

## ***AEG Foundation Fund Management Policy***

This statement of the Fund Management Policy was adopted by the Board of Directors of the AEG Foundation (the Foundation) to guide management of named program Funds administered by the Foundation.

***Purpose:*** The purpose of this Fund Management Policy is to provide the Board of Directors (Board) with protocols for managing existing and new Funds and to provide clarity to the determination and management of unsustainable Funds.

***History and Statement of Need:*** The AEG Foundation was started in 1992 by three past presidents of the Association of Engineering Geologists (now Association of Environmental & Engineering Geologists). By the year 2000 the Foundation had grown to two scholarship Funds - the Marliave Fund and the Tilford Fund. Charters for supporting the Jahns Lectureship Fund, the Legget Fund and the Greatest Need/ Memorial Fund were also in place.

From 2000 to the present time (2019) the Foundation has grown to manage twenty-one (21) programs. Currently, the following types of Funds are administered by the Foundation – Student Programs, Outreach Programs, Professional Programs, and General Support Programs. The programs include twelve scholarship and grant programs for students (Beardsley-Kuper, Carolinas, Lemke, Marliave, Mathewson, Watters, Shlemon Quaternary Engineering Geology, Stout, Susan Steele Weir, John Moylan, Tilford, and West-Gray); three outreach programs (Jahns, K-14, Cornerstone); four professional programs (Shlemon Continuing Education, Legget, Research, Shlemon Specialty Conference), and two general support Funds (Greatest Need and Johnston Operations).

As the number of Funds has grown, and with the potential for new Funds, along with issues related to Funds which have lost their momentum, the Board is challenged with establishing criteria for the management of existing Funds, the potential sunseting of existing Funds, criteria for new and proposed Funds, and the distribution of operating costs equitably across the Funds.

The Foundation Board currently consists of eleven Directors. Each Director serves as a volunteer. While they are encouraged to submit their expenses as donations-in-kind, they do not receive compensation or reimbursement for travel expenses incurred. In addition, they are expected to contribute to the Foundation by way of in-kind and cash donations of its members, to the operating costs of the Foundation. Nonetheless, major operating costs remain and must be paid.

***Operating Costs:*** The Foundation incurs administrative costs associated with compliance with federal and state laws and general operational needs. Some of these expenses are for bookkeeping, auditing, information technology, legal, permits and fees, and general services to the Board. The Board operates on a nominal budget which is applicable to the overall management of all of the Funds. These administrative costs must be borne by all of the donations to Funds to the extent that operating costs exceed the amount of monies available in the General Support Funds.

Operating Expenses or administrative costs will be obtained annually via the following mechanisms/sources:

1. Operating expense fees (Johnston Fees) will be assessed on total annual donations to existing funds (except for donations to the Johnston Fund and the Greatest Need Fund) as follows:
  - i. Donations up to \$5,000 to an existing fund or funds will be assessed a Johnston Fee of 10% of the donation, exclusive of credit card fees.
  - ii. Donations greater than \$5,000 up to \$10,000 to an existing funds or funds will be assessed a Johnston Fee of 7.5% of the donation.
  - iii. Donations greater than \$10,000 to an existing fund or funds will be assessed a Johnston Fee of 5% of the donation. The President may negotiate a lower Johnston Fee for donations greater than \$10,000 with approval being granted by a majority of the Board of Directors.
  - iv. Donations of any dollar amount made to a named or endowed fund by the individual(s) or family/descendants of the individual(s) in subsequent years after fund creation shall be assessed a Johnston Fee of 3% of the donation.
2. Johnston Fees will be assessed on donations for a new fund at 5% of the donation amount.
3. Annually maintain the account balance of the Greatest Need Fund at \$10,000 per the Charter and transfer any monies in excess of \$10,000 to the Johnston Fund at the end of the fiscal year.
4. Investment Income
5. Liquidation of assets

**General criteria for all Funds:**

It is the position of the Board that all Funds should have the following:

