

GROW SANTA FE COMMUNITY COLLEGE FOUNDATION ASSET SPENDING AND DISTRIBUTION POLICY

POLICY EXPLAINED

The Asset Spending and Distribution Policy for GROW Santa Fe Community College Foundation (“GROW”) covers all monies received and distributed by GROW including contributions, grants and earnings on investments. All funds managed by GROW are for the benefit of Santa Fe Community College (the “College”) and its broader community and must be spent for purposes designated by donors or for the priorities of the College as determined each year by the College’s Annual Priority Plan.

In order to facilitate the implementation of the policy, GROW will maintain three categories of Money / Investment Accounts: 1) Cash; 2) Intermediate Term Investments; and, 3) Long Term Investments. These accounts (the “Investments”) will be invested consistent with GROW’s Investment Policy.

In managing funds, GROW is committed to the principles of the proposed Uniform Prudent Management of Institutional Funds Act (“UPMIFA”); however, until and unless UPMIFA is adopted by the State of New Mexico, GROW is required to conform to the provisions of the landmark 1972 Uniform Management of Institutional Funds Act (“UMIFA”) as adopted by the State of New Mexico. UMIFA codified the concept of “total return” whereby investment gains and losses, whether realized or unrealized, are considered “earnings” along with interest, dividends and rents.

Important changes incorporated into UPMIFA include eliminating the concept of “historic dollar value,” effectively establishing seven percent (7%) as the limit to prudent expenditure of an endowment fund (unless specifically exempted by the donor), and allowing modifications of restrictions on endowment funds without going to court when the fund is small (less than \$25,000) or old (over 20 years old).

Important alterations of UMIFA as adopted by the State of New Mexico include, according to an analysis issued by the Association of Governing Boards of Colleges and Universities (“AGB”), the following provisions:

**New Mexico (New Mexico Statutes
Annotated §§ 46-9-1 to 46-9-12)**

UMIFA does not apply to an institution that holds assets exceeding a value of \$10 million and that is organized and operated for private educational purposes. UMIFA does apply to certain funds established pursuant to Article 8, Section 10 and Article 12, Section 2 of the New Mexico Constitution. The foundation board may accumulate income in accordance with UMIFA's prudence standard and may hold the accumulated income in a reserve account or may add it to principal. A donor may also provide that income is not to be accumulated, presumably requiring the foundation board to always spend income. New Mexico has implemented a rebuttable presumption that appropriation of net appreciation for expenditure in any year that is greater than 7 percent of the fair market value of an endowment fund, calculated on the basis of market values determined at least quarterly and averaged over a period of three or more years, is imprudence on the part of the foundation board. New Mexico imposes a heightened standard for delegation of investment and management functions. Among other things, the foundation board is obligated to review periodically any agent's compliance with the terms of the delegation. Agents are also subject to a heightened standard of conduct. New Mexico explicitly imposes a duty on a foundation board to consider the effects of inflation and deflation when making investment and management (including expenditure) decisions. The standard of conduct is far more detailed than that found in UMIFA, providing a laundry list of considerations to be made in order to invest pursuant to what the statute calls "portfolio theory."

An Executive Summary of UPMIFA authored by the CommonFund Institute is attached as Appendix A. The Association of Governing Boards of Colleges and Universities' Public Policy Series No. 03-1, *The Uniform Management of Institutional Funds Act and Its Meaning for Colleges and Universities*, is attached as Appendix B.

Under the Memorandum of Agreement (the "MOA") between The Board of Santa Fe Community College and GROW Santa Fe Community College Foundation dated May 12, 2005, GROW's Asset Spending and Distribution Policy (referred to as "Spending Policy" in the MOA), is obliged to conform to the following policy and practice while recognizing the requirements of the Laws of the State of New Mexico.

Within forty-five (45) calendar days from the end of GROW Santa Fe Community College Foundation's annual fiscal year, all remaining undesignated and unrestricted amounts generated by GROW investments, including but not limited to interest and dividends in excess of GROW's temporarily restricted fund requirements; and the requirements of the GROW Santa Fe Community College

Foundation's Spending Policy for endowed funds shall be transferred to the College, as instructed by the College.

