



Gift and Investment Policy

600 Centralia College Blvd., Centralia, WA 98531
(360) 623-8942
<http://foundation.centralia.edu>

CENTRALIA COLLEGE FOUNDATION

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Gift and Investment Policy

(Policies and procedures in this document supercede, where applicable and appropriate, gift acceptance and investment policies and procedures previously approved by the Centralia College Foundation Board of Directors.)

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I. Preamble

It is the policy of the Board of Directors (“Board”) of the Centralia College Foundation (generally referred to in this document as “Centralia College Foundation” or “Foundation”) to treat all of the Foundation’s assets, including trusts and funds that are legally unrestricted, as if held by the Foundation in a fiduciary capacity for the sake of accomplishing its mission and purposes in support of Centralia College. The following investment objectives and directions are to be judged and understood in light of that overall sense of stewardship. In that regard, the basic investment standards shall be those of a prudent investor as articulated in applicable state laws, including RCW Chapter 11.100, “Investment of Trust Funds,” and RCW Chapter 24.44, “Uniform Management of Institutional Funds.”

Following the investment policies set forth in this document will demonstrate that the Foundation handles its investments responsibly and effectively and will 1) promote higher returns on the various funds using prudent & proven investment strategies, 2) make donors increasingly satisfied that their funds are being managed well, and 3) lead to increased giving from repeat and new donors.

II. Philosophy

The Board is the ultimate authority for all policy decisions regarding the investments of the Foundation, including such matters as the approval of endowment and designated funds investment policy, trust investment guidelines, investment managers, and asset allocation.

Preservation of principal is a primary investment objective. “Principal” is defined as the original value of the donation plus any subsequent donations.

The Pooled Investment Fund (PIF) is composed of unrestricted, permanently restricted (i.e. endowments), temporarily restricted, Board-designated and donor-defined monies (see Section V), with disciplined investment objectives and consistent management strategies that endeavor to accommodate any relevant, reasonable, or probable events. The careful management of Foundation assets will provide a dependable source of income for scholarships, grants, facilities, and current operations, and ensure a total return (yield plus capital appreciation) necessary to preserve (in real dollar terms) the principal of the assets.

The Foundation may also invest in fixed income securities or interest bearing accounts on a short, intermediate or long term basis aside from those in the PIF. The levels and processes will be determined by the nature of the assets being managed (unrestricted operating, donor request, etc.), the amount, and length of time desired (i.e. pending transfer into the PIF). These investments may also be pooled for management and leveraging economies in a Fixed Income Pool (FIP). Assets managed under this approach shall have as a primary objective the maintenance of principal, with inflationary and real purchasing value a secondary consideration.

In addition to managing the PIF and FIP, the Foundation may also serve as trustee or co-trustee of split interest gifts, such as charitable remainder trusts. Careful management of trust assets will provide income beneficiaries with the payout prescribed by trust documents, in the way that best fits their tax and income objectives, while ensuring that the principal of each trust is preserved (in real dollar terms) for the ultimate benefit of the Foundation and College.

III. Delegation

The Board has delegated supervisory authority over its financial affairs to the Executive and Finance Committees of the Board, which will rely on the Foundation Executive Director (or succeeding position) and Treasurer to carry out many of these responsibilities. The Executive Director and Treasurer will work with the Finance Committee as appropriate and will act in accordance with these Investment Policies (“Policies”) and all applicable laws and regulations. The Board reserves to itself the exclusive right to revise, or grant exceptions to, the Policies.

The Executive Director shall report regularly to the Finance Committee on all matters concerning the Foundation’s investments. In turn the Finance Committee shall work closely with the Executive Committee to make appropriate decisions regarding investments, unless prior approval by the Board is required for such actions, and shall report regularly to the Board.

The Finance Committee, upon receiving Board approval, is authorized to retain and contract one or more Investment Advisors (generally hereafter singularly and collectively referred to as “Advisor”) to assume the investment management of funds and assets owned or administered by the Foundation. In discharging the duties and requirements of the contract, the Executive Director and Treasurer shall act in place of the Committee and may receive reports from, pay compensation to, enter into agreements with, and delegate investment authority to such Advisors. When delegating discretionary investment authority to one or more Advisors, the Executive Director will convey to each the scope of its authority, the Foundation’s expectations, and the requirement of full compliance with these Policies, receipt of which information shall be acknowledged in writing by the Advisor.

Recognizing that the needs for spending and growth are long-term and that investment competence must be measured over a meaningful period of time, the Foundation does not expect to be reactive to short-term investment developments. While the Executive Director and Finance Committee will quantitatively assess managerial competence over a complete market cycle, they expect to make interim qualitative judgments. Specific qualitative factors that will be reviewed on an ongoing basis include any fundamental changes in Advisor’s investment philosophy; any changes in Advisor’s organizational structure, financial condition, and personnel; and any changes, relative to Advisor’s peers, in Advisor’s fee structure.

The Executive Director or Treasurer will allocate funds to individual Advisors and from time to time may withdraw funds from or reallocate funds among Advisors, with advice and consent of the Finance Committee in accordance with the bylaws of the Foundation. Objective evaluations of Advisors are to be made at least annually by the Finance Committee. Each Advisor’s performance is to be compared regularly with the performance of equity and fixed income market indices (*e.g.*, S&P 500 Capital Weighted and Non-Weighted, Dow Jones Industrial Index, NASDAQ over the counter market) and with other funds managed by “peer group” managers (for example, with similar styles, restrictions, and objectives), and with other endowment funds. Over a three to five-year period, Advisors are expected to achieve a total rate of return in the upper one-third of comparable funds of similar size with similar restrictions.

IV. Types of Gifts

The policy of the Centralia College Foundation shall be to encourage gifts of any type and description that are consistent with its charitable objectives. However, the Centralia College

Foundation reserves the right to abstain from accepting any and all gifts that are not consistent with its purpose for any reason. Typically gifts that will be considered for acceptance include (but not limited to):

Cash	Bargain Sales	Retirement Plan Designations
Tangible Personal Property	Life Insurance	Bequests
Securities	Charitable Gift Annuities	Pooled Income Funds
Real Estate	Charitable Remainder Trusts	Ownership Interests
Remainder Interests in Property	Charitable Lead Trusts	Other Beneficiary Designations
Oil, Gas, and Mineral Rights	Patents/Royalties	Retained Life Estates

The Centralia College Board authorizes the Executive Director and/or their designee to accept any and all gifts, except those that require board pre-approval (see Section III)

V. Non-Cash (in-kind) Gift Acceptance

The following policies and guidelines govern acceptance of gift including in-kind gifts made to the Centralia College Foundation or for the benefit of the Centralia College Foundation's mission or of any of Centralia College's programs.

The Centralia College Foundation accepts in-kind gifts from individuals, corporations, and others to secure the future growth and mission of Centralia College. The following policy and guidelines govern the acceptance of non-cash gifts by the Centralia College Foundation, provide guidance to prospective donors and their advisors and apply to all in-kind gifts received, for any purpose, by the Centralia College Foundation.

