

ENDOWMENT POLICIES

The following policy statements are offered as guidelines, and should be modified and adapted to individual organization's existing policies and practices.

The following policies are intended to address the needs of both the organization's endowment and the donor's desires. At all times, the overall investment policy of the organization, as affirmed by the Investment Committee and the Board of Directors, shall govern the endowment. As a result, while the intent of this document is to state and honor an investment policy that preserves the donor's objectives, the donor should be aware that investment objectives may be modified to reflect then current market conditions.

Endowment Purpose

Endowment funds raised for the organization serve to provide a consistent and reliable source of revenue, in perpetuity, for the organization in order to maintain its tradition of excellent medical care, and fulfill explicit commitments made to people and the community-at-large.

Donor Named Endowments

A cash and cash-equivalent gift at and above \$100,000 enables the organization to name a fund to honor the donor or donor's family.

Types of Endowment

There are three general categories of endowments: permanent, quasi, and term endowments.

Permanent endowments are created by a donor with restriction the gift is to be held in perpetuity and only the income is to be spent by the organization. This income may or may not be designated by the donor to some specific purpose. In accordance with the Uniform Management of Institutional Funds Act (UMIFA), the amount of the original gift is classified as "permanently restricted" on the organization's balance sheet.

Quasi endowments are those funds that were created by resolution of the organization's Board of Directors, and may by subsequent resolution by the Board be utilized in part or in full for current operating purposes. The income from quasi endowments may or may not be designated for specific use(s) by the Board. The organization's balance sheet would show the entire present market value of these endowments as unrestricted net assets.

Term endowments are temporarily restricted by the donor for a specified period of time, and allow for an expenditure rate above that stipulated by the organization's investment policies as noted above.

Investment Management

The overall objectives of endowment investment are consistent with the organization's Investment Policy:

- Generation of a consistent and stable flow of income for the organization's ongoing operating and special program purposes; and
- Appreciation and growth of endowment for the long-term benefit of the organization while protecting endowment principal from erosion through inflation.

The management of organization's endowment is guided by the following:

- A long-term investment approach that is consistent with the organization's investment policy.
- Management of endowment principal and income that is not influenced by the organization's short-term spending needs.
- As a general rule, endowment gifts are pooled for the purpose of investment.
- The endowment's investment is managed by outside investment managers whose performance is overseen by the Investment Committee of the Board.
- The general investment policy is to invest for total return -- that is, to maximize the growth in principal and in dividend and interest income over the long-term.

Endowment Income Spending Policy

Organization has a duty to spend endowment income in accordance with the wishes of the donor.

Endowment income is defined as current investment yield on retained principal. The organization will apply a spending limit of 5% in any fiscal year. Income over and above this limit will be reinvested to prevent erosion of endowment principal over time. The organization may review the spending cap from year to year, and make adjustments to this policy in its sole discretion.

Use of Endowment Income

The use of endowment income will be governed by the following guidelines:

- Unrestricted endowment income will remain in the general fund and by the organization to the area of greatest and most immediate need.
- Specific restrictions on endowment income gifts will be confirmed in writing by the donor at the time of the gift. The resulting income will be used as designated by the donor as applicable.
- In those cases in which income generated from an endowment is greater than that needed for the designated purpose, the income will be returned to endowment principal or reallocated to a similar need as deemed necessary and appropriate by the Board of Directors.
- If in the future the funding need met by an established endowment fund ceases to exist, the organization will have the principal donor select a new designation for the income. If the original donor is unavailable, the fund shall be reallocated for other purposes, as directed by the Board of Directors in the best interest of the organization, with special consideration given to areas of consideration similar to the donor's original intent.

Endowment Oversight / Accounting

The Board of Directors has delegated to the Investment Committee the responsibility and authority to invest the organization's endowment and other assets. Ultimate oversight of the organization's endowment fund rests with the Board of Directors. Appropriate records related to the endowment accounts shall be maintained by the organization. The organization will report the account and activity of each endowment to the donor. The endowment funds for investing purposes may be commingled when consistent with regulatory provisions. Recording and reporting of transactions shall be consistent with currently established accounting procedures. The endowment accounts will be audited annually, as part of the organization's annual audit.

Donor Recognition for Endowment Gifts

The Development Office seeks funds, including gifts of endowment, for those projects and programs that have approval from the organization's Administration and the Board of Directors.

The organization provides for special donor recognition related to endowment cash and cash equivalent gifts of \$100,000 or more. Exact gift amounts and naming opportunities will be established based on the level of income needed to support specific funding needs.

On a regular basis, the Development Office will provide regular stewardship reports and other related activities for donors regarding the outcome of their endowment fund.