDATION**  
**FINANCIAL POLICY**

As Approved  
January 23, 1997

## **FINANCE COMMITTEE**

- Purpose:** To review and monitor the Foundation's finances and financial transactions.
- Scope of work:** Reviews financial reports, develops financial policies and procedures, monitors the budget, develops and implements investment strategies.
- Member Profile:** Committee is chaired by the Chief Financial Officer. Other members should have a background and interest in finance, investing, financial planning, accounting or banking.

The Finance Committee shall consist of the following Foundation officers:

President  
Chief Financial Officer  
Assistant Chief Financial Officer  
&  
The Barstow Community College District Assistant Superintendent of  
Administrative Services

Each endowed fund will be represented by one community member or a member from the family for which that fund is named. One additional Foundation Director or community member with a background in banking or investment may be asked to sit on this committee.

The Committee will meet a minimum of every 180 days to review current investments or make new investment decisions. The Chief Financial Officer will be responsible for reviewing monthly investment statements and notifying the committee if a meeting is deemed necessary.

# FINANCIAL MANAGEMENT POLICY

## STANDARDS OF CONDUCT AND ETHICS

Employees and Directors involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

In the administration of the powers delegated to the committee, members shall exercise ordinary business care and prudence under the facts and circumstances prevailing at the time of the action and decision. In doing so they shall consider long and short term needs of the Foundation and its trusts in carrying out its purposes, its present and anticipated financial requirements, its expected return on investment, price levels and trends, and general economic conditions.

## INVESTMENT OBJECTIVES

The objectives of the Foundation investment program is to obtain the maximum possible return on assets while assuring adequate protection of investment assets. In trying to meet these objectives it must be recognized that all investments carry some degree of risk, not only as to be safety of the principal itself, but also with regard to the inflationary erosion which occurs from the failure to achieve an adequate return on investments.

Within the overall investment objectives stated above different types of funds may have differing objectives. It is the responsibility of the Finance Committee to develop objectives and state those differences where appropriate. For example, the objectives of the General Fund may be different than the Endowment, Annuity and Life Income or Plant Fund. Specific objectives for each fund shall be developed and monitored by the Finance Committee. These objectives should consider the particular requirements of each fund, including cash flow, donor expectations, the impact of gains and losses on capital, and other factors which may be known to the Committee.

## MANAGEMENT OF FUNDS

The fiduciary responsibility dictates that extreme caution shall be exercised in the management of all funds under the control of the Barstow College Foundation.

## AUTHORITY TO EXPEND FOUNDATION FUNDS

Only the Board of Directors can authorize the expenditure of Foundation funds. the Board must honor donor wishes and may, with discretionary funds, authorize expenditures through the adoption of an annual budget and through delegation to its committees.

### Restricted Funds

Expenditures shall be strictly in accordance with donor stipulations and conditions. Any

funds accumulated through the investment of restricted funds, not stipulated by the donor, shall be expended in accordance with Foundation Board policy and/or action.

#### **Unrestricted Funds**

Unrestricted funds shall be the basis for funding current expenditures and shall be made in accordance with an annually adopted budget. Latitude shall be incorporated into the annual budget to allow the Executive Director reasonable discretion in the execution of the business of the Foundation. *The DAY TO DAY STUFF*

### **INVESTMENT OF ENDOWED FUNDS**

#### **Purpose**

The purpose of this investment policy is to provide guidelines for the investment funds deemed "permanent" in nature.

#### **Policy**

Permanent endowment funds are defined as those funds (restricted or unrestricted) the principal of which cannot be invaded and thus can be committed for extended maturities (in the case of debt instruments or with no specific repayment framework in the case of equity or real estate transactions). Though this policy contemplates only the investment of funds in debt instruments, nothing in this policy should be construed which would preclude investments in other instruments which may be, from time to time, approved by the Finance Committee of the Foundation. Upon the accumulation of \$25,000 of funds deemed to be permanent endowment in nature, the appropriate staff member shall invest those funds according to the following guidelines:

**NOTE:** For purpose of this investment policy, the maturity of an investment shall be deemed to be an accumulation of funds.

#### **I. Permitted Investments**

##### **A. GOVERNMENT SECURITIES**

1. U. S. Treasury Bills
2. U. S. Treasury Notes
3. U. S. Treasury Bonds
4. U. S. Treasury STRIPS

##### **B. U. S. AGENCY OBLIGATIONS**

1. Federal National Mortgage Association
2. Federal Farm Credit Bank System
3. Federal Home Loan Bank Board
4. Student Loan Marketing Association.