In the interest of full acknowledgment to our donors, the Centralia College Foundation and Centralia College shall work together to coordinate the receipt and ultimate use/disposal of in-kind gifts made to benefit individual programs. When contacted about a potential donation the Foundation and College staff will do an analysis of the best and highest use of the gift to determine the ultimate custodial process.

The types of gifts which would be referred to the Centralia College Foundation's Executive or Finance Committee for consideration include, but are not limited to the following:

- Gifts requiring unusual funding arrangements, special restrictions, or other commitments
- Gifts of real estate as defined further in this policy
- Gifts of personal property that are not apparently applicable to college programs or operations, and not addressed elsewhere in this policy.
- Non-cash gifts that are marketable securities as addressed in Section VI Endowment Establishment

With the exception of non-publicly traded securities and in accordance with IRS regulations, the donor is responsible for determining the value of non-cash gifts. Acceptance and holding of non-cash gifts which are not publicly traded and are greater than \$5,000 will require Centralia College Foundation Finance Committee review after legal, tax, and political consequences have been identified to the extent possible.

In-kind gifts are non-monetary assets, where the donor has agreed that the asset could be converted to cash for the benefit of the Centralia College Foundation or used for a Centralia College program or operation. In accordance with IRS regulations, the donor is responsible for reporting the value of in-kind gifts for tax purposes.

In-kind Gifts may include assets or property (consumables) that could be used as presented. Specifically, these gifts could include computer hardware and software, analytical equipment, vehicles, library archive collections, musical instruments, and any material that Centralia College would otherwise need to purchase. In-kind donations will be recognized by the Centralia College Foundation with a description of the donation and the date received. If the donor provides a receipt or an appraisal for the item, the Centralia College Foundation will recognize that amount. Donated computer hardware that is to be used on the college's network will have ownership transferred to the college with a college inventory number assigned; ownership of donated vehicles that are to be used for parts in the college's programs will remain with the foundation; however, ownership of donated vehicles that are drivable will have their title transferred to the college due to liability issues.

Donors are responsible for establishing the fair market value of their non-cash or in-kind gift with a qualified appraisal report by a recognized independent professional appraiser. The qualified appraisal report must be dated no more than 60 days prior to the date of the contribution, and it must be prepared in accordance with the requirements of the IRS to substantiate a donor's charitable deduction for non-cash gifts. A fair market value will be recognized as shown on the qualified appraisal if the value is more than \$5,000. If the value is less than \$5,000, the fair market value will be determined by the donor or their advisors (the foundation will recognize the donated item, not the value).

Centralia College Foundation personnel will not act as appraisers, and Centralia College Foundation policy and federal regulations do not permit the Centralia College Foundation to give appraisals or estimates of value.

The Centralia College Foundation shall, from time to time, establish priorities for special projects or programs for which funding is sought based on needs expressed by the administration of Centralia College. Additionally, specific procedures for handling and ultimate ownership of in-kind gifts shall be addressed in a separate attachment updated as needed by the Foundation and College staff.

Donations of Real Property

Gifts of real estate (immovable property) include developed property and undeveloped property, as well as gifts subject to a prior life interest or usufruct. Prior to acceptance of real estate, the Centralia College Foundation shall require, at the donor's expense, an independent appraisal of the property's fair market value. Depending on the circumstances, the cost of the appraisal may be paid by the Foundation and then deducted from the donation value of the property. Prior to closing the transaction, a Phase I environmental study may be obtained to ensure that the property has no environmental damage or other environmental issues that would expose the Foundation to liability. The Centralia College Foundation's Executive/Finance Committee shall determine if such a study is required. The donor shall be responsible for paying the fee for the study. The Centralia College Foundation's Executive/Finance Committee shall then issue a recommendation to the Board either to accept or decline the proposed real estate donation. If a recommendation is made to accept the proposed real estate donation, factors to be considered include but are not limited to: usefulness of the property for the purposes of the mission of the Centralia College or Centralia College Foundation; marketability of the property; any restrictions, reservations, easements, or other limitations associated with the property; carrying costs, such as insurance, property taxes; the results of the environmental study report, if obtained; and any potential liability for cleanup or restoration of the property.

At the time of certain gifts of real estate, a third-party purchaser may stand ready to buy the donated property immediately upon the property's donation to the Centralia College Foundation.

Under such circumstances, the Executive/Finance Committee is fully authorized to approve the sale of the donated property if the committee deems such sale to be in the best interests of the Centralia College Foundation. Once approved by the committee, the Centralia College Foundation's President or Executive Director, or another person designated by the committee, shall be authorized to execute any and all documentation related to the approved sale of the donated property.

Responsibility for IRS filings upon sale of gift items.

- a. The Accountant of the Centralia College Foundation will comply with all IRS regulations upon the sale or disposition of any asset sold within three years of receipt by the Centralia College Foundation when the charitable deduction value of the item is more than \$5,000.
- b. Acknowledgement of all gifts made through the Centralia College Foundation in support of the College and compliance with the current IRS requirements in acknowledgement of such gifts shall be the responsibility of the Centralia College Foundation.

VI. Endowment Establishment

The Foundation's goal is to support Centralia College in meeting their mission of providing higher education to the citizens of the state of Washington. To this end, the Foundation will solicit and accept contributions, and establish endowments that provide for this, subject to the conditions established in the Centralia College Foundation policies.

Endowments have traditionally served as vehicles to allow long-term stability to foundations and to memorialize the intent and philanthropy of donors in perpetuity. The foundation will strive to establish and manage endowments under the guidelines established by this policy.

1. Applicability – Contributions and donations must meet the mission of the Foundation and support the College's mission.
2. Counting – all gifts, pledges, and statements of intent counted in a campaign will be confirmed with the donor(s) in writing by foundation staff.
3. Reputable – The Foundation shall consider the source of the gift, and reserves the right to decline gifts that may eventually cause the Foundation or College embarrassment, or be derived from questionable or illegal activities.
4. Feasibility – The Foundation shall accept restricted gifts to the extent that the donor stipulations have a reasonable expectation of meeting. For gifts with a long term or permanent basis, such as endowments, acceptance shall include language allowing the Board to modify the restriction, keeping the donor's background and original intent in mind.
5. Endowments – Effective July 1, 2004, Gifts establishing endowments shall meet the following guidelines:
 - a. If donor restrictions regarding use preclude inclusion in investment pools, Finance Committee review and approval will be required.
 - b. Should donor restrictions for use of the endowment payout be desired, the agreement shall list more than one preference, and include a statement allowing the Board to modify the use should the original restrictions become unfeasible, with consideration provide the donor's background and original intent.
 - c. The minimum annual distribution for an endowment under the spending policy shall be established by the Centralia College Foundation Board of Directors based on a recommendation from the Centralia College Foundation

Finance Committee. Annual distribution policy shall be regularly reviewed but not less than every five years. Endowments established below the level needed to provide this minimum shall have all income, gains and losses credited to the account until the market value of the principal is able to provide the minimum award on an annual basis. Donors may also continue contributions or elect to fund annually an award in the name of the endowment until the endowment is able to award the minimum award.

