



**The Foundation of Maintenance
Superintendents Association, Inc.
(D.B.A as MSA.EDU)**

SCHOLARSHIP FUND POLICIES AND PROCEDURES

Approved: September 10, 2017

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SCHOLARSHIP FUND POLICIES AND PROCEDURES

I. PURPOSE AND USE OF SCHOLARSHIP FUNDS

A scholarship fund is an established fund of cash, securities or other assets set aside to provide funding of scholarships in perpetuity. There are two general types of scholarship funds: restricted and unrestricted. In the Foundation of Maintenance Superintendents Association, Inc. ("Foundation"), unrestricted funds serve as a general scholarship fund and restricted funds are to be used for named or specifically designated scholarships.

Named or Specifically Designated Scholarship Funds can only be utilized for the purpose and in the manner established in the gift or bequest of such funds. However, in the event the designated purpose can no longer reasonably be fulfilled and there is no provision for other purpose in the gift or bequest, the balance of any such funds shall become part of the unrestricted endowment.

Donors who make outright gifts of an amount to be determined may permanently name or specifically designate scholarships.

General Scholarship Funds can be utilized, upon approval by the Board of Directors ("the Board"), for any purpose consistent with the mission, vision and values of the Foundation including, but not limited to, scholarships, general operations and special or emergency needs.

It is the intent of the Board that the unrestricted endowment will be available to support scholarships in perpetuity. Therefore, the Board adopts the following policies with respect to the use of unrestricted scholarship funds:

- a. Up to 5% of the *average* value of the marketable securities, *including bank accounts*, at the end of *the 3 preceding calendar years* may fund scholarships during the following fiscal year.
- b. Any use of the corpus of unrestricted endowment beyond the 5% distribution defined above, requires the approval of 2/3 of the Board.

SCHOLARSHIP FUND POLICIES AND PROCEDURES

II. TYPES OF GIFTS

A. Outright Gifts – These are gifts offered to the Foundation by an individual, corporation, or foundation and include the following:

1. Cash or Cash Equivalent
2. A written Cash Pledge (usually paid over two to five-year period)
3. Publicly traded securities:
 - a. Stocks, common and preferred
 - b. Bonds
 - c. Mutual Funds
4. Non-publicly traded investments*
 - a. closely held, restricted or other types of stock
 - b. partnership or limited liability company membership interests
 - c. real estate
 - d. time share interests
 - e. art
 - f. jewelry
 - g. intellectual property
 - h. other assets that are not readily marketable, including than those with a short-term restriction, even if it is in the process of being removed, or are subject to liabilities

B. Estate/Planned Gifts* – Types of estate/planned gifts are as follows:

1. Bequests – Wills and Living Trusts
2. Retirement Plans: IRA's, 401(K), 403(B), Keogh
3. Charitable Remainder Trusts
4. Charitable Lead Trusts
5. Remainder Interest in Residence
6. Pooled Income Funds
7. Life Insurance
8. Other estate/planned gifts

* acceptance is subject to recommendation of the Investment Committee that is approved by the Foundation's Board of Directors

SCHOLARSHIP FUND POLICIES AND PROCEDURES

III. GIFT ACCEPTANCE

- A. The Investment Committee of the Foundation has the authority to accept gifts of cash and publicly traded securities[#].

[#] Publicly traded securities should be immediately sold and the proceeds treated like any other cash gift. Only if the securities completely fit into the Foundation's stated investment strategy with regard to type and amount should it be retained as part of the portfolio.

- B. A named scholarship, either unrestricted or restricted, must be approved by the Board.

- C. Gifts of other than cash or publicly traded securities are considered on a case-by-case basis by the Investment Committee[@].

[@] This may include having the donor provide a professional independent appraisal of the asset with information about its marketability, storage, insurance and other potential liabilities. For example, the environmental liability of a piece of real estate may far outweigh its value; or if the donor stops paying the premium on an insurance policy, then that asset may become a liability or may be worth substantially less than its face value.