The College may in turn transfer some or all excess amounts to GROW Santa Fe Community College Foundation to be held and invested in a segregated account to be applied for the sole benefit of Santa Fe Community College upon demand by the College through its Chief Executive Officer or Governing Board.

GROW manages three categories of Assets under the principles of Net Asset Accounting: 1) Unrestricted Assets, which are available to advance priorities set by the College; 2) Temporarily Restricted Assets, which must be spent for the purposes and within the time requirements designated by donors; and, 3) Permanently Restricted Assets ("Endowments"), with five percent (5%) of the average value of these assets (as calculated below) available to be spent each fiscal year for the purposes designated by donors. Endowments may include Permanently Restricted Assets designated for unrestricted purposes.

Monies within the three asset categories are maintained as separately identifiable fund balances under the principles of Fund Accounting. Monies, if any, for which GROW is a fiscal agent for the College (at its request), or for a party other than the College are classified as Temporarily Restricted Assets.

Within Unrestricted Assets are three separate sub-funds: 1) a GROW Operations Fund, the fiscal year beginning value of which will be agreed by the College and GROW each year prior to July 1st; 2) a College Priorities Fund, which will include all other unrestricted assets accumulated by GROW during a fiscal year; and, 3) a College Reinvestment Fund, which will include all monies transferred from the College to GROW for investment purposes. Within forty-five (45) calendar days of the end of GROW's annual fiscal year, GROW will notify the College of the total value of the College Priorities Fund prior to transferring these monies to the College.

All unrestricted assets accrued by GROW will be designated for the College Priorities Fund; GROW cannot designate unrestricted assets for any purpose other than for inclusion in the College Priorities Fund. Monies necessary for specific GROW projects will be transferred to the GROW Operations Fund from either the College Priorities Fund or the College Reinvestment Fund upon mutual prior agreement between GROW and the College. Assets in the College Priorities Fund or in the College Reinvestment Fund are applied for the sole benefit of the College upon designation by the College through its Chief Executive Officer or Governing Board.

The Endowment average market value and earnings available for expenditure calculation (calculated as five percent (5%) of the average market value of the three years prior to January 1st) is known as the Total Return Calculation and it is the responsibility of the Finance / Investment Committee to certify this calculation each year in a timely manner consistent with the College's budget planning timetable. The Finance / Investment Committee also oversees allocation of all GROW Long Term Investment earnings amongst Endowments, or other funds specifically included in the long term investment pool, based on a share allocation methodology that ensures an equitable distribution of investment gains and earnings amongst the participating fund balances. Unless and until the provisions of UPMIFA are adopted, GROW will track "historic dollar value" of its endowments and take measures insofar as feasible to ensure that the market value of any individual endowment fund does not fall below the historic dollar value of that endowment fund.

At the beginning of each GROW fiscal year, in consultation with GROW and based on GROW's investment strategy, the College will determine the proportions of the College Reinvestment Fund to be invested in Cash, Intermediate Term Investments and Long Term Investments. Any funds to be invested long term must be committed for at least one year and any College funds invested from the College Reinvestment Fund will entitle that Fund to an appropriate share allocation in the distribution of investment gains and earnings amongst funds invested in the Long Term Investment Account.

All Long Term Investment Account earnings are allocated to Endowment Funds and to that portion of the College Reinvestment Fund designated for long term investment. Annual earnings attributed to the College Reinvestment Fund are either reinvested or transferred to the College Priorities Fund at the designation of the College. Cash and Intermediate Term Investment Account earnings are allocated to the Unrestricted College Priorities Fund Balance.

GROW assets are invested in various durations in order to match the expected expenditure patterns of Unrestricted, Temporarily Restricted and Permanently Restricted Assets. Cash Accounts meet short term needs (i.e., expenditure of Unrestricted Assets, expenditure of Temporarily Restricted Assets released from restriction, and Total Return Earnings available for imminent expenditure on behalf of Permanently Restricted Assets.) Intermediate Term Investment Accounts are meant to maximize earnings on monies classified as Temporarily Restricted Assets held for future use. Long Term Investment Accounts are meant to maximize earnings of monies held in Endowment Funds and College Reinvestment Funds intended for use in future years. Unless otherwise agreed upon when receiving monies from specific donors of Temporarily Restricted Assets, earnings on Cash and Intermediate Term Investments accrue for unrestricted use.

