



# Holiday Lake 4-H Educational Center

## POLICY STATEMENT FOR THE PERMANENT ENDOWMENT Revised and Approved December 4, 2012

### I. Introduction

- a) The Holiday Lake 4-H Educational Center Board of Directors issues this statement.
- b) The purpose of this pool is to provide financial support to the center *in perpetuity*. Funds in the Endowment Pool are invested and a portion of the investment return provides support to the center's operations of non-profit programs and administrative services.
- c) There are two types of funds in the Endowment Pools: (1) donor specified, restricted, or pure and (2) board designated:
  1. When a donor specifies a gift as endowment, the funds are considered pure endowment and the investment return can only be used for the purpose that was specified. Examples of restricted, or pure, funds include plant maintenance, "camperships," and staff salary enhancement. The Center will exercise care and caution in accepting and abiding by the interest of the donor for the endowed use of their gift. A written letter of designation, in the absence of a will or other legal document, from the donor must exist to assure the donor's interest is being honored.

Donor restricted funds are accepted on the condition that the donor agrees that should the Center's need for which the funds are designated cease to exist in the future, the Board will attempt first to apply the restriction to a similar need for the Center, or to classify them as unrestricted funds if there is not a current similar need. The board will first discuss this substitute need and restriction with the donor, if living. If the donor is not living, this discussion will take place with the donor's living children. If the donor is deceased and there are no living children this decision will be made by the Board alone with the recommendation of the Center Director.

2. If the donor does not specify a use, a portion of the total return supports the general operations of the center. The Board of Directors ("the Board") can decide to designate unrestricted funds as Endowment. These funds, known as board designated endowments, remain in the Endowment Pool until the board decides to change the designation.
3. No representative of the Center shall use any form of pressure on a prospective donor; however, education and the provision of informational materials is encouraged and shall be provided to the prospective donor to aid in making an informed decision concerning their gift to the Endowment Pool.
4. All information concerning donors and prospective donors, including their names, names of beneficiaries, the amount and type of the gift, aspects relating to their

estate, *etc.*, shall be kept strictly confidential. The use of this confidential information can only be done with prior written permission of the donor.

## **II. Policies Pertaining to Named Endowment Funds**

Named endowment gifts may be used to establish a special endowment fund or may be added to an existing named fund.

Individuals or corporations interested in establishing a named endowment fund should be encouraged to consult with the President/CEO and Center Director prior to making the gift so that the donor's intentions are appropriately established in writing. Negotiation of any named endowment agreement on behalf of the Center shall be recorded over the signature, and with full knowledge, of the President/CEO, Center Director and Chair of the Holiday Lake 4-H Center Board of Directors.

In designating an endowment gift for a specific purpose, the donors are to be encouraged to:

- a) Describe that purpose as broadly as possible
- b) Avoid detailed limitations and restrictions
- c) Provide a clause granting the Center maximum flexibility to make use of designated funds in a manner most consistent with the interests of the donor and with the interests of the Center. This is particularly true in those cases in which future programmatic or other developments may make it impossible to apply the endowment proceeds to the purpose for which they were designated originally.

Gifts to establish named endowment funds for specific purposes must meet the minimum dollar requirements established by the Board of Directors. The principal amount of the original gift need not meet the minimum dollar requirements if the donor agrees to fully fund the endowment at the minimum dollar requirement within a specified period of time. Minimum dollar requirements may be changed from time to time at the sole discretion of the Board of Directors.

On a select, case-by-case basis, "challenge" endowment funds may be established by a donor without agreeing to fully fund the endowment at the minimum dollar requirement. The purpose of a challenge endowment fund is to create an opportunity for multiple, unrelated donors to contribute to a fund that is intended to serve a specific purpose. Any donor who contributes to a "challenge fund" will do so with the understanding that, if the minimum dollar requirement is not met within a specified period of time, the fund may be closed. Any contributions to a closed fund may be combined to other existing endowment funds or applied to other programs at the discretion of the Board of Directors.

The Board of Directors reserves the right to review the minimum amounts required for named endowments periodically and to amend the minimum amount required to ensure that endowment proceeds are sufficient to fund the intended purpose(s) of the endowment.

If the minimum amount required to establish a named endowment fund is not met within the agreed upon pledge period, the Center and the donor must determine, if possible, a mutually acceptable extension period. If an extension cannot be made, or if

the minimum amount is still not met after the extension period has expired, the Center can no longer honor the donor with the naming opportunity.

Named endowment funds can only be established in amount of \$25,000 or greater.

The maximum annual award(s) from each fund shall be based on the spending policy established by the Board of Directors, but shall not exceed earnings, less inflation.

The amounts established herein for endowment fund objectives are absolute minimums and will be “open-ended funds” (available for additions to the corpus) unless otherwise restricted by the donor and approved by the Board of Directors.

### **III. Receipt of Funds**

The Center welcomes and encourages gifts and bequests to be designated to a named fund or unrestricted funds in the Endowment Pool. Gifts shall include, but not be limited to, cash, stocks, bonds, certificates of deposit, real estate and personal property. [See the Center’s Planned Giving Policy for a more complete description.] The Center reserves the right to decline or otherwise refuse any gift offered to the Endowment Pool, with or without cause.

It will be the policy of the Center to actively and continuously encourage gifts to the Endowment Pool. [See the Center’s Planned Giving Policy.]

The Center will maintain complete and accurate records on all gifts and abide by all related federal, state and local rules and regulations.

### **IV. Management of the Endowment Pool**

While the Board of Directors has the responsibility for the prudent investment of the Fund in the exercise of sound discretion, it has delegated the responsibility for the operations and investment activities to an Investment Committee (“the Committee”). This committee will be comprised of the members of the Center’s Administration and Finance Committees, along with any other Board members appointed to the Endowment Committee by the Chair of the Board.

#### **a) Investment Committee Responsibilities and Functions**

1. The Committee’s principal function is to develop and recommend to the Board investment related policies. The Committee further recommends, as it deems appropriate, procedures for custodianship and access to securities held by the funds.
2. No member of the Committee shall have or appear to have a conflict of interest that impairs or appears to impair the member’s ability to exercise independent and unbiased judgment in the good faith discharge of his/her duties.
3. The Committee will review quarterly all investments of the Center.
4. The staff will make quarterly reports to the Board.

5. Upon recommendation of the Committee, the Board may engage an investment consultant to work with staff, and advise staff and the Committee, on investment, management issues including, but not limited to investment strategy, asset allocation, market trends, investment manager and/or custodian selection, manager and/or custodian evaluation criteria, investment performance evaluation, and any other appropriate matters.

#### V. Endowment Spending Policy

The long-term objective of the endowment spending policy is to maintain the purchasing power of each fund in the Endowment Pool with the goal of providing a predictable and sustainable level of income to support current operations and long-time plant maintenance. Under this policy, spending for a given fiscal year shall not exceed a given fund's earnings for that year, less an adjustment for inflation (CPI).

The goal of the Center is to eventually have the ability to assess an administrative fee, not to exceed 6% of a fund's annual earnings, to be used to fund the Center's development activities.

#### APPROVED BY THE BOARD OF DIRECTORS

Attest:

Chair of the Board

Date: \_\_\_\_\_

Secretary of the Board

Date: \_\_\_\_\_