- D. A gift designated for a Named or Specifically Designated Scholarship must be approved by the Investment Committee and the Board.

- E. The Foundation will not accept a gift that includes obligations that will become a financial burden. If at any time, a named or specifically designated scholarship becomes obsolete, the Board may designate another purpose.

- F. Any assets received and not otherwise designated will be added to the General Scholarship Fund unless under extreme circumstances with the approval of the Board.

- G. Upon receipt of a gift and/or any gift-related documents, the Foundation will record the gift and acknowledge the donor. In addition, the following steps will be taken:

1. A complete record of every individual donor's contributions will be maintained.
2. Gifts to named or specifically designated scholarships will be tracked and maintained by the Foundation.
3. Personal letters acknowledging all gifts and their conditions will be sent to donors promptly of receipt signed by the Board President.

SCHOLARSHIP FUND POLICIES AND PROCEDURES

IV. DONOR RECOGNITION FOR SCHOLARSHIPS

A. Overall Recognition Policy

Donors will be thanked promptly and recognized in a meaningful way. The Foundation will establish a legacy society or other recognition program.

B. Other Recognition Considerations

1. A gift made to establish a Named or Specifically Designated Scholarship Fund must be paid within the year of the gift.
2. For multi-payment pledges, 50% of the full commitment needs to be paid before the donor's name is recognized appropriately.
3. Should a donor not fulfill the pledge amount, the fund will then become part of the General Scholarship Fund.

SCHOLARSHIP FUND POLICIES AND PROCEDURES

V. MANAGEMENT AND INVESTMENT OF SCHOLARSHIP FUND

1) Introduction

The Board of Directors ("Board") of the Foundation of Maintenance Superintendents Association, Inc. ("Foundation") appoints an Investment Committee ("Committee") to assist the Board in fulfilling its duty to oversee the management and investment of the Foundation's Scholarship Fund ("Fund") through an Investment Policy Statement ("IPS"). The IPS provides an effective channel of communication between the Committee, the Board, donors to the Fund and investment advisors managing the Fund ("Advisors"). The Foundation's Directors and members of the Committee are responsible for establishing the Fund's investment policy. Once established, it is then the Advisor's role to follow that policy.

Section V of the Scholarship Fund Policies and Procedures shall serve as the IPS.

The IPS provides a long-term plan and a basis for making disciplined investment decisions over time. Once policy is established, we would not expect to change it until there is a material change in the Foundation's financial circumstances. Investment policy normally doesn't change in response to market conditions, and should be long-term to prevent arbitrary or impulsive revisions. It is only expected to change in response to changes in the Foundation's financial circumstances.

In the case of the Fund, a well-conceived, long-term investment discipline is especially important because the composition of the Board and the Committee changes every year and the discipline will need to be maintained by the newly elected members.

In applying these policies and procedures, it is important to note that

1. The guidelines in this IPS are not rigid definitions but serve as a framework for prudent decision making. The specifications in the asset allocation are designed to be a framework (such as tying the international allocation to the weighting of the capital markets), specifically constructed to limit risks to the minimum required to achieve the Foundation's financial goals and avoid risky practices, such as tactical asset allocation and other forms of market timing.
2. Selection of the Advisor should be based on the totality of their approach and other factors deemed significant. Where provisions of the IPS are not met initially, the Committee will explain why it allowed for the deviation.
3. Substantive changes to the Investment Policy Statement must be approved by the Board. Examples of substantive changes would include allowing a new asset class or permitting an investment in an asset class outside the range defined in the Investment Policy Statement.