C. U. S. AGENCY INSTRUMENTS

- 1. Federal Farm Credit Bank (FFCB) Bonds, Discount Notes
- 2. Federal Home Loan Bank (FHLB) Bonds, Discount Notes
- 3. Sallie Mae Discount Notes
- 4. Federal Home Loan Mortgage Corporation (FHLMC)

D. Repurchase Agreements, over night only

CORPORATE BOND

E. Certificates of Deposit

KNOW INCOME

F. Prime paper, short term, P1 rating only

G. Equities with a Standard & Poor rating of "A".

BP - NO RATING  
B rating - 5 year

H. Mutual Funds with a four- or five-star rating by Morningstar.

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2. **Authorization of Investments**

Staff shall require the approval of either the chairperson, the vice chairperson or other designated member of the Finance Committee (to be named annually by the Finance Committee Chairperson) prior to the investment of permanent endowment funds.

3. **Combined Investments/Pooled Funds**

Endowment funds may be combined with other types of funds provided accounting identity is maintained and provided this policy is strictly followed. The pooling of funds shall be utilized as may be beneficial to the Foundation.

**Investment of Funds - Short Term**

1. **Definitions**

Short Term Investment shall be described, in this context, up to 180 days. It is intended that funds not needed for a period longer than 180 days, but less than one year, shall be reinvested upon maturity.

2. **Policy Statement**

Idle funds shall be invested to the extent possible. Short term investment of funds shall be invested to maintain the maximum possible liquidity to meet projected

needs. Short term investment of funds may be effected by the President of the Foundation or as delegated. Any funds needed within thirty (30) days shall be kept in an interest bearing checking account.

#### **Loan of Foundation Funds**

There shall be no loaning of foundation funds, either external to the Foundation or as inter-fund borrowing/lending.

#### **Political Donations**

There shall be no donation of foundation funds for political purposes.

#### **Restricted Funds/General**

1. **Purpose:**

To provide for efficient and effective management of restricted accounts held by the Foundation.

2. **Definition:**

A restricted account is one from which expenditures are restricted to a purpose or purposes specified by the donor (s).

3. **Statement of Policy:**

##### **Section 1**

Restricted accounts shall not accrue interest; except where there are specific agreements with donors to do so.

##### **Section 2**

All restricted accounts shall be formally established and recorded in the Registry of Trust which shall contain donor identification, restrictions, recipients, distribution and any other directions related to the awarding of funds from the account.

##### **Section 3**

Restricted accounts which have been inactive for a period of three (3) years shall revert to the General Scholarship Fund. A statement of Waiver shall be signed by each donor as part of the Registry of Trust to authorize transfer of these funds.

*The Endowment*

**Section 4**

Awards from restricted accounts shall be authorized by the Manager of Resource Development in accordance with the donor's restrictions. An annual report of all distributions from each account shall be made to the Executive Committee prior to the annual meeting.

**Restricted Funds/Endowments**

**Purpose**

To provide for efficient and effective establishment and management of restricted endowed funds.

**Section 1**

Each restricted endowed account shall have a minimum balance of \$5,000, said amount to be reached within a three (3) year period from the time of initial donation.

**Section 2**

If, after the three (3) year period has expired, the account has not reached the minimum level prescribed, the contributors to the fund shall have two options, (a) award the existing amount over a designated period, or (b) authorize combining the fund with another compatible, existing, active fund.

**Section 3**

No awards shall be made from the developing fund during the three-year period, unless the minimum balance of \$5,000 is reached prior to the end of the three-year period.

**TRANSFER OF FUNDS**

**Purpose**

This policy is restricted to the transfer of funds from the Foundation to the Institution.

**Policy**

1. There shall be agreement of acceptance on the part of the Institution prior to any transfer of funds from the foundation to the institution.
2. There shall be a uniform signatory process utilized in each instance of a transfer of funds, including any donor conditions.
3. There shall be a stipulation to the institution requiring reporting from the institution to the Manager of Resource Development; said reports to indicate

purpose and amount of funds used and adherence to donor stipulations. Reports shall be requested at least annually.

4. Conflict of interest situations shall be avoided in all transfers of funds.

## TYPES OF FUNDS

### General Operating Fund

This fund is used to account for those financial transactions that are not specifically designated. In addition, this fund is used to account for unrestricted revenue and expenditures for routine general administration and overhead support of transactions that cannot be charged to other funds. Direct contributions provides the source for these funds.

