



# **GIFT ACCEPTANCE & FUND MANAGEMENT POLICY**

## INTRODUCTION

Manhattan School of Music (“MSM”) welcomes gifts of cash, securities, and other forms of property to defray MSM’s general operating costs, to provide scