



NDSCS ALUMNI / FOUNDATION POLICY STATEMENTS

Background Information:

The NDSCS Foundation Policy Statement was first adopted on December 7, 1988. This working document with the input of the Executive, Investment and Fundraising committees. Final approval of certain policies will be made by the Full Alumni Foundation Board.

Additions / Changes / Deletions – history to this document are listed below:

- 1) NDSCS Foundation Board Approved Policy Statement change of
 - a. Section II, Letter E, Number 1 & 2 - Scholarships - September 27, 2006
- 2) NDSCS Foundation Board Approved Policy Statement change of
 - a. Section II, Letter D, Number 4 – Receipt Fee - January 1, 2008
- 3) NDSCS Foundation Board Approved Policy Statement addition of
 - a. Section III, Letter A & B – Annual Reviews/Pay Merit Increases on Jan. 25, 2010
- 4) NDSCS Foundation Board Approved Policy Statement addition of
 - a. Section V, Letter A – Gift Distribution/Investment - Policy on July 2, 2015
 - b. Section V, Letter B & C – Gift Distribution/Investment - Policy on Dec. 10, 2015
- 5) NDSCS Foundation Board approved Policy Statement addition of
 - a. Section IV, Letters A-D – Foundation Operating Reserve Policy – August 2016
- 6) NDSCS Foundation Board approved Policy Statement change of
 - a. Section VI, Investment Policy – Approved April 26, 2001, revised 8/10/2004, revised 8/22/08, revised 8/10/15, reviewed without change 8/3/2017
- 7) NDSCS Foundation Board approved updated policy reports – November 17, 2017

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POLICY STATEMENT FOR NDSCS FOUNDATION

The following pages outline the Policy statement for the activities and operations of the NDSCS Alumni Foundation Development Program, which includes solicitation, valuation, recording and acknowledgements of charitable gifts to the NDSCS Foundation. Policies set forth in this document are approved by the NDSCS President as recommended by the Foundation Executive Committee. These policies are intended to serve as a guidelines for the Alumni Foundation Board of Directors, NDSCS Faculty, Foundation staff, and volunteers.

I. The Development Concept

In achieving the objectives set forth in the mission statement of the North Dakota State College of Science, the Development Program of the NDSCS Alumni Foundation embraces the following:

- A. Public Relations – to build general acceptance for the college among all its public contacts, including alumni, parents, students, faculty, corporations, other foundations and individuals in general.
- B. Fundraising – to secure support for NDSCS Foundation designated priorities, which are beyond the verity of state funding. It is the intent of the Foundation to raise unrestricted funds, along with designated funds, to underwrite the operating budget of the NDSCS Foundation.
- C. Recruitment - to recruit volunteer workers for fundraising activities to assist the Foundation staff in supporting the objectives and goals of NDSCS.
- D. The Annual Goal —to raise sufficient money to fund the priority needs of the College established and identified in the annual report of the President of the College and his/her advisors and which have been approved by the Foundation Board of Directors.

II. Mechanics of Receiving Gifts by NDSCS Foundation

- A. What Constitutes a Gift? – a charitable gift, as recognized by the NDSCS Foundation, is something which carries a monetary value, and is given to the NDSCS Foundation without expectation of any tangible compensation, Charitable Gifts to the NDSCS Foundation may be made in the following forms: cash, securities, real estate, gifts-in-kind, as well as planned gifts such as trusts, pooled income funds, and gift annuities. Items, not considered to be charitable gifts include contractual agreements, tuition payments for specified students, professional services, government grants, revocable life insurance policies (those not paid in full and not owned by the NDSCS Foundation).

1. Value of a Gift

The value of a gift, particularly for cash and securities, is determined at fair market value on the day the gift is made. For securities, the mean value is determined on the date the ownership of the stock is relinquished to the Foundation. In the case of gifts other than cash and securities, the responsibility for determining the value of the gift is as follows:

- a. The Donor

1. Donors should refer to IRS Publication 526, “Charitable Contributions,” and No. 561, “Determining the Value of Donated Property.” Donors also should be aware that the IRS now requires that they file Form 8283 if gifts of property are at least \$5000 in value. The donor will be responsible for official appraisals.