These funds shall be placed in relatively liquid instruments such as certificate of deposits; checking accounts; savings accounts; U.S. Government Bills, Notes, and Bonds; and Money Market Funds.

### Expendable Restricted Funds

The Expendable Restricted Fund is used to account for transactions of money restricted by donor or grantor to purposes not accountable in any other fund. Government contracts and grants; private sector contracts and grants; donor restricted gifts; and restricted income from endowments of purposes not identifiable to any other fund provide the source for these funds.

These funds must be kept relatively liquid, with maturity based on fund need.

### Student and Scholarship Fund

The student scholarship fund is the trustee of funds to provide annual scholarships to students selected by criteria established by the donor. Donations from individuals, businesses, corporations and Foundation Fund raising events provide the source of these funds.

These scholarship funds shall be invested in a manner consistent with providing periodic distributions to these students.

### Endowment Annuity and Life Income Funds

The basic differences among an endowment, an annuity, and a life income are the intent and use of the monies. An endowment is established for the general benefit of a college, its students, or a group affiliated with the college and (generally) only the income produced by the endowment may be expended.

An Annuity and a Life Income provide periodic payments to individuals not generally affiliated with the college. An Annuity provides for regular payment of a specified amount which can come from both principal and income. Life Income provides periodic payments only from income generated. Payments terminate at a specified time or upon the death of beneficiary.

Private contributions, bequests, and Interest Income provide the source of these funds. Monies shall be invested to meet the needs of the endowment.

### Plant Funds

The Plant Fund is maintained to account for land, buildings, and other physical properties, as well as for money set aside for purchase, construction, or improvement of these items. Donated income-producing properties with income use restrictions or properties associated with an enterprise activity are exceptions. Such items are to be recorded in the Endowment, Annuity, and Life Income Fund and Enterprise Activity Fund, respectively.

Gifts, contributions, General Operating Fund, and interest provide the source Fund Investment based on need of the project.

### Trust and Agency Funds

Moneys held in the Trust and Agency Fund differ from those placed in other funds because they are generally held in trust by the Foundation or are for pass-through purposes.

Expendable trusts are established when the Foundation accounts as a fiscal agent for another organization, agency, or person. Title for expendable trusts rest with another party and will never be transferred to the Foundation.

Non Expendable Trusts are established when the Foundation acts as a depository for another organization, agency, or individual.

An Agency Fund acts as an internal clearing account for grants, contributions, or revenues which must be allocated to more than one fund or when the user fund is not immediately known.

Funds need to be relatively liquid based on the use and need of the fund.

## **GIFTS**

### **ACCEPTANCE, DEFINITIONS & LIQUIDATION**

## **POLICY: GIFTS**

Non-profit foundations exist based upon gifts. Foundations must search, accept or deny, invest, control, disburse, and account for gifts. Therefore, it is imperative that each foundation adopt policies pertaining to gifts.

### **ACCEPTANCE OF GIFTS**

#### **1. PURPOSE:**

To provide for orderly, efficient, and judicious acceptance of gifts to the Foundation.

#### **2. STATEMENT OF POLICY:**

##### **SECTION 1**

The Manager of Resource Development may accept the following types of gifts without the approval of the Board of Directors:

- a. Unrestricted cash gifts.
- b. Restricted cash gifts if restrictions are consonant with the charter purposes of the Foundation and with the educational mission and goals of Barstow Community College.
- c. Securities which can be traded on public exchanges.
- d. Unencumbered bequests.
- e. Paid-up insurance policies.

##### **SECTION 2**

All gifts accepted by the Manager of Resource Development must be reported to the Executive Committee, to the Finance Committee, and to the Board of Directors at the next scheduled meeting of each of these groups.

##### **SECTION 3**

The Manager may, at his/her discretion, remand acceptance of any gift outlined in Section 1 to the Executive Committee or the full Board if he/she feels that the decision requires such participation.

## **SECTION 4**

The following types of gifts may be accepted only with the approval of the Board of Directors:

- a. Real and personal property (encumbered and unencumbered)
- b. Securities which are not traded on public exchanges
- c. Art objects and collections
- d. Bequests of an encumbering nature
- e. Trust Agreements
- f. Unpaid insurance policies
- g. Any gift from a questionable source and/or with ideological restrictions or purposes which the Manager evaluates as potentially controversial or inimical to the charter of the Foundation and/or the mission and goals of Barstow Community College District (Institution).

