Green River College Foundation

Restricted Endowment Fee Policy

Overview:

Restricted endowments create expenses related to their charitable purpose. At the moment, no fees are attached to restricted gifts to endowments or the endowments earnings. Unrestricted annual and endowment gifts are used by the Foundation to cover the cost of providing charitable services and cover operating costs. It is the intent of this policy to begin to ask all endowment types to participate in covering the costs they generate.

Policy:

Policy effective July 1st 2017

For existing restricted endowments an annual management fee will be calculated as follows;

1% of the <u>difference</u> between the <u>total market value of the endowment</u> and the <u>total amount of all gifts</u> (<u>principal</u>) <u>plus reinvestment to the endowment</u>. Gifts made to the endowment principle after 7-1-17 will be treated as if they were donated prior to 7-1-17.

For endowments initiated after 7-1-17

Endowments initiated after July 1st of 2017 will be calculated as follows;

1% of the total market value of the endowment.

Definitions:

Total Market Value = The value of an endowment inclusive of all gifts, investment income, and realized gains/losses.

Principal = The sum of all gifts made to the endowment over time.

Reinvestment = Investment income and realized gains that has become part of the principal per the endowment agreement signed by the donor.

Illustration: (Using the sum of all restricted endowments):

Principal to Date (All restricted endowment gifts) \$6.1 million

Reinvestment to Date \$400,000

Total principal plus reinvestment: \$6.5 million

Total Market Value \$9.1 million

Fee Calculation ((Total Market Value) - (Total Principal + Reinvestment))*1%

(\$9.1 million - \$6.5 million) * 1% = \$26,000

Explanations and Guidance:

- 1. Exempting the original gifts of existing endowments keeps the current donor understandings in place.
- 2. Spending to meet the charitable purpose of the gift will be prioritized over collecting the fee.
- 3. Gifts to restricted endowments will not be charged a fee at the time of the gift.
- 4. The fee will not be collected on endowments that are "underwater" for any reason.
- 5. Gift fees begin when spending from the endowment commences.

Business Process:

- 1. In July of each year the Foundation Accountant will calculate the fee and impacts to individual endowments.
- 2. Foundation Staff will review the proposed amounts and apply the guidelines. The review may reduce the total fee generated.
- 3. The draft fee schedule and related spending will be reviewed by the Finance Committee at the July meeting.
- 4. An estimate of fee income and uses will be created during the annual budget process. The Finance Committee will review the draft income and uses at the April meeting.
- 5. In August of each year a report for each restricted endowment will be sent to the donor. The report will include fiscal year end total market value, 1 and 5 year investment performance, spending for the fiscal year and a disclosure of the total fee charged.

Adopted at the Foundation Full Board Meeting on June 20, 2017