1. A FUND CHARTER defining the intended purpose of the Fund. The Fund Charter should identify short and long term goals, and whether the Fund can be spent down. The Fund charter must allow for assessment of operational fees to the Johnston Fund. The Johnston Fund fees are composed of fees applied to donations for the year as described above. The Johnston Fund fees are determined by the Board. It is the Board's goal that Johnston Fund fees will be kept to a minimum level sufficient to sustain the Foundation's operational support activities. A plan with a timeline for reaching Fund balance goals in increments should be defined in the charter.
2. A FUND CHAMPION - The purpose of a Fund Champion is to promote the awareness and financial well-being of the Fund. The Fund Champion shall receive Fund notices

and updates from the AEG Foundation regarding the status of the Fund. The sponsor or champion of the Fund is expected to realize that change is inevitable over time. It is possible that a Fund may receive donations that are insufficient to cover costs envisioned in the charter, or that insufficient funds for grants is available, or that a Fund's objective, stated in a charter, may become outdated. The Board reserves the right to modify the Fund Charter. If modifications to the Fund Charter are considered to be unachievable, the Fund may be re-purposed to the Greatest Need Fund or to a Fund which, in the Board's discretion, is compatible with the initial charter's purpose.

3. A GRANT AWARD SELECTION COMMITTEE AND/OR FUND AWARD SELECTION COMMITTEE is responsible for reviewing charter/grant requests and providing written recommendations to the Board. The Board may elect to rely upon the Programs Committee for Grant application reviews.
4. The AEG Foundation expects that proposed or new Funds and/or charters will have a minimum initial donation of 5 times the proposed annual award or achieve that financial goal prior to the initial award. The Board will review deviations and may waive this expectation with a majority vote. The dollar amount to seed a new fund shall be a minimum of \$10,000. Programmatic awards from new funds with restricted balances per their charters shall not occur until the balance of the new fund is greater than \$25,000. Programmatic awards from new funds with unrestricted balances per their charters shall not occur until the balance of the new fund is greater than \$10,000.

### **Sunset Provisions**

Should the Board, in its sole discretion, determine that a Fund is not achieving its stated goals, either from funding inactivity or from program inactivity, a motion to sunset the Fund may be considered.

### **Actionable Funds**

A Fund will be considered actionable under the following conditions:

1. Not achieving, or not making significant progress toward, the stated financial goals. The Board's expectations are that the first financial goal should be met within 10 years.
2. Fund balance has dropped to 5 times the award average over the previous 5 years.
3. Funds with Restricted Balance – The difference between Fund balance and restricted asset limit has reached within five times the award average over the previous five-year period.
4. No charter/grant requests in the last 5 years or no charter requests granted within last 7 years.

## **Board's responsibility for Actionable Funds**

1. Advise Fund Champion and Selection Committee that the Fund has become actionable and the reasons that it has become actionable, and request an action plan for resolving the actionable issue.
2. If an action plan is not provided by the Fund Champion within 6 months, the Board will evaluate any actions that it should do including sunsetting a Fund. The Fund may be closed by a majority vote of the Board. Assets of the actionable Fund may be transferred to a Fund that the Board deems as a compatible interest or the assets may be transferred to Greatest Need Fund. If Funds don't exist within the Foundation that fulfill the donor's intent, the Board may consider transfer to a non-profit that has a compatible function that does meet donor intent.

## **Fund Accounting Protocol**

The accounting terms in this policy are intended to conform to Accounting Codification Standards (ACS) of the Financial Accounting Standards Board (FASB). The purpose of this protocol is to define a standard way for valuing and reporting assets to Fund Champions, the Board, and the public.

All Fund balance calculations for the year will be formally calculated annually and estimated periodically during the year. Balances at the end of the year will include assets at the beginning of the year plus contribution and income (or loss) less direct expenses and indirect pro rata allocations of operating costs. Direct expenses to a Fund will be applied to restricted asset balances.

Investment returns (gains or losses) will be allocated based upon the beginning of the year (BOY) balance and will, in general, be applied to unrestricted assets. Periodic updates will not include accounting adjustments for Johnston Fund Fees or investment related adjustments.

*Approved by the Board of Directors of the AEG Foundation on 12/15/2020.*



Rosalind Munro, AEG Foundation Secretary