## **SECTION 5**

The Board of Directors may delegate evaluation and acceptance of any gift categories outlined in **SECTION 4** (above) to the Finance Committee, which, in turn, may appoint a sub-committee of the Finance Committee with the specific charge of evaluation and acceptance or rejection.

## **GIFTS-IN-KIND POLICY**

The Barstow College Foundation, a nonprofit organization which provides supplemental support to Barstow College, recognizes that in-kind donations of equipment, furniture, and supplies can greatly enhance classroom instruction and college programs.

To solidify its policy to accept gifts-in-kind and to give donors an opportunity to donate items and receive maximum tax benefits from their donations, the Foundation has established the following policy regarding in-kind gifts.

1. The Foundation Office must be notified of all potential gifts-in-kind to be donated to the college.
2. Gifts will be accepted only after it has been determined by the Barstow College staff that the college can use or benefit from the donation.
3. Gifts donor valued at more than \$500 must be appraised by a professional appraiser at the donor's expense, and the appraisal must accompany the gift.
4. No appraisal of the gift shall be made by the college or the Foundation.
5. Gifts may be given with restrictions for use in specific programs.
6. Upon acceptance of the in-kind gift, a Foundation gift-in-kind acceptance form shall be completed by the department accepting the donation.
7. Gifts accepted by the Foundation may be sold or disposed of by the Foundation. Disposal of the gifts shall be made under direct supervision of the Foundation office and will be documented. Proceeds from the gift sales will be retained by the Foundation. IRS Form 8282, Donee Information Return, shall be filed with the IRS by the Foundation Office for any donation valued over \$500 that is disposed of less than two years after the gift has been received.
8. Accepted gifts may subsequently be given to the Barstow College District for use in college programs.
9. If the District chooses to sell the item within two years of its receipt, the District will be responsible for filing the IRS Form 8282, Donee Information Return.

### **CATEGORIES OF GIFTS/DEFINITIONS**

**BEQUESTS** - gifts made through a donor's will.

**CASH** - funds received on behalf of, or for the benefit of the institution.

**DEFERRED GIFTS** - gifts in which the gift is conveyed at some later date or in such a way that the donor receives a lifetime income (such as charitable gift annuities, life income, annuities or remainder trusts) after which the gift becomes unencumbered property of the foundation. In some instances, a deferred gift may also be restricted.

**FELLOWSHIPS** - scholarships or stipends which aid students in the pursuit of their educational goals.

**MEMORIAL GIFTS** - gifts, scholarship funds, property, etc. given in honor of a person or persons.

**NON-CASH GIFTS** - gifts which include items such as real property, securities, items or personal property (such as works of art, books, antiques), etc.

**RESTRICTED GIFTS** - gifts for which the purpose of usage has been stipulated by the donor (s).

**UNRESTRICTED GIFTS** - gifts for which the donors do not restrict the use of the principal or of any interest earned through investment.

**PERMANENT ENDOWMENT** - funds given which are established and maintained in perpetuity; income derived through investment of these funds can be expended.

**QUASI-ENDOWMENT** - funds set aside by the Foundation Board much the same as permanent endowment funds (maintain the principal and expend invested earnings); designation as quasi-endowment can be changed by appropriate Foundation Board action to invade part or all of the principal; funds are considered to be unrestricted for financial reporting purposes.

**RESTRICTED ENDOWMENT** - funds for which the donor specified the use to which the income or earnings shall be expended.

**SCHOLARSHIPS** - donor or foundation gifts established to be awarded to support the educational objectives of selected students.

**TERM ENDOWMENT** - permanent-type endowment which includes an expiration date or stated period of time or occurrence of a specified event, after which all or part of the principal may be expended.

**UNRESTRICTED ENDOWMENT** - funds established and maintained in perpetuity, for which the earnings (through investment) may be expended at the discretion of the Foundation board.

### **LIQUIDATION OF GIFTS**

1. It shall be the general policy of the Foundation to liquidate gifts of land, stock, bonds or other collateral upon receipt or as soon thereafter as practical unless such gifts are accepted with restrictions.
2. The liquidation of such gifts shall be the responsibility of the Finance Committee, and the funds from such sales shall be placed in unrestricted Foundation funds - unless there are donor stipulations, which shall then be honored.