SCHOLARSHIP FUND POLICIES AND PROCEDURES

2) Responsibilities

a) Authority and Duties of the Investment Committee

The Investment Committee reports directly to the Foundation's Board of Directors and possesses only those powers specifically granted to the Committee by the Board. The Board of Directors is deemed to be a fiduciary for the Foundation's Scholarship Fund, with the ultimate responsibility for the welfare, care and management of the Fund belonging to the Board. The Board authorizes the Committee to direct and monitor the investment management of The Foundation's assets. As such, the Investment Committee is authorized to recommend investment managers, custodians or other professional experts to the Board for approval. The Committee may delegate certain responsibilities including, but not limited to:

a. **Investment Advisor.** The Investment Advisor(s) has discretion to purchase, sell, or hold the specific securities that will be used to meet The Foundation's investment objectives only as specified in the written investment policy statement. The Committee will monitor the Advisor(s) to assure that the each Advisor is staying within the scope of investing outlined in this Investment Policy Statement.

b. **Custodian.** A third party custodian (one that is totally independent from the Investment Advisors) will be required to hold scholarship funds at all times. The custodian(s) will physically maintain possession of securities owned by the Foundation, collect dividends and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Foundation's accounts. The Investment Committee will ascertain that each and every custodian is independent from conflicts, is regulated by the Financial Industry National Regulatory Authority (FINRA), is insured by the Securities Insurance Protection Corp (SIPC) along with other additional insurance providers and has annual audited financial statements. Examples of acceptable custodians would include Fidelity Investments, Charles Schwab, TD Ameritrade, etc.

c. **Other Delegated Entities.** The Investment Committee may recommend and the Board may appoint another entity, such as a 501(c)(3) organization or a trust company to manage The Foundation's endowment funds. The Investment Committee will monitor other delegated entities so appointed to assure they are following The Foundation's investment policies.

d. **Additional specialists** such as attorneys, auditors, and others may be recommended by the Investment Committee to assist in meeting its responsibilities and obligations to administer the Foundation's assets prudently.

The Investment Committee will not purchase or sell the securities owned by the Foundation, but instead delegate that responsibility to Investment Advisor(s). The Investment Committee will hold the Investment Advisor(s) responsible and accountable for measuring and evaluating the extent to which the Investment Advisor(s) are achieving The Foundation's investment objectives and are conforming to the Foundation's investment policies. The Investment Committee will meet no less than twice each year to review results and perform all its other functions.

SCHOLARSHIP FUND POLICIES AND PROCEDURES

b) Investment Advisor Responsibilities

Each Investment Advisor will have discretionary authority to make investment decisions and execute trades for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement. Specific responsibilities of the Investment Advisor(s) include:

- i. Perform discretionary investment management including decisions to buy, sell, or hold individual securities, or to alter asset allocation as long as the allocation remains within the guidelines established in this statement.
- ii. Provide a written statement that outlines their investment methodology, costs being borne by the Foundation and other key points that describe their management style and techniques.
- iii. Provide quarterly investment performance results, on a timely basis.
- iv. Communicate any major changes to economic outlook, investment strategy, or any other factors which affect implementation of investment process, or the progress toward meeting the investment objectives of this investment policy statement.
- v. Inform the Investment Committee regarding any qualitative change to investment advisor organization: Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.
- vi. Attend meetings with the Investment Committee and/or Board of Directors as requested.
- vii. Assist in the development and periodic review of investment policy.

SCHOLARSHIP FUND POLICIES AND PROCEDURES

3) Implementation

a) Time Horizon & Liquidity Needs

The Fund is a long-term investor. The Fund's investment horizon is as far into the future as possible. For the Fund, the most important long-term goal is to support the long-term financial needs of the Foundation.

The Fund expects to annually distribute 5% of its value to support The Foundation's scholarship program and operations. The distribution is part of an annual budget approval process.