- d. The Centralia College Foundation staff will work with donors to create an endowment plan that will reach a performing level within ten years of creation (first gift). If, after the original time frame or at any time before that time, it appears that the donor will not be able to complete their funding plan, the Centralia College Foundation Board of Directors has the right to collapse said endowment following the donor's original intent.
6. Split interest gifts – These gifts vary significantly in type and risk, and shall be reviewed by the Finance Committee, or board, or designee on a case by case basis prior to acceptance. See Section X.
7. Marketable Securities – Gifts of stocks, bonds or other marketable securities shall be valued on the effective date of transfer. Unless otherwise restricted by the donor, the advisor shall have the prerogative to sell or hold the securities in the appropriate investment pool for endowment funds. Gifts of securities that have such restrictions shall be held separately until such time they can be sold. Gifts of securities that have a permanent stipulation to be held shall be reviewed by the Finance Committee prior to acceptance. For non-endowment gifts of marketable securities, the policy shall be to liquidate the securities immediately unless restricted by the donor.
8. Non-cash gifts – See Section V.

VII Pooling of Funds and Allocation of Income

The Foundation will place funds designated for endowment into the PIF or FIP as appropriate unless donor restrictions prohibit such pooling. Pooled funds will be valued on a market-value basis for reporting purposes. The general policy for handling pooled endowments will be:

1. Each account and entering account will participate on a dollar-for-dollar basis in the allocation of income, gains and losses. Entering accounts will begin participation on the first working day following an allocation of income, gains and losses as described in section VI and VIII.
2. Each participant in the pooled investment portfolio will receive a pro-rata share of the investment gains or losses after the deduction of investment related expenses for both realized and unrealized investment changes for the period described by the investment statement allocation provided by the foundation's investment management company.
3. At a minimum, allocations will be made at the end of the fiscal year. The Foundation may elect to make allocations quarterly or monthly as it deems necessary.
4. Annual distributions shall be made based on the fair market value of the accounts after allocation of the net income at the end of each fiscal year. The advisor shall have the responsibility to maintain liquid reserves to meet distribution projections provided by the Foundation.

VIII Spending Rule (Distribution of Earnings)

In order to maintain stability in the scholarship program and to provide a basis for estimating available resources, the Foundation has established a spending policy of 3.5% per year of the rolling five (5) year market value as of June 30th of each year for each endowment fund, unless otherwise stipulated by the donor. This is implemented July 1, 2018, to replace the prior distribution percentage of 4%. Effective July 1, 2025, unless the Board directs otherwise, the spending policy percentage will reduce to 3% of the (5) year rolling average as of June 30th. The remainder of the total return (gains/losses/dividends/interest) will be carried forward in the endowment fund to allow for market fluctuations. This will 1) allow more conscious control over the amount that can be spent in any year, 2) create a more flexible environment in which Advisor can work, and 3) smooth out fluctuations and remove unpredictability of the amount of money available for expenditure each year.

New accounts will have the spending rule applied after five (5) full fiscal years in existence, unless other arrangements are agreed to by the donor.

The spending rule complements the total return approach from the investment standpoint (see Section II, Philosophy), which does not require a certain type of performance between appreciation and yield but rather focuses on net total return on investment and cash requirements. This added flexibility for Advisor often results in better overall investment performance.

These monies do not have to be expended immediately, and may be kept available for future disbursements or awarding. If sufficient funds for disbursements have not been accumulated, the Finance Committee may elect to suspend distributions from endowment funds.

IX Allocation of Total Returns for Pooled Investment Fund and Fixed Income Pool

At a minimum, investment income, gains, and losses shall be allocated based on the pro rata share of the market value of the portfolios at the end of the fiscal year for the PIF and FIP. The Foundation may also elect to make these allocations on a monthly or quarterly basis. New endowments that are to be placed in the pools shall be moved on the first working day following an allocation.

X Types of Funds

For purposes of this section, the term “fund” shall apply to the type of restriction, or lack thereof, applicable to the asset. (“A *fund* is any part of an organization for which separate accounting records are kept.”*) In non-profit organizations, funds fall into three main categories; unrestricted, temporarily restricted, and permanently restricted as to the use of either the principal or income of the original gift or source of revenue. These categories can influence how the asset will be invested and for how long. Definitions and general policies for the funds are as follows:

(*From Gross, Larkin, and McCarty’s -Financial and Accounting Guide for Not-For Profit Organizations)

Unrestricted – As the title implies, these funds are able to be used broadly in pursuit of an institution’s mission and goals. (“Unrestricted contributions are those contributions that are free of donor restrictions on their usage.”**) When considering restrictions, only those imposed by the donor are applicable, those imposed by the board or management are not.

Sources of unrestricted funds are contributions without restrictions or stipulations, fund raising activities that are not conducted with reference to specific causes (i.e. scholarship performances), and related income (such as net rental income from college students). It is the Foundation's policy to manage and expend unrestricted funds with the same consideration of stewardship provided to all other funds.

The Board may decide to designate a portion of these funds or have them function as endowment (quasi-endowment funds). This does not change the category of the funds, as the restrictions can be reversed by Board action.

Temporarily Restricted – Contributions that are expected to be consumed or expended within a period of time, or where the restrictions will expire are classified as temporarily restricted. (“Temporarily restricted contributions’ have donor-imposed restrictions that may be removed by (1) the passage of time or (2) an act of the organization.”**) These funds include donations for community scholarships, mini-grants, books, equipment and so on, where the expenditure is considered an act of the organization. It could also include “term endowments,” where the gift originally functions as an endowment but upon passage of a certain period of time or happening of a specific event the principal could be utilized for general operating or a specific purpose.

In general, due to the shorter-term life of these funds, the investment policy of the Foundation shall be to utilize interest bearing or fixed income investment vehicles. In the case of term endowments, a decision will be made on a case by case basis after considering the terms and nature of the gift.

Permanently Restricted – In general, these are the “true” endowment funds. (“Permanently restricted contributions’ are those contributions with restrictions that can never be removed, such as an endowment fund.”**) The intent of the donor was a gift that would live in perpetuity, and benefit the charitable cause permanently. Most endowments will not have specific investment direction, and the policy of the Foundation shall be to prudently manage these contributions under the criteria established in this document. Contributions with specific investment directions (other than what is described in the PIF or FIP sections) shall be reviewed on a case by case basis by the Finance Committee prior to acceptance by the Foundation.

Split Interest and Other Gifts – These gifts are recorded originally in the temporarily restricted fund during the life of the donor and/or beneficiaries. After any requirements of the split interest portion are met, the gift, dependent on the donor’s stipulations may revert to unrestricted, temporarily restricted, or permanently restricted funds. These funds may be managed by the Foundation, an external party, or a combination of the two. If managed by the Foundation in whole or in part, the policy shall be to accept a low risk approach, unless otherwise stipulated in the agreement. Due to the complexities and variations of split interest and other gifts, these will be considered on a case by case basis by the Finance Committee prior to the Foundation accepting the gift.

(**From Foster, Becker and Terrano’s - Millers Not for Profit Reporting)

In addition to managing the PIF, FIP and other interest bearing investments, the Foundation may also serve as trustee or co-trustee of split interest gifts, such as charitable remainder trusts, and receive gifts with specific donor restrictions or conditions. Based on the restrictions or conditions, these gifts may be pooled, managed separately, or managed externally. The Foundation shall take steps to the extent feasible to ensure that these expectations are understood by all parties concerned.