I. CASH ACCOUNTS

A. DESCRIPTION

Limited interest-bearing cash accounts in local banks and/or brokerage firms will be maintained for operation of GROW, and for short-term spending needs (12 months or less.) Cash Account monies are invested separately from Intermediate Term and Long Term Investment monies.

1. Checking or investment accounts are held by local banks (i.e., Wells Fargo Bank.) Every effort will be made to keep additional accounts at a minimal balance to allow for maximum investment of assets, subject to projected liquidity needs.
2. Assuming competitive rates are offered, preference for investments in Certificates of Deposit may be given to financial organizations that are financially supportive of the College and GROW.
3. An approved master repurchase agreement to provide for the necessary collateralization of public funds will be in place with any financial institution where exposure above \$100,000 does or is likely to exist.

B. POLICY for CASH ACCOUNTS

Cash Account monies are available on an as needed basis to be spent for current operations.

II. INTERMEDIATE TERM INVESTMENT ACCOUNTS

A. DESCRIPTION

Intermediate Term Investment Accounts will be maintained for Temporarily Restricted Assets. Temporarily Restricted Assets may be held by GROW for whatever period has been agreed between GROW and a donor before being expended for the specified purpose; however, the usual period that the assets are held by GROW is a year or two. These monies are invested separately from Cash Account and Long Term Investment Account Funds.

B. POLICY for INTERMEDIATE ACCOUNTS

Intermediate Term Investment Account monies form the corpus of Temporarily Restricted Assets for which expenditure is not imminent. They are available for future use as needed to be expended for the designated purpose.

III. LONG TERM INVESTMENT ACCOUNTS

A. DESCRIPTION

Long Term Investment Accounts will be maintained for Permanently Restricted Assets (“Endowments”) and for College Reinvestment Funds as designated each year by the College. The Long Term Investment Account monies are invested separately from Cash Account and Intermediate Term Investment Account monies.

B. POLICY for LONG TERM ACCOUNTS

Long Term Investment Accounts exist to generate annual total return earnings for designated purposes. In order to allow these funds to grow with inflation while providing a reasonable level of annual expenditure from Permanently Restricted Assets, a maximum of five percent (5%) of the market value of the Long Term Investment Accounts invested for Endowments, calculated each January 1st for the next fiscal year on the average market value of the most recent three years, will be made available for expenditure each year:

1. Expenditure within the five percent (5%) limit will be made to realize the intended purposes of the Endowments;
2. Any Total Return above five percent (5%) will be returned to the Endowment corpus unless an endowment donor explicitly specifies a different arrangement in the endowment gift instrument;
3. Any unspent portion of the five percent (5%) will be returned to the corpus but may be available to support the designated purposes of the Endowment in the following fiscal year.

IV. DISTRIBUTION OF EARNINGS

A. UNRESTRICTED ASSETS

All Investment Earnings from Cash Accounts and Intermediate Term Accounts will be allocated to the unrestricted College Priorities Fund unless a different arrangement is agreed with a donor.

B. TEMPORARILTY RESTRICTED ASSETS

Investment earnings from Temporarily Restricted Assets will be considered to be unrestricted and will be transferred to the unrestricted College Priorities Fund unless a different arrangement is agreed upon in advance with a donor.

C. PERMANENTLY RESTRICTED ASSETS

Permanently Restricted Assets and College Reinvestment Funds allocated for long term investment will have shares in the total Long Term Investment pool based on their value as of the end of each quarter of each fiscal year, as adjusted by new Permanently Restricted Assets added to the Investment pool during the course of a quarter. Each individual Endowment will receive an allocation proportional to the percentage of the total of the Endowment Funds at the end of each quarter, which will be adjusted proportionally if the individual Endowment Funds were not available for the full quarter.

V. POLICY REVIEW

These policies will be reviewed by the Finance / Investment Committee annually. Recommendations for change will be made to the Executive Committee prior to presentation to the full GROW Board of Directors each year at a *fall* meeting of the GROW Board of Directors.

Approved by the Finance / Investment Committee November 9, 2007
Approved by the GROW Board of Directors: November 19, 2007