3. Any exceptions to this policy shall be brought before the entire Foundation Board For approval.

# **IRS RULES & REGULATIONS**

**IRS RULES**  
**SUBSTANTIVE VALUE GUIDELINES FOR IMPLEMENTATIONS OF POLICY:**

The Foundation shall strictly adhere to all IRS rules and regulations which pertain to a non-profit foundation classified as 501 (c) (3). Generally accepted accounting and reporting procedures shall be utilized to insure explicit understanding of all revenues and expenditures. Due diligence shall be exercised by staff and external qualified auditors shall be exercised by staff and external qualified auditors shall be employed on a regular basis.

**PREMIUMS - FOUNDATION RESPONSIBILITIES**

**PURPOSE:**

To state the Foundation board's position regarding the disclosure of the deductibility of gifts in instances where premiums or benefits are involved.

**DEFINITIONS:**

**DONATIVE INTENT** - Court decisions state that "a gift is not a gift unless it is motivated by detached and disinterested generosity."

**PREMIUMS** - An incentive of some value offered (given) to a donor; the value may be deemed to be token "or it may be deemed to be of substantial value."

**DISCLOSURE RESPONSIBILITY** - This responsibility has been placed upon each non-profit organization by the IRS with the ultimate "threat" of loss of tax-free status.

**STATEMENT OF POLICY:**

**SECTION 1**

**FOUNDATION RESPONSIBILITY - DISCLOSURE**

The Foundation shall exert reasonable effort to notify donors of the deductibility amount of each gift. This shall be done through printed information which shall indicate the value of any "premium" involved to alert the donor (s) of the potential deductibility of the value of the premium, if substantial.

**SECTION 2**

**IRS RULES - SUBSTANTIVE VALUE GUIDELINES FOR IMPLEMENTATIONS OF POLICY:**

In February of 1990, the IRS issued "safe harbor" rules for premiums of minimal value.

"Donor can safely ignore premiums or benefits if their value totals less than two (2) percent of the contribution with a cap of \$50." Total pledge shall be considered amount of gift.

Foundation can give "token items" without tax consequences provided (1) the donor gives more than \$27.26 and (2) the total cost of premium(s) does not exceed \$5.45.

"Value of a benefit is based upon fair market value, not upon its cost to the non-profit organization."

"IRS assumes that a donor used (accepted) an offered benefit unless the donor specifically refuses it."

"Final burden of proof of deductibility of a gift falls upon the taxpayer."

**CLUB & ORGANIZATION**

**FUND MANAGEMENT**

## FUND MANAGEMENT

The Barstow College Foundation, in an effort to serve the Barstow College campus clubs and organizations in managing funds for scholarships and other purposes to promote education, established this Fund Management Service Policy.

- 1.1 Upon the establishment of any fund, a signature card will be kept on file in the Foundation Office for all accounts.
- 1.2 A minimum of two and a maximum of three signatories may be established for a fund. Any one of the signatories may request money from the established fund.
- 1.3 All requests for money from any specific fund will be made by completing a Request for Disbursement form.
- 1.4 Check requests must be received by the Foundation Office a minimum of three working days before checks will be issued.
- 1.5 \* Each fund will be assessed an annual service fee equal to <sup>Interest Earned on the account</sup> 1/2 of one percent of the fund's average monthly balance.
- 1.6 Long-term funds will be invested and interest will be paid to each fund on the basis of the total investment and the average balance of each fund.
- 1.7 Quarterly reports are available in the Foundation office which give information on every Foundation account. Reports are available by the 20th of the month following the end of a quarter.
- 1.8 Any requests for transactions for organizations and groups who have accounts with the Foundation must be made in writing.

## FUND RAISING ACTIVITIES ASSOCIATED WITH FOUNDATION ACCOUNTS

- 2.1 All fund raising activities conducted by organizations whose funds are held by the Foundation must meet the legal standards for nonprofit fund-raising events.
- 2.2 Activities conducted to raise funds held by the Foundation should have carefully thought-out plans. Such plans should be filed with the Foundation Office on a Fund-raising Activity Request Form.

- 2.3 The Foundation will provide the club or organization for which the Foundation holds the funds with numbered receipt cards. All incoming funds collected by these groups should be reflected on the receipt cards and a copy sent with the funds to the Foundation Office.
- 2.4 Donors contributing to these fund-raising events will be thanked by the organization planning the event. Foundation letterhead will be provided for this purpose. Year-end receipts will go to all donors.