Planned Gifts – see section XVIII.

XI. Investment Pool Objectives/Asset Mix and Quality

The Foundation’s primary investment objective is to preserve and protect its assets, by earning a total return for each fund appropriate to that fund’s time horizon, distribution requirements, and risk tolerance. **(“Total return is the full amount an investment earns, as opposed to the current income it produces. In other words, total return is the sum of dividends and interest plus capital gains less any capital losses, realized or not, and expenses.”*)** This total return approach allows investing with no consideration given as to whether returns are achieved via income (*i.e.*, interest and dividends) or capital gain. Within the guidelines of these Policies, the Foundation can thus maximize return rather than having to maximize ordinary income, depending on the objectives of each investment fund.

(*From Robert P. Fry, Jr.’s Nonprofit Investment Policies)

Should the Centralia College Foundation choose to utilize the services of an Investment advisor, the advisor is subject to these policies.

A. Pooled Investment Fund - The risk/return profile shall be maintained by describing a long-term “target” strategic asset allocation. The Foundation is expected to operate in perpetuity and it will accept only median levels of risk in its investments. The targeted annual return over a five-year rolling period shall be at a minimum the spending rule plus the amount judged necessary to at least keep pace with inflation (See Section VII) To accomplish the Foundation’s investment objectives for the PIF, Advisor is authorized to use portfolios of equity securities (common stocks and convertible securities), fixed-income securities, and short-term (cash) investments. Advisor, in conjunction with the Finance Committee, shall set actual asset allocation targets for the combined portfolios, within the ranges provided in Table One below. Only the Finance Committee with the approval of the Board can modify these ranges.

Table One—Allocation of Assets—Pooled Investment Funds	
	Percent of Total Fund
Asset Class:	Ranges
Equity	40 – 70 %
Fixed Income	15 – 40 %
Alternatives	5-25%
Short-Term Reserves (cash/1-year notes)	0 – 20 %

B. Fixed Investment Pool and Interest-Bearing Accounts - The Foundation intends to maintain the principal value of the gift first, ensure continued spending levels second, and growth considerations third. The investment profile shall be determined by the timeframe the monies are available, Finance Committee recommendations, or donor stipulations, and the list of approved securities listed below. In these investments, the Foundation will accept only low levels of risk in its investments. For the FIP, the minimum targeted annual return over a five-year rolling period shall be the five-year U.S. Treasury Note rate over the same time period.

C. Cash and Cash Equivalents

Investments shall be limited to Certificates of Deposit, money market funds, federal government and agency issues, and to corporate issues having Standard & Poor's rating of A- or above or a Moody's® rating of AAA or above. Bank accounts shall be in institutions that are federally insured with less than one year maturity and amounts invested will be under the FDIC insured limit.

D. Split Interest and Other Gifts - These gifts are recorded originally in the temporarily restricted fund during the life of the donor and/or beneficiaries. After any requirements of the split interest portion are met, the gift, dependent on the donor's stipulations may revert to unrestricted, temporarily restricted, or permanently restricted funds. These funds may be managed by the Foundation, an external party, or a combination of the two. If managed by the Foundation in whole or in part, the policy shall be to accept a low risk approach, unless otherwise stipulated in the agreement. Due to the complexities and variations of split interest and other gifts, these will be considered on a case by case basis by the Finance Committee prior to the Foundation accepting the gift.

In addition to managing the PIF, FIP and other interest bearing investments, the Foundation may also serve as trustee or co-trustee of split interest gifts, such as charitable remainder trusts, and receive gifts with specific donor restrictions or conditions. Based on the restrictions or conditions, these gifts may be pooled, managed separately, or managed externally. The Foundation shall take steps to the extent feasible to ensure that these expectations are understood by all parties concerned.

E. Asset Quality – In managing the investments of the Foundation to meet the established objectives, the following criteria should be followed:

- a. *Common stocks*—Advisor may invest in any unrestricted publicly traded common stock listed on a major exchange or a national, over-the-counter market and appropriate for the portfolio objectives, asset class, and/or investment style of the fund that is to hold such shares.
- b. *Convertible preferred stock and convertible bonds*—Advisor may use convertible preferred stocks and bonds as equity investments. The quality rating of convertible preferred stock and convertible bonds must be BBB or better, as rated by Standard & Poor's, or Baa or better as rated by Moody's®. The common stock into which both may be converted must satisfy the standard of Section A, above.
- c. *Fixed-income securities and interest bearing accounts*—The portfolio may consist only of traditional principal and interest obligations (no derivatives). Investments shall be

made exclusively with the following securities, each of which shall conform to the stated quality requirements:

- A. U.S. Treasury and agency securities.
 - B. Corporate bonds and notes rated A or better by Moody's® and Standard & Poor's at time of purchase.
 - C. Commercial Paper and Bankers Acceptances rated P-1/A-1 by Moody's® and Standard & Poor's, or better at time of purchase.
 - D. Certificates of Deposit issued by a Federally insured institution.
 - E. Repurchase agreements collateralized by U.S. Treasury securities.
 - F. Money market mutual funds, the principal investments of which are instruments described in 1 through 5 above.
- d. *Mutual Funds* – At the discretion of the Advisor and as determined by the Advisor to be appropriate to complement other assets of the portfolio, assets may be invested in Mutual Funds. Such Mutual Funds may invest in U.S. Equities, International Equities, Fixed Income Securities, and certain Alternative Investments.
- A. U.S. Equities may include, without limitation, the following categories: Large Cap Core Equity, Large Cap Growth Equity, Large Cap Value Equity, Mid Cap Growth Equity, Mid Cap Value Equity, Small Cap growth Equity, Equity Income Funds, and/or Small Cap Value Equity.
 - B. International Equities may include, without limitation, the following categories: International Developed Equity, and/or International Emerging Markets Equity.
 - C. Fixed Income Securities may include, without limitation, the following categories: Municipal Bonds, U.S. High Yield Bonds, U.S. Taxable Bonds, and/or Global Bonds.
 - D. The purpose of alternative investments is to invest in assets with low correlation to traditional asset classes. These include REITs, hedge funds, private equity, real estate and real assets.

XII. Asset Diversification

A. Equity Investments

Advisor will maintain reasonable diversification at all times and may neither make investments in the equity securities of any one company that exceed 5% of the equity portfolio (at the time of purchase) nor allow the total securities position (debt and equity) in any one company to exceed 10 percent of the equity portfolio. Advisor shall also maintain reasonable sector allocations and diversification. In that regard, no more than 25 percent of the entire equity portfolio may be invested in the securities of any one sector.

Investments in equity (or debt issues) of smaller or small emerging companies may be made within the overall guidelines expressed in this statement. These investments (as distinguished from gifts made to the Foundation) may not be made in letter stock or unregistered or privately placed securities.

Investments in real estate securities or instruments may comprise up to 10% of the aggregate equity portfolio market value, with emphasis placed on investments producing high current return combined with residual equity values.

Investments in foreign securities are appropriate as a form of diversification and may be made up to 35% of the aggregate equity portfolio market value.

Venture capital investments are not normally a part of the endowment portfolio. However, mutual funds or other similar pooled investments that may include venture capital investments of 3% or less are not to be precluded by this Policy.