- b. The Foundation

1. The Foundation is responsible for maintaining accurate records of all charitable income, particularly as it pertains to the annual audit of revenue. The Foundation generally considers gifts of property as unrestricted gifts. Their disposition depends on the type and purpose of the gift and the request



of the donor. For gifts of real or personal property that have been accepted, the Foundation will provide the donor with a Deed of Gift.

- B. Solicitation of Gifts – Solicitation of gifts for the NDSCS Foundation will be managed under the direction of the Foundation Office. The Foundation shall be the official conduit for all gifts made to the college. The Foundation solicits the effort and support of the entire college family in its efforts to meet the priorities established each year for the Foundation.
- C. Reporting, Recording & Deposit of Gifts – gifts must be directed to the NDSCS Alumni Foundation Office for verification, valuation and recording before being taken to the College Business Office for deposit and the issuance of a receipt. Gifts are processed (valued and recorded) according to the *Management Reporting Standards for Fund Raising and Related Activities*, a document of the Council for Advancement and Support of Education and the National Association of College and University Business Officers.
- D. Specific Gift Requirements:
1. Gifts-in-Kind – all gifts-in-kind to the Foundation must be approved by the Foundation office before being accepted to avoid legal entanglements as pertains to tax laws, and other requirements
 2. Acknowledgements – all gifts shall be acknowledged by the Foundation Office immediately upon final receipt of the gift. When appropriate, additional acknowledgements may be made by designated departmental personnel at the direction of the Foundation Office.
 3. Gifts & Grants – gifts and grants will always be welcome and received with much appreciation. Gifts of more than \$100, especially those involving special tax consideration and lifetime benefits to the donor, ~~must~~ will be reviewed by the Foundation staff for proper recording and legal status.
 4. Receipt Fee Policy – (Effective January 1, 2008) an 8% fixed receipt fee will be assessed for Alumni/Foundation operations, on any new monetary gifts given, in excess of \$500, outside of operations and annual scholarships. This policy will be reviewed on a bi-annual basis. The executive board has the right to review the receipt fee policy at their discretion.
- E. Scholarships-Endowments:
1. Scholarships – Contributions made to scholarship funds that are given to a college through their Foundations, and where the institution selects the recipient, are tax deductible under existing IRS guidelines. The NDSCS Foundation utilizes a scholarship committee to assist in providing guidelines for operation of the program. The NDSCS Foundation will assist with any donor in establishing a scholarship to see that it fits the wishes of the donor. Scholarships can be awarded to students based on any or all of the criteria listed: Talent – academic, athletic, music, drama and other activities. Geography – Designated by donor for students that are residents of a particular area or city of a state. Financial Need – Financial need is always a credible reason it's important to note state and federal government programs are also available to students eligible for financial assistance.
 - a. The Coordinator: The Director of Financial Aid at NDSCS is the coordinator of the scholarship program. Scholarships are normally disbursed equally per semester. For example, a \$750 scholarship would be awarded at \$375 for each of the two semesters. (Revised from the quarter base and approved by the board, September 27, 2006.) If a student drops out of college, someone else could be awarded the scholarship, or the remaining balance can revert back to the fund, and can be awarded the following year.
 2. Endowments – NDSCS Foundation policy for setting up named endowments is to hold to a minimum of \$10,000 with only the interest being expended. However, a named fund may be established which can be added to by family or others and when the fund reaches the endowment level, the endowment will be established in the name of the designated individual or company. Until the fund is established as a permanent named endowment, the interest may be used for scholarship purposes as stated in the gift guidelines or if undesignated may be used as determined by the Foundation Scholarship Committee.



- F. Special Events – Fund raising events which involve participants from outside the North Dakota State College of Science academic community are approved through the Foundation Executive Director and the President of the College. Licenses and permits necessary to conduct such events need to be requested through the Foundation Executive Director's office.
- G. Use of Alumni and Donor Information – The physical files and computer database of the Development Office contain both directory and confidential donor information.
1. Donor Information - In most cases, donor records and correspondence are confidential. On an annual basis, however, the names of individual and corporation donors, with the exception of those named anonymously, are published by the NDSCS Foundation in the Foundation Report. Donor Lists are not provided or sold to any other organization or charity.
 2. Directory Information - Directory information about alumni includes name, address, occupation, and year of graduation from North Dakota State College of Science. Directory information about alumni is not supplied to any individual or business apart from the college without the prior written consent of the Foundation Office.

III. Foundation Operations (January 25, 2010)

- A. Annual Review / Performance Appraisals – The Foundation Executive Director will annually review the performance of the Foundation staff in accordance with the current NDSCS college policies and procedures. The personnel committee, consisting of Past Foundation President, Current Foundation President, Current Foundation Vice President and NDSCS College President, will annually review the Foundation Executive Directors performance in accordance with the current NDSCS college policies and procedures.
- B. Pay / Merit Salary Increase Procedures – The following procedures will be put into place for pay/merit salary increases. Increases will be determined by the Foundation Executive Committee based on performance and work plan. The Foundation Executive Director will determine the amount of the pay/merit increase if warranted for Foundation staff members and will present to the Foundation Executive Committee for approval, with notice to the full board. The personnel committee will determine the Foundation Executive Directors pay/merit increase if warranted and present it to the Executive Committee and Full Board for approval.

IV. NDSCS Foundation Operating Reserves Policy (set & approved; August 2016)

- A. PURPOSE: The purpose of the Board-Designated Operating Reserves policy for the North Dakota State College of Science Foundation is to ensure the stability of the mission, programs, employment, and ongoing operations of the organization.
1. Intention: Operating Reserves are intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. Operating Reserves may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as investment in infrastructure and development. Operating Reserves are not intended to replace a permanent loss of funds or eliminate an on-going budget gap. It is the intention of the NDSCS Foundation for Operating Reserves to be used and replenished within a reasonably short period of time (two years).
 2. Goals & Strategies: The Operating Reserve policy will be implemented in concert with the other governance and financial policies of the NDSCS Foundation, and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans.



- B. DEFINITIONS AND GOALS: The “**Board-Designated Operating Reserve Fund**” is defined as the designated fund set aside by action of the Board of Directors for Operating Reserves. The Operating Reserve serves a dynamic role and will be reviewed and adjusted in response to internal and external changes. The target minimum Board-Designated Operating Reserve Fund is equal to between **25%-50%** of average annual operating costs. The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and benefits, office, travel, program, and on-going professional services. Depreciation, in-kind, and other non-cash expenses are not included in the calculation. The calculation of average monthly expenses also excludes some expenses (for example, pass-through programs, one-time or unusual expenses, and capital purchases). The amount of the Board-Designated Operating Reserve Fund target minimum will be calculated each year as part of the annual budget approval process.
1. Funding of Reserves: The Board-Designated Operating Reserve Fund will be funded with surplus unrestricted operating funds. The Executive Board of Directors may from time to time direct that a specific source of revenue be set aside for Operating Reserves. Examples may include one-time gifts or bequests, special grants, or special appeals.
- C. USE OF RESERVES: Use of the Operating Reserves requires three steps:
1. Identification of appropriate use of reserve funds: The Executive Director will identify the need for access to reserve funds and confirm that the use is consistent with the purpose of the reserves as described in this policy. This step requires analysis of the reason for the shortfall, the availability of any other sources of funds before using reserves, and evaluation of the time period that the funds will be required and replenished.
 2. Authority to use operating reserves: The Executive Director will submit a request to use Operating Reserves to the Executive Committee. The request will include analysis and determination of the use of funds and plans for replenishment. The organization’s goal is to replenish the funds used within twenty-four (24) months to restore the Board-Designated Operating Reserve Fund to the target minimum amount. The Executive Committee will review and authorize transfer from the Board-Designated Operating Reserve Fund.
 3. Reporting and monitoring: The Executive Director is responsible for ensuring that the Board-Designated Operating Reserve Fund is maintained and used only as described in this Policy. Upon approval for the use of Operating Reserve funds, the Executive Director will maintain records of the use of funds and plan for replenishment. He/she will provide regular reports to the Executive Board of Directors of progress to restore the fund to the target minimum amount.
- D. REVIEW OF POLICY: This Board-Designated Operating Reserves Policy will be reviewed every three years, at minimum, by the Executive Board, or sooner if warranted by internal or external events or changes.