During the next 10 years, the Fund expects to receive gifts and bequests that exceed the 5% of Fund value that it expects to contribute to scholarships and the Foundation's operations. As a result, before 2027, the Fund does not expect to liquidate securities to provide for scholarships or Foundation operations.

b) Targeted Return

To maintain the value of the Fund, the Fund's investments are expected to generate a compound annual return of 5% plus inflation. If we assume that inflation will be approximately 3% per year, then the Fund's investments should generate an average return of 8% per year over the long term.

c) Attitude Toward Risk

In the context of the Fund and as a part of an overall investment strategy, the investment policy should incorporate risk and return objectives reasonably suitable to the long-term goals of the Foundation.

The Fund should generally avoid risks that can be avoided without sacrificing the expected returns (i.e. through diversification).

SCHOLARSHIP FUND POLICIES AND PROCEDURES

i. Acceptable Risks

Acceptable investment risk includes market risk that is inherent in investing in publicly traded securities.

ii. Risks to avoid

1. insufficient diversification
 - a. limited number of securities
 - b. over concentration in selected markets, e.g. US only
 - c. limited number of asset classes
2. active management strategies
 - a. economic forecasting
 - b. market timing
 - c. mispriced securities
 - d. exploitation of proprietary "research" and investment strategies
3. private investment programs with limited secondary markets, transparency and investor protections
4. commingled accounts
5. investments in derivatives or other financial instruments that are speculative in nature, lack transparency, and are not based on broad economic factors
6. credit risk and duration risk for fixed income securities, e.g. long-term junk bonds

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iii. Allowable Investments

1. Cash Equivalents

- Treasury Bills
- Money Market Fund
- Commercial Paper
- Banker's Acceptances
- Repurchase Agreements
- Certificates of Deposit

2. Fixed Income Securities

- U.S. Government and Agency Securities
- Corporate Notes and Bonds
- Preferred Stock
- Fixed Income Securities of Foreign Governments and Corporations
- Investment Grade Bonds
- Mutual funds that primarily use the above-listed fixed income securities

3. Equity Securities

- U.S. Common Stocks
- Convertible Notes and Bonds
- Convertible Preferred Stocks
- REITS
- American Depositary Receipts (ADRs) of Non-U.S. Companies
- International Common Stocks including Developed & Emerging Markets
- Exchange Traded Funds (ETFs) that primarily use the above-listed equity securities
- Mutual funds that primarily use the above-listed equity securities

Investment Advisors wishing to include assets not shown above must submit a written request to the Investment Committee for consideration in order to ultimately get these alternative investments ratified by the Board for inclusion in the portfolio.

iv. Prohibited Investments

Prohibited investments include, but are not limited to the following:

1. Private Placements
2. Venture-Capital Investments
3. Mutual funds, ETFs or other investments that use borrowing leverage in an attempt to increase rates of return

v. Prohibited Transactions

Prohibited transactions include, but are not limited to the following:

1. Short Selling
2. Margin Transactions

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d) Asset Allocation

Equities / Fixed Income

We expect the Fund's investment advisor to recommend the allocation to equities and fixed income securities to generate the targeted 8% return, net of all costs and fees, with the lowest expected risk.

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Preferred</u>
Fixed Income	28.0	42.0	35.0
US Equities	30.0	45.0	37.5
International Equities			
Developed	14.4	21.6	18.0
Emerging Markets	5.2	7.8	6.5
Real Estate	2.4	3.6	3.0

Rationale for minimum / maximum ranges is 20% tolerance.

e) Rebalancing

We expect the Fund's investment advisor to monitor the asset allocation at least quarterly and rebalance the asset classes when they drift beyond the established minimum or maximum.

f) Tax Considerations

The Fund operates under The Foundation's 501(c) (3) tax-exempt status.

g) Operating Costs

The Fund should avoid fees, transaction costs and other expenses that are not justified by needs and realistic objectives of the Foundation's investment program. This includes implementing investment strategies that minimize portfolio turnover and the related trading and other operating costs.

