

PCC Foundation
Policy & Procedure Guidelines
Approved by the PCC Foundation Board on 03/20/07

The guidelines below are the Foundation's standard policies. All funds must adhere to these guidelines (unless the fund was accepted prior to the adoption of the Foundation's standard policies and the governing document has substantially different requirements contrary to the guidelines below).

As appropriate, the Board may choose to make an exception to these policies on a case-by-case basis.

These policies and procedures may be superseded or modified at anytime by the Board.

I. Contributions

A. ASSET TYPES:

1. The Foundation will accept unrestricted contributions of property including marketable securities, cash, life insurance policies, and annuities. Subject to the review of the Board, the Foundation will also accept real property, private business holdings, and restricted assets.
2. The Foundation will either sell or liquidate real property and other non-cash contributions, transferring the net proceeds from the sale to the Foundation portfolio, or, as appropriate, transfer non-cash items (such as equipment or supplies) to the appropriate recipient/department at PCC.

B. TERMS AND CONDITIONS OF GIFTS:

1. Any restrictions shall be reviewed by the Board before the donation is accepted.
2. Where the terms and conditions specified by a potential donor are considered unachievable or in conflict with PCC policies, the Board shall meet with the donor to resolve the issues in question. If the terms and conditions applying to the proposed donation cannot be modified to meet Foundation's concerns, the Board shall respectfully decline to accept the donation.
3. Funds must be for use only by or for programs of PCC.
4. The Foundation shall be knowledgeable of the source of a donation and its donor. For donations in excess of \$5,000, the Foundation will comply with the requirements of the US Patriot Act.

C. CLASSIFICATION OF DONATIONS (ACCOUNTING DEFINITION):

As required by Financial Accounting Standards Nos. 116 (Accounting for Contributions Received and Contributions Made) and 117 (Financial Statements of Not-for-Profit Organizations), contributions accepted by the Foundation are to be classified into one of three accounting categories, namely:

Unrestricted: Those net assets which represent the portion of expendable funds, that are available to support the PCC Foundation's programs and operations. A portion of these net assets may be designated by the Board of Directors for specific purposes.

Temporarily Restricted: Those net assets which are donor-restricted for (a) support of specific programs and operating activities; (b) investment for a specified term; (c) use in a specified future period; or (d) acquisition of long-lived assets.

Permanently Restricted: Those net assets and activities which are permanently donor-restricted for holdings of (a) assets donated with stipulations that they be used for a specified purpose, be preserved, or not be sold; or (b) assets donated with stipulations that they be invested to provide a permanent source of income.

D. CLASSIFICATION OF DONATIONS (OPERATING DEFINITION)

Unrestricted Funds (i.e., General Fund):

1. The general fund supports specific programs of PCC and the PCC Foundation. This includes, but is not limited to the Foundation grant and mini-grant programs, Artist-in-Residence, and academic awards. The general fund also supports the operations and administration of the Foundation.
2. Designated funds are funds received as unrestricted gifts that the Board as a whole votes to limit for a specific purpose. (This will typically affect large, unrestricted gifts and bequests.)

Temporarily Restricted Funds:

There are two types of temporarily restricted funds: 1) Short-term projects, programs or special events with restrictions set by the donor - and - 2) those related to accumulated earnings on endowments. The following section refers to stand alone temporary restricted funds not related to the accumulated earnings on endowments.

1. New Accounts: Initial minimum aggregate donations totaling \$10,000 are needed in order to establish a named account. Accounts less than \$10,000 may be set up with the approval of the Board.
2. Inactive or Small Accounts: Temporarily restricted funds that dip below \$500 and remain at or below that level for 12 consecutive months, - or - funds that have no activity for a period of 24 months, must:
 - Be fully expended for the designated purpose within the following 12 month period, -or-
 - Have revenue added to the fund in order to keep it active, -or-
 - If either of the above does not occur, the Foundation reserves the right to close out the fund and move the proceeds to a similar account (usually within the same academic department).
3. Restricted funds set up for special events or grants will be closed 3 months after the event or grant period ends. Remaining funds will move into funds for related purposes or into the Foundation's General Fund as appropriate.