B. *Fixed Income Securities*

The structure of the bond portfolio and the selection of individual securities are matters of investment management discretion, developed primarily in response to changing market relationships, interest rate forecasts, and economic circumstances. Call protection should be considered to assure stable and current income.

XII Investment Management Limitations

All purchases of securities will be for cash and there will be no margin transactions, short selling, commodity transactions, or use of derivatives. In addition, Advisor may not make direct investments in real estate, or lend money (except through the purchase of fixed-income securities as permitted above).

The use of options, financial futures, derivatives, and similar hedging strategies for the reduction of risk is not permissible without the expressed approval of the Director or Treasurer, with approval of the Finance Committee.

XIV Custody and Securities Brokerage

The Director or Treasurer, in collaboration with Advisor, will establish such custodial and brokerage relationships as are necessary for the efficient management of the Foundation's funds. Whenever the Director or Treasurer has not designated a brokerage relationship, then Advisor shall execute transactions wherever it can obtain best price and execution.

XV General Investment Guidelines and Exceptions to Policy

- A. All investments shall comply with this Policy.
- B. All securities transactions shall be executed by reputable dealers/brokers or banks and shall be on a best price and best execution basis.
- C. Investments shall possess value and quality corroborated by accepted techniques and standards of fundamental, economic, financial, and security analysis.
- D. Exceptions to Policy shall be made rarely and only with careful consideration of the consequences by the Finance Committee and approval of the Board. When exceptions are considered, the Executive Director, in consultation with the Finance Committee,

should examine the policy in question to see if a modification to current policy is appropriate.

XVI Investment Advisor

- A. *Legal Compliance*—Advisor is responsible for compliance with the provisions of the prudent investor rule, as articulated in applicable state laws, including RCW Chapter 11.100, “Investment of Trust Funds,” and RCW Chapter 24.44, “Uniform Management of Institutional Funds,” as it pertains to duties and responsibilities of fiduciaries.
- B. *Timetable*—Advisor has the responsibility for frequent and open communication with the Executive Director on all significant matters pertaining to the assets managed.
 - 1. *Monthly*—Advisor will provide the Executive Director, Treasurer and Foundation Accountant with a written statement containing all pertinent transaction details for each separately managed portfolio for the preceding month, including:
 - a. The name and quantity of each security purchased or sold, with the price and transaction date;
 - b. A description of each security, including its percentage of the total portfolio, purchase date, quantity, average cost basis, current market value, unrealized gain or loss, and indicated annual income and yield (%) at market; and
 - c. An analysis for the entire portfolio of the current asset allocation by investment category (equities, fixed-income securities, and cash reserves).
 - 2. *Semiannually*—Advisor shall provide the Executive Director and Treasurer semiannually or as requested detailed information about:
 - a. Asset allocation
 - b. Investment performance
 - c. Future investment strategies
 - d. The investment forecast for the following year
 - e. The effect of the forecast on the attainment of the Foundation’s objectives
 - f. Advisor’s actual results for the preceding forecast period compared to the previously established return goal for the reporting period
 - g. The investment objectives and policy of the funds. If Advisor feels that the investment policy is too restrictive or should be amended in any way, Advisor must communicate this immediately by written notification.
 - h. Any other matters of interest to the Executive Director or Treasurer.
 - i. The Advisor shall meet with the Finance Committee and full Board to review the portfolio performance.
 - 3. *Annually*—Advisor shall meet with the Finance Committee and/or Board after June 30 of each year to provide a summary of all transactions in the previous fiscal year, together with a report of investment performance for those years by portfolio.
 - 4. *Periodically*—Advisor will promptly advise the Executive Director of any significant changes in its ownership, financial condition, or investment personnel.
- C. *Authority of Advisor in the Managed Accounts*—Subject to the terms and conditions of this Policy, Advisor shall have full discretionary authority to direct investment, exchange, and liquidation of assets of the managed accounts. The Executive Director and Finance Committee expect that Advisor will recommend changes to this Policy

when Advisor views any part of this Policy to be at variance with overall market and economic conditions.

The Executive Director shall direct Advisor to vote proxies, and to vote them in the best interests of the funds.

- D. *Evaluation of Investment Advisors*- It shall be the policy of the Foundation to evaluate investment advisors on a regular schedule to ensure that expectations and representations are delivered as expected. Evaluations shall be performed at a minimum of every five (5) years, but may also be done at any time at the discretion of the Finance Committee.

At a minimum, investment advisors will be evaluated on the following criteria:

1. Past performance with similar organizations (based on references)
2. Investment philosophy mix (options, similar organizations, investment vehicles)
3. Research resources (in-house, contracted, planned giving assistance)
4. Ability to set or adjust objectives
5. Benchmark system (comparable to investment objectives)
6. Experience with non-profit organizations (particularly higher education institutions)
7. Background and credentials of primary account representatives and support staff
8. Communication methods (monthly letters, newsletters, phone calls, presentations, willingness or availability to meet)
9. Report style and layout
10. Reporting mechanisms (monthly, annual, paper or electronic)
11. Location of offices
12. Fees/fee structure
13. Account Services (Internet or web-based services, information access and frequency of updates)

The Finance Committee may also include other evaluation criteria if deemed necessary. Results of the evaluation process shall be submitted to the Board, along with the recommendations of the Finance Committee.

XVII Cash Flow Requirements

The Executive Director will be responsible for advising Advisor in a timely manner of the Foundation's cash distribution requirements from any managed portfolio or fund. Advisor is responsible for providing adequate liquidity to meet such distribution requirements. Removal of Board designated funds from the investment pools shall be targeted at calendar and fiscal year ends when possible. If Board designated funds are removed from investment pools on other dates as provided in section VIII-Spending Role, a distribution of income, gains and losses shall be made.

XVIII Planned Giving

Planned gifts can be a substantial part of the philanthropic support received by The Centralia College Foundation (aka "the Foundation") to facilitate the continued excellence of charitable programs at the Foundation. These gifts usually involve tax and other forms of financial and estate planning activities. The Foundation can perform investment and administrative management services for planned gifts. Additionally, marketing, tax illustrations, proposal writing, consultation, technical and other assistance are provided to both the professional and private community.

Because of (i) the size of most planned gifts; (ii) the responsibilities the Foundation sometimes incurs for asset management and, in some cases, potentially serving as director; and (iii) the liabilities incurred for beneficiary payments, the Foundation Board of Directors establishes these policies as a guideline to assure that planned gifts are a productive and positive aspect of the fund raising efforts for the Foundation and its donors as well.