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h) Selection of Investment Advisors

The Investment Committee selection of Investment Advisor(s) must be based on prudent due diligence procedures. A qualifying Investment M Advisor must be a registered investment advisor under the Investment Advisors Act of 1940, a bank or an insurance company. Before selecting an Investment Advisor, the Investment Committee will review the Investment Advisor(s) disclosure documents and regulatory filings, look at their professional credentials and speak to at least two clients of the Advisor as a reference. Each Investment Advisor will be asked to acknowledge in writing their fiduciary responsibilities to the Foundation. If the Investment Committee delegates management to another entity, the investment advisors utilized by the delegated entity must meet these same criteria listed above.

i) Investment Advisor Performance Review & Evaluation

The investment performance of total portfolios, as well as asset class components, will be provided by the Investment Advisor so they can be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Investment Committee intends to evaluate the investment advisor(s) annually, and reserves the right to terminate an advisor for any reason including the following:

1. Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
2. Failure to adhere to any aspect of this statement of investment policy, including investment selection and associated risks, or communication and reporting requirements.
3. Significant qualitative changes to the investment management organization.

j) Investment Policy Review

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy, the Investment Committee plans to review the Investment Policy Statement annually.

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VI. CONFIDENTIALITY

- A. The needs and concerns of the Donor will be considered first.
- B. Protection of Donor's Interests: The Foundation and its volunteer representatives will always consider the interests of its donors as the first priority in the gift planning process. This will include, but not be limited to, the donor's financial situation and philanthropic interests, as well as any tax or other legal matters discovered by our representatives while planning for a gift. A donor will not be encouraged to make a gift which is inappropriate in light of the donor's personal or financial situation, and will be advised if a gift proposed by another party or parties is contrary to this policy. A donor can expect any representative of the Foundation to reflect our values.
- C. Confidentiality: Information learned by any representative of the Foundation about a donor or the donor's assets or philanthropic intentions will be held in strict confidence. All donors will be encouraged to notify the Foundation of their gifts to the scholarship fund, whether outright or planned/estate gifts, including bequests, and all such information will be kept confidential unless permission to release it is obtained from the donor or his or her counsel.
- D. Donor Intent: If there should come a time that the Foundation cannot use the funds of any scholarship fund for which the donor originally intended it, the Foundation reserves the right to use the fund for a similar and like scholarship with the approval of the Investment Committee and the donor if possible.
- E. Use of Donors' Names: For marketing purposes, the Foundation will obtain approval from each donor before gifts are made public or used for marketing purposes.

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VII. REVISION AND/OR DONOR AMENDMENT OF SCHOLARSHIP FUND POLICIES

- A. These policies will be periodically reviewed by the appropriate committee(s) and may be amended by a Board resolution.

The management of investment decisions is not an easy task, even for trained investment professionals; and a nearly impossible task for lay decision-makers who serve as directors and investment committee members. Because investment plans work best when they are followed consistently, we hope future members of the Investment Committee and the Board of Directors will be guided by three principles we followed. That the Foundation's Investment policy:

1. Be easily understood by all members of the Foundation's community, including the members of the Investment Committee, The Foundation's Directors, and donors to the Scholarship Fund, regardless of professional background or investment expertise.
2. Be based in principles that are clear.
3. Follow a prudent (timeless and flexible) process for the successful management of investment decisions.

To that end, we will begin by identifying the values that serve as the foundation of The Foundation's investment policy.

1. Be legal - comply with laws that govern the investment of The Foundation's funds.
2. Be grounded in widely accepted economic and financial principles that
 - a. Are supported by evidence found through rigorous, independent research that follows the standards required of academics using scientific methodologies
 - b. Have been carefully considered and found to be reliable by authoritative bodies, such as
 - i. Courts
 - ii. American Law Institute
 - iii. National Conference of Commissioners on Uniform State Laws
 - iv. Nobel Prize in Economic Sciences
 - v. Leading MBA programs throughout the United States
3. Remain relevant – incorporating wisdom that develops through the years