V. Gift Distribution/Investment Policy

- A. Scholarship Review: (approved & added by the Executive Brd July 2, 2015) By March 31st of each year, the Executive Board will review and approve the scholarships and other awards for the coming school year. The formula to determine the amount will be a percentage of the previous 12 quarters, of Investment Control Fund (89900), with a goal of 3% of the endowment. In the event the last quarterly market value exceeds the invested principal by 10%, the Executive Board could approve beyond the 3% up to 5% in scholarships and awards. This formula would be calculated using only the Investment Control Fund (89900).



- B. Investment Time Line: (Approved 12.10.2015) Endowment gifts given to the NDSCS Alumni Foundation will be invested within 30 days of receipt to the Alumni Foundation Investment firm in place.
- C. Investment Calculations: (Approved 12.10.2015) Endowment Gifts received between January 1st and December 31st of any given year will be calculated the following March for Fall distribution to the NDSCS Financial Aid office for scholarships and Department Endowments for NDSCS programs.

VI. Investment Policy (This policy was approved by NDSCSF Board 4/26/2001; Revised 8/10/04; Revised 8/22/08; Revised 8/10/15; reviewed with no changes 8/1/2017)

- A. **PRIMARY MISSION:** The North Dakota State College of Science Foundation's (NDSCSF) primary mission is to support the financial needs of the school and students through prudent investing of resources and to ensure that the Foundation honors the requests of donors.
- B. **STRUCTURE:** The NDSCSF's responsibility is to uphold the Foundation's mission through the Board of Directors (Board) and their prudent investment of the foundation assets. To accomplish this, the Board has appointed a Finance and Investment Committee (F&IC) to directly oversee the Foundation's assets. The F&IC shall be made up of no fewer than three NDSCSF Board members as well as the Director of the Alumni Foundation and the Foundation Treasurer.
 - 1. Operating Funds: The assets of the Foundation will be split into three components: The first component will be known as the "OPERATING FUND"; which shall be under the direction of the Director of the Alumni Foundation and the Foundation Treasurer. These individuals shall be authorized to place these funds with the Bank of North Dakota and/or FDIC insured institutions located within North Dakota and Minnesota with an emphasis on Richland and Wilkin Counties. These investment options are limited to cash equivalents such as: certificates of deposit, repurchase agreements, savings, money market savings, and checking accounts.
 - 2. Investment Fund: The second component shall be the "INVESTMENT FUND" which shall comprise the balance of the investable Foundation assets. The F&IC shall be authorized to engage the services of one or more investment managers to assist with these funds. The F&IC will have authorization to change investments within the guidelines laid out in this document at any time. Further, the Director of the Alumni Foundation shall be authorized on behalf of the F&IC to communicate its decision to the investment manager. The investment manager must possess the necessary research facilities and skilled personnel to provide expertise and guidance concerning the investment of these funds. The investment manager must stay within the established guidelines stated later in this Statement.
 - 3. Assets Fund: The third component shall be the "ASSETS FUND" which shall comprise the fixed assets (i.e. buildings, parking lots, farmland, etc.) of the Foundation. The Executive Board shall be authorized to manage these assets in whatever they deem to be most appropriate for the benefit of the Foundation after reviewing any constraints placed on it by the donor. The Executive Board may appoint a subcommittee as needed to provide expertise or to negotiate on behalf of the Foundation. The Director of the Alumni Foundation and the Foundation Treasurer shall be authorized to execute the decisions of the Executive Board.
 - 4. Investments objectives guidelines and fund balances established herein may be changed from time to time by the F&IC upon approval by the Board, and after consideration of recommendations from the investment manager(s) and staff. This policy statement and any future changes shall be in writing and approved by the Board.



C. INVESTMENT OBJECTIVES

- *OPERATING FUND* (Checking, Money Market Funds and CDs) All the assets of NDSCSF shall be invested with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and competent in such matters would use in the investment of a fund of like character and aims.

These assets shall be invested with the intent of earning the highest available rate of return in combination with spreading assets among financial institutions within North Dakota and Minnesota with the strongest emphasis to Richland and Wilkin Counties. However, any financial institution restricted by a regulatory authority (pledged securities for investment over FDIC insured limits) shall not be used without approval from the F&IC, with the exception of the Bank of North Dakota. Transfers will be made to the checking account on an as needed basis.