1. **Protection of Donors' Interests:** The Foundation and its volunteer and staff representatives shall always consider the interests of our donors as the *first priority* in planned giving. This shall include, but not be limited to, the donor's financial situation and philanthropic interests, as well as any tax or other legal matters discovered by our representatives while planning for a gift. A donor shall not be encouraged to make a gift, which is inappropriate, in light of the donor's personal or financial situation and shall be advised if a gift proposed by another party or parties is contrary to this policy. A donor may expect any representative of the Foundation, or its designee, to reflect the dignity and respect that the Foundation espouses.
2. **Confidentiality of Information:** Information learned by any representative of the Foundation about a donor or the donor's assets or philanthropic intentions shall be held in strict confidence with files kept in the Foundation's office(s). Donors will be encouraged to notify the Foundation of their planned gifts, including bequests. Written confirmation regarding planned gifts will be encouraged by letter, and acknowledgement may appear in the Foundation's periodicals, unless the donor(s) specifies otherwise.
3. **Legal Counsel:** Each prospective donor shall be urged to seek the advice of independent legal counsel in matters pertaining to the Foundation as it relates to completing a planned gift. A donor who chooses not to engage counsel should acknowledge this decision in a written statement addressed to the Foundation before the Foundation may accept a planned gift.

The Foundation and its selected advisors may furnish prospective donor(s) with specimen documents and may make recommendations to prospective donor(s). *Doing so, however, should not be construed as legal advice or counsel.* Generally, the Foundation will not pay

legal fees for the prospective donor(s) for the drafting of wills, agreements or trust instruments. If the Foundation is asked to serve as trustee of a charitable remainder trust, the Foundation's legal counsel must review and approve the document prior to acceptance of the trusteeship or execution of the document.

It is not within the duties of the Foundation, its volunteers or staff representatives, to give legal, accounting, tax or other advice. This is usually reserved for the donor's counsel. This policy does not preclude any duly appointed person representing the Foundation from advising a donor, or such donor's, counsel regarding a gift with appropriate disclosure to the donor and to the Foundation.

4. **Authority for Negotiation:** The Foundation staff representatives, or agents, are authorized to negotiate planned gift agreements with prospective donors to the extent that Section 3 (above) parameters are not violated. Any exceptions to Section 3 (above) will require review and recommendation for approval by the Executive or Finance Committee to the board of directors.
5. **Authority for Approval:** It is the intent of this section to establish reasonable limits for the approval of planned gifts to protect the Foundation, its volunteers, staff representatives and donors. Planned giving agreements funded with gifts of real property (discussed in more detail later), interests in an operating business, or any other hard-to-value asset, must be reviewed by the Executive or Finance Committee and recommended to the full board for approval or disapproval. Any authorized director, officer, or staff member of the Foundation may sign planned giving agreements as authorized annually by action of the board. Any responsibility assumed by the Foundation in relation to a planned gift must be consistent with the policies of the Foundation.

NOTE: It is the Foundation's posture to authorize staff to review all proposed gift arrangements on a case-by-case basis. Because each gift arrangement will predictably have unique attributes and extenuating circumstances surrounding it, the following guidelines are intended to be general in nature.

The Foundation and its staff representatives are authorized to accept, without regard to gift amount or review by the Executive or Finance Committee and/or full board, most planned gifts made by will or living trust, or life-income arrangement which is funded with cash, publicly-traded securities, or other financial instruments which are readily marketable and/or for which the foundation will receive the charitable interest, or a portion thereof, and in which the Foundation is neither named as trustee nor has other fiduciary responsibilities or liability.

However when gifts of property other than cash, publicly-traded securities, or other financial instruments are presented, which are not readily marketable and/or when the Foundation is asked to provide trustee and/or administrative services, in every case the Executive or Finance Committee must recommend for approval to the board of directors the proposed arrangement.

Those arrangements may include but not be limited to:

a. Charitable Remainder Unitrusts funded with cash, publicly-traded securities, or other financial instruments with a ready market and qualify under the federal government's rules requiring that the actuarial value of the charity's interest in the trust be at least 10% and the payout rate of the trust does not exceed 50%. The annual payout rate shall, by law, not be less than 5% and can range higher depending on the circumstances such as size of trust, age of donors, etc., as long as the above tests are met. Annual additions may be made to the trust as long as the additions meet the 10% and 50% tests described above.

Non-income producing property shall not be accepted in a unitrust unless the trust has a provision allowing for the payment of actual income earned only. If non-income producing property is accepted in a unitrust, which limits distributions to income earned only, responsibility for trustee fees, real estate taxes, tax returns, annual valuations and other out-of-pocket expenses shall be borne by the donor; and,

b. Charitable Remainder Annuity Trusts funded with cash, publicly-traded securities, or other financial instruments with a ready market and otherwise qualify under the federal government's "five percent probability test," the rule that the actuarial value of the charity's interest in the trust be at least 10% and the payout rate of the trust does not exceed 50%. The annual payout rate, shall, by law, not be less than 5% and can range higher depending on the circumstances such as size of trust, age of donors, etc., as long as the above tests are met. Once established, no additions may be made to an annuity trust; and,

c. Charitable Lead Trusts funded with cash, publicly-traded securities, or other financial instruments with a ready market, which are qualified trusts under law; and,

d. Charitable Gift Annuities, in which the Foundation is named as donee and funded with cash, publicly traded securities, or other financial instruments with a ready market. Minimum contribution amounts for each gift annuity shall not be less than \$10,000; and,

e. Remainder Interests in Personal Residences or Farms, in which the Foundation is the remainderman. When the donor(s) is at an advanced age, with high-quality real estate, an annuity may be offered based upon the remainder interest in a life estate. Expenditures for capital improvements, repairs, taxes or insurance on the personal residence, farm or vacation home used for the life estate will not be made by the Foundation; and,

f. Bargain Sales, when readily marketable property is available for sale, and as a gift, the Foundation may pay the seller up to an amount which, after consideration of up-front/ongoing charges (similar to those mentioned in Trusteeship and/or Trust Administration below) ensures an adequate gift to the Foundation; and,

g. Bequests, in which the Foundation is included as a beneficiary of an estate, will cause that particular donor(s) to become part of the Legacy Circle with their consent. NOTE: When a will is contested which might jeopardize the bequest named to the Foundation, the Foundation reserves the right to defend with legal means, the right of the deceased individual to determine that person's beneficiary(ies).

h. Gifts by contract, particularly life insurance, through which the Foundation will receive a future benefit, so long as the Foundation is not required to expend funds from sources other than the donor to maintain the contract. Existing whole life or universal policies should be maintained through donations until the policy becomes self-supporting. If additional premiums are required in subsequent years due to a drop in investment returns, the insured or his/her designee will be informed that additional donations are needed to maintain the policy and will be urged to make such donations. The value of life insurance policy for donation purposes shall be determined by the cash value inside the policy, or the amount of a viatical settlement the Foundation may receive if the policy were to be sold to a third party. No start up life insurance programs as a way to build an endowment fund over time will be approved by the Foundation.

Additionally, with prior review and recommendation by the Executive or as designated by Executive Committee and approval by the Foundation's board of directors, the Foundation, **if asked to serve as trustee**, is authorized to approve agreements which are funded with real property or an interest therein so long as the following steps are taken and specific information is provided and reviewed in regards to the real property:

1. The Foundation will create a 'trustee of the trustee' arrangement with a local trust company or trust services group within a bank.
2. The Foundation staff will gather information on the property by using a "Property Information Document" and then present the findings to the Executive or as designated by Executive Committee for their recommendation; and,
3. A preliminary title report will be ordered which will allow the Foundation to acquire information about ownership, possible liens, uses, etc., of the property; and,
4. A site visit will be scheduled by a Foundation staff member or designee. The purpose of the site visit is to visually see if there are any obviously unacceptable financial, legal, marketing or public relations risks associated with the property; and,
5. A market evaluation of the value of the property will be done (fair market value); and,
6. An assessment of the property regarding environmental regulations and liabilities showing the Foundation will not incur more than a generally accepted normal business risk by taking the property as owner or trustee, and,
7. A Phase I environmental assessment must be completed. Additional environmental studies may be required, based on the results of the Phase I assessment; and,
8. The gift is the entirety (100%) of the property or there is a commitment from the donor or other owners to immediately sell the non-gifted interest in such property (the board of directors, with prior recommendation by the Executive or as designated by Executive Committee, may waive this requirement upon a showing of good cause).