Permanently Restricted Funds (Endowments):

1. Permanently restricted endowments require an initial principal donation of at least \$25,000. All endowments should conform to general policies and procedures regarding investment composition, income allocation, and distributions as set by PCC Foundation unless otherwise approved by the Board.
2. Should it become impossible for the donor's original intent to be followed, the endowment fund will be re-designated to align as closely as possible with the donor's original intent. Every effort will be made to discuss any re-designation with the donor or heirs before implementation. All re-designations shall be approved by the Board.
3. All "Net Investment Income" allocated to permanently restricted funds will be tracked in a corresponding temporarily restricted account.

Special Circumstance Funds:

Special circumstance assets that have been 'grandfathered' into the PCC Foundation, or those that have received Board approval for special treatment.

II. Investment Policy:

The investment policy of the Foundation has been defined in a separate document entitled *Statement of Investment Policy* (as adopted by the PCC Foundation Board of Directors on June 27, 2006).

III. Income and Expense Allocations:

1. On an annual basis, the Foundation reserves the right to institute a fund management fee, or to net operating expenses against investment income of the foundation.

2. "Net Investment Income" shall be allocated to each of the funds/projects as follows:

Class A - Unrestricted Funds

Will participate in Net Investment Income, receiving all remaining income not allocated to the other classes below.

Class B - Temporary Restricted Funds With A Large Balance (\$10,000 or greater at end of period)

Will participate in Net Investment Income, receiving a 50% pro-rata share.

Class C - Temporary Restricted Funds With A Small Balance (Under \$10,000)

Will not participate in Net Investment Income.

Class D - Permanently Restricted Funds (Including Related Temporary Restricted Account That Tracks Accumulated Earnings On Permanently Restricted Fund)

Both the endowment (permanently restricted) and the accumulated earnings on endowment (temporarily restricted) accounts will participate in Net Investment Income, receiving a 100% pro-rata share.

Class E Special Circumstance Funds (e.g., SFA Accounts)

Will be handled as stipulated by the governing documents.

3. "Investment income" is defined as dividends, interest, realized gains/losses, unrealized gains/losses, and other non-material income/expenses (e.g., cost basis adjustments, share splits, etc.).

4. "Net Investment Income" consists of "Investment Income" less broker investment management fees.

5. "Net investment income" shall be allocated on a quarterly basis based on ending balances.

6. In any given period, "Net Investment Income" may result in a Net Investment Loss. These losses will be distributed the same manner as "Net Investment Income".

IV. Distributions

The Foundation has the fiduciary responsibility of ensuring that restricted funds are used appropriately. Disbursement of funds may be denied if the Board and/or Foundation Executive Director has reason to believe that funds are being used inappropriately.

A. PERMANENTLY RESTRICTED FUNDS (ENDOWMENTS)

1. The Board will examine the overall return for the past twelve (12) quarters, as well as the current and projected levels of cost inflation, to determine an overall percentage that may be distributed from each fund.

2. At its discretion, the Board may limit distributions on a fund-by-fund basis to mitigate: investment losses, inflation erosion, or excess distributions of the original principal amount.

B. TEMPORARILY RESTRICTED FUNDS

1. Distributions will be made in accordance with the governing document.

C. UNRESTRICTED FUNDS (GENERAL FUND)

1. At its discretion, the Board shall distribute monies from these funds to carry out the mission of the PCC Foundation. All distributions will be made in accordance with the board-approved annual budget.

2. All unbudgeted distributions equal to or exceeding \$1,000 from Unrestricted Funds shall be recommended by the Executive Committee and approved by the Board.

3. For total annual distributions in excess of five percent (5%) of the year's beginning market value of the Unrestricted Funds investment portfolio, the approval of two-thirds of the Board shall be required.

4. The Executive Director may, at his or her discretion, approve single gifts of up to \$1,000, not to exceed an annual total of \$10,000, to programs on campus from the General Fund without prior approval from the Board of Directors. A listing of such gifts equal to or exceeding \$250 will be reported to the Executive Committee at the next regularly scheduled Board meeting.

5. Programs receiving distributions from the Foundation, including those receiving Foundation grants and mini-grants, will be required to provide a timely report on how the funds were used and results/outcomes as a result of the gift. These reports will be presented to the full Board, upon request.