D. INVESTMENT FUND

- All the assets of NDSCSF shall be invested with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and competent in such matters would use in the investment of a fund of like character and aims.
- Assets shall be invested in a manner consistent with the primary emphasis upon preservation of principal, generation of income, and long term growth. Assets will be invested in a diversified manner to avoid the risks associated with concentrated investments in any single security or industry.
- The investment funds assets have the following guidelines:
 - ❖ Equities shall comprise no less than 50% of the investment fund portfolio, and no more than 75% of the investment fund portfolio.
 - ❖ Fixed-income investments shall comprise no less than 25% of the investment fund portfolio, and no more the 50% of the investment fund portfolio. Cash equivalents are not expected to be a significant part of the normal asset allocation, except to the degree necessary to provide adequate liquidity for fund distributions and except during interim periods when cash is held awaiting reinvestment in equities or fixed income.
- This investment policy allows for the use of mutual funds, individual securities and/or exchange traded funds (ETFs) meeting the stated investment guidelines.
- The principle purpose of fixed-income investments is to provide for preservation of principal and a dependable and predictable source of income. Investments in this category shall follow these guidelines:
 - ❖ Have an average duration, in the aggregate, of at least 2 years and less than 7 years.
 - ❖ Individual securities must be rated investment grade "BBB" or better by Moody's and/or Standard & Poor's at the time of purchase with the average credit rating of the individual bond portfolio being A-.
 - ❖ Any individual security subsequently falling below BBB- by either service will be subject to ongoing credit analysis. The investment manager will provide details and action plans on such securities to the F&IC on a regular basis.
 - ❖ High-yield (below BBB rating) investments shall comprise no more than 25% of the fixed-income portion of the portfolio, and may only be made utilizing diversified funds.
 - ❖ Investments in foreign fixed-income securities shall only be made through diversified funds and shall not exceed 15% of the fixed-income portion of the portfolio.
- Equity investments' principle purpose is to provide appreciation of the portfolio. Equities are expected to be well-diversified. Equity investments shall follow these guidelines:
 - ❖ Consist of either/both individual securities or mutual funds.
 - ❖ The manager may invest in large-capitalization U.S. equities.
 - ❖ The manager may invest up to 30% of the equity portion in small/mid-capitalization



companies.

- ❖ The manager may invest up to 30% of the equity portion in foreign companies with the majority of foreign exposure being in developed nations.
- ❖ The manager shall maintain adequate diversification within any of these broad categories selected for investment.
- ❖ Additionally, the manager should be conscious to monitor the risk level within each category so that it is not excessive when compared to recognized industry benchmarks.
- ❖ Alternative assets (commodities, real estate, or other alternative asset funds) may comprise up to 10% of the portfolio.
- ❖ No investments shall be made in any of the following securities: Private placements, letter stock, naked options, futures, forward contracts, and short sales of any securities.

E. DONATED ASSETS

- If donations are received in the form of security investments of a type not allowed by the investment guidelines, such investments shall be reviewed by the F&IC for handling on a case by case basis. Proceeds shall be reinvested in a manner consistent with this investment policy. Donations of assets other than securities shall be evaluated by the F&IC to determine their usefulness compared to investment objectives and the expected rate of return compared with investments in securities. In all but very unusual circumstances approved by the F&IC, these assets shall be sold within a reasonable period, with proceeds reinvested in a manner consistent with this investment policy.
- NDSCSF recognizes its duty to contributors and will do everything within its power to honor all instructions from donors.

F. INVESTMENT PERFORMANCE REVIEW

- On a quarterly basis, the F&IC will review actual results achieved to determine whether the investments performed satisfactorily when compared with the investment objectives and investment guidelines set forth herein.
- The investment manager and the Director of Alumni Foundation (or his/her designee) will provide quarterly statements and reports in sufficient detail to enable the Board of Directors to review compliance with investment guidelines and to evaluate actual investment results.
- The investment manager will appear before the Board of Directors no less than annually to review the organization's overall investment goals and performance of designated funds.
- In the event of non-compliance or falling below contractual expectations of this contract, the NDSCS Foundation Finance & Investment Committee reserves the right to cancel this agreement immediately upon notifying the investment firm.

G. IMPLEMENTATION

- All investments of NDSCSF occurring after adoption of this investment policy statement shall conform to this policy.