Upon gathering the above pertinent information, the proposed gift arrangement is then presented to the Executive or as designated by Executive Committee for recommendation to the Foundation's full board, for approval or disapproval.

Further, with recommendation from the Executive or as designated by Executive Committee to the board of directors, the Foundation is authorized to accept outright gifts, charitable gift annuities, and bargain sales which are funded with encumbered property or an interest therein so long as there is a reasonable expectation that the property can be readily sold and/or the debt can be readily serviced by the property's income stream. However, this should not be construed as a mandate that the Foundation will do so. Each encumbered property case will be reviewed on its own merits.

Caveat: A determination must be made whether the encumbered property has been owned by the donor more than five years before transferring it to the Foundation and whether the property was mortgaged more than five years before the transfer. This is known as the "five and five" test and, if not met, the Foundation will be subject to tax on unrelated business income upon sale of the property.

And finally, with recommendation by the Executive or as designated by Executive Committee to the full board for approval, the Foundation is authorized to approve agreements funded by the gifts of business interests or portions thereof so long as the gift is consistent with state and federal law, the business is not engaged in activities or practices that would offend the foundation or core values of the Foundation, the donor offers adequate assurances or there is independent information that establishes that there are no environmental hazards present, and there is a reasonable expectation that the business or portion donated to the Foundation can be readily sold at fair market value. It is not the intention of the Foundation to hold or own an interest in any operating business not directly associated with the Foundation's charitable purposes for any period of time other than that required for an expeditious sale.

6. **Trusteeship and/or Trust Administration:** *The Foundation prefers not to act as trustee.* However, the Foundation realizes unique circumstances may warrant trustee consideration. Additionally the Foundation is willing to serve as co-trustee, possibly successor trustee (again, if unique circumstances warrant), trust administrator, charitable remainderman and charitable income recipient. To encourage the establishment of charitable trusts, the Foundation may, if allowed under law, act as trustee and/or trust administrator and absorb the costs of trusteeship/administration for those trusts where the Foundation has a remainder interest. In consideration for doing so, the Foundation's annualized interest, on a present value basis, should be at least \$15,000. Factors that will be considered in determining whether a present value annualized interest of \$15,000 is achievable are such things as:
 - a. Interest loss factors on up-front charges such as appraisals, environmental surveys, accounting and tax services, real estate taxes, etc.
 - b. Trust payout rates,
 - c. The trust's likely actuarial life expectancy,

- d. Likely investment returns during the trust's period of existence.
- e. Ongoing costs such as investment management of trust assets, audit and accounting fees, custody and other administrative fees, and fees paid to co-trustees or successor trustees should the Foundation, in its sole discretion, determine that sharing the responsibilities of trusteeship would be in the best interests of the Foundation or the trust beneficiaries.

The Foundation shall ensure that all assets, for which it is serving as trustee, will be invested so as to produce results consistent with the mutual best interests of the donors and the Foundation under the prudent investor rules. The Foundation's selected trustee and/or administrator shall provide no less frequently than annually during the first quarter of each new year, a report to the Foundation Board on all investments held in trust, their condition, recommended investment changes, or changes in policy or operation the trust.

Following the approval and signing of a trust for which the Foundation is serving as trustee, the Executive or as designated by Executive Committee will recommend to the full board a course of action for the investment of trust assets. Inasmuch as it may be accomplished according to law and regulation, the board of directors may utilize the services of financial professionals who serve the donors who establish charitable trusts. The Board is authorized to terminate said relationships should they no longer serve the best interests of the Foundation or the beneficiaries, or conflict with the Foundation's duties and responsibilities as director.

In the event that a donor who establishes a charitable trust has no preference for trust investments, the Foundation's board may utilize the services of the investment manager engaged to manage the Foundation's own assets or to utilize other services to accomplish the objectives of the trust.

- 7. **Charitable Intent of Donors:** It is the policy of the Foundation not to enter into planned gift arrangements that do not reflect at least some donative intent on the part of the donor. The Foundation staff, and/or advisors, will document in the file for each planned gift the scope and nature of the donative intent expressed by the donor.
- 8. **Restricted Gifts:** Donors may choose to restrict the use of their planned gifts to any purpose consistent with the charitable purposes of the Centralia College Foundation and the established Gift and Investment Policies as amended from time to time. So long as the restriction is general in nature and not contingent on specified future acts by the Foundation or any subsidiary of the Foundation, the Foundation Board may accept the restriction and bind the Foundation to its provisions. Donors may offer successively less limiting restrictions if they wish. Each donor will be asked to agree that, should the restrictions they choose not be appropriate at the time of the maturity of their gift because of changes in education or other changes beyond the control of the Foundation, the Foundation Board may use the gift in a manner that meets the then current greatest need, keeping in mind the original intent of the gift and interest/background of the donor.
- 9. **Types of Gifts:** in general, the Foundation may accept any gift that is provided for in law or custom so long as such gift is consistent with the other provisions of these policies and guidelines. At all times, however, the preferences of the donor, as noted in Section II, shall

be more important than the Foundation's preference for charitable gifts. Types of gifts include (but limited to):

Outright Gift: This is the most preferred gift form because of the immediacy of its usefulness in the work of the Foundation. Outright gifts should always be encouraged first when possible. Outright gifts may take the form of cash and gifts of property.

Bargain Sale: This gift form creates an outright gift of part of the value of property because the donor's sale price is less than the fair market value. Usually, a donor sells property to the Foundation at less than fair market value and the Foundation, in turn, sells the property to another buyer at the higher, fair market value.

Charitable Remainder Trusts: A charitable remainder trust allows a donor to give property or cash which will be used by a third party (the trustee) to earn an income which is paid to income beneficiaries (usually the donor or donors) for life or a period of years. At the end of the income payment period, the trust principal is distributed to the charitable remainderman such as the Foundation. There are two forms of the charitable remainder trust:

1. The unitrust which provides an income based on a set percentage of the trust principal which is chosen by the donor at the outset. Each year the trustee multiplies the value of the trust fund by the percentage chosen and pays that amount in annual, semi-annual, quarterly, or monthly payments. This is the most flexible charitable trust arrangement and is the arrangement of choice for most donors. There are also provisions for net-income with, and without, make-up provision options, and a provision for the trust to 'flip' from net-income to a standard arrangement as well.
2. The annuity trust which provides a fixed dollar income which is chosen by the donor at the outset. The payments don't change and will come from trust principal should earned income not be sufficient. Payments may be annual, semi-annual, quarterly, or monthly.

Charitable Lead Trust: The trustee of a charitable lead trust pays the income of the trust to a charity or charities and, at the end of a fixed period of time, the trust corpus is transferred to one or more non-charitable beneficiaries. These gifts can produce dramatic gift and estate tax savings, providing a way for a donor to be philanthropic and preserve assets for family or other heirs.

Charitable Gift Annuity: The gift annuity is a contract between the Foundation and the donor which provides for a gift from the donor and annuity payments to the donor. Payments may be annual, semi-annual, quarterly, or monthly. The State Insurance Commissioner's office typically oversees the gift annuity process. The assets of the Foundation are pledged to assure payments will be made. A table published by the American Council on Gift Annuities, a national consortium of organizations that issue gift annuities, determines the annuity payments. Generally, rates may become higher and more attractive for people over seventy (70) and exceed the rates available for unitrusts or annuity trusts so this type of gift may be preferred by a donor beginning to advance in age.

Remainder Interest in a Personal Residence or Farm: This arrangement allows a donor to make a gift of the remainder interest (that which is left after the donor's lifetime) in a personal residence or farm to the Foundation, and reserve to himself or herself a life estate (the privilege to live in the home for life). These gifts are contracts. The donor agrees to pay all property taxes due, maintain the residence and to provide adequate insurance. The Foundation will accept outright life estate gifts or those made in exchange for a gift annuity, in unique circumstances.

Pooled Income Fund: A Pooled Income Fund will not be utilized at this time.

Gifts of Life Insurance: A donor may give a paid up life insurance policy to the Foundation, naming the Foundation as both owner and irrevocable beneficiary. A donor may give a life insurance policy to the Foundation that is not paid up if the policy has a current gift value or if the Foundation is assured that there is a reasonable expectation that the donor will continue to make gifts that will be at least equal to the cost of premiums for that policy. Should a contributed life insurance policy require additional premiums to remain in force, the Executive Committee shall determine the prudence of accepting such contributions and the donor shall be made aware that the Foundation cannot guarantee that policies needing premium payments will be maintained.

No start up life insurance programs as a way to build the endowment over time will be initiated by the foundation.

Bequests: Gifts made by will are encouraged and accepted as provided in these policies. The Foundation may act as trustee for testamentary charitable remainder trusts established in an estate plan subject to the Trusteeship issues discussed in section VII above.

Revocable Trusts: The Foundation may not act as trustee of revocable trusts that will benefit the Foundation with a remainder interest.

Donor-Advised Funds: The Foundation board has agreed that, in certain situations, it will accept a gift to establish a fund under an agreement requiring the Foundation to consult with, and seek the advice of, the donor or others before making distributions of income or principal from the fund. Such funds are known as "donor-advised funds."

A donor might be interested in a donor-advised fund (DAF) when one or more of the following factors are present: (a) an upcoming event or market situation makes a charitable gift beneficial at a particular time; (b) the donor would like to make a gift to the Foundation as well as a gift or gifts to another charity or charities; (c) the donor would like to give a complex asset and have the asset handled and disposed of by the Foundation; and (d) the donor would like to take advantage of the tax rules for gifts to public charities, which are more favorable than those for gifts to a private foundation (e) the donor would like to establish a DAF as part of their charitable estate for estate planning purposes.

Characteristics: A donor who wishes to establish a donor-advised fund would do so by making a gift directly to the Foundation. Requirements usually would include a minimum gift of \$250,000, at least 50 percent of which should be held for the benefit of the Foundation. Disbursements to other charities that are not private foundations, and do not have objectives or activities that are inconsistent with the foundation or

core values of the Foundation, may be requested occasionally (but not more frequently than quarterly) during the year by the donor, or a successor advisor or advisors named in the agreement, in amounts of at least \$5,000. Generally, at least 50 percent of the annual payout would be distributed to the Foundation.

Governance: No separate governing body will be established. The Foundation Board would legally control the assets of the fund. The Foundation executive staff or its designee would act upon requests for distributions.

Disclosures: The Foundation will disclose to the donor the analysis by the Foundation of this type of gift. Possible Internal Revenue Service views on the validity of this type of gift also will be explained.

Option to Terminate: For several reasons, including the possibility of a change in the law, the Foundation would retain the legal right to terminate the arrangement by distributing all the income and principal of the fund to a community foundation or a national charitable fund.

Administration: The day-to-day administration of donor-advised funds within the Foundation would rest with its staff. Periodic reports of the value of each donor-advised fund would be provided to the donor, as is done with donors who have charitable remainder trusts. The Foundation would make no charge for its services but would be entitled to reimbursement for any and all direct and reasonable costs of administration of the fund.

10. **The Foundation's Endowment:** Unless otherwise restricted by the donor, planned gifts may become part of the Foundation's unrestricted endowment upon maturity. These funds may, at the discretion of the Foundation board, be used for any of the charitable purposes of the Foundation.

11. **Valuation:** Planned gifts are usually the largest and most helpful gifts the Foundation receives. To determine the value of the planned gifts, the following guidelines will be utilized, unless otherwise pre-empted by counting guidelines the Foundation may have adopted in the context of a capital or comprehensive fundraising campaign:

Charitable remainder trusts and pooled income fund contributions will be valued at the present value of the remainder interest to charity as determined under IRS calculations; and,

Charitable gift annuities will be recognized at the value of the gift amount in the transaction as determined under IRS calculations; and,

Charitable lead trusts will be recognized at the present value of the projected income stream over the life of the trust as determined under IRS calculations; and,

Gifts that are irrevocable because of their nature, such as a paid up life insurance contract, will be recognized at the cash value of the insurance policy when the donation is made; and,

In the case of bequests, if the value of the bequest is known, it will be reported, *discounted by 18%. If the value of the bequest is not known, the value will be reported at \$1,000.

***NOTE:** *Represents the national average of bequest donors who change their mind – thereby not including the charitable organization as a beneficiary in their estate plan.*

12. **Services, Costs, and Compensation:** The solicitation, planning, and administration of planned gifts is a complex process involving the donor's philanthropic, personal, tax, and financial considerations. For this reason, donors often seek the counsel of legal, tax, and other experts (gift planners) who represent clients in the planning process and in implementing gift decisions. The Foundation will provide, as referenced in Section IV., documents and other materials that will expedite the formation of planned gifts.

No person in the employ of the Foundation may accept any compensation or material benefit from a donor as a result of the gift planning process.

13. **Finder's Fee:** No finder's fee or other fee, directly or indirectly is paid for the referral of a gift to the Foundation. Brokerage fees, commissions on sales of property – stock or real estate, and ongoing investment fees are not considered finder's fees.
14. **Additional Expenses:** The Foundation may charge for out-of-pocket expenses in unusual circumstances.
15. **Amendments:** These policy guidelines may be recommended for amendment by the Executive or as designated by Executive Committee to the full board from time-to-time.
16. **Policy Review:** The Executive or as designated by Executive Committee shall review these guidelines not less frequently than every five years.

ADOPTED BY THE CENTRALIA COLLEGE FOUNDATION BOARD OF DIRECTORS

October 13, 2004

Amended June 8, 2011, November 9, 2011, October 8, 2014, November 18, 2015

September 14, 2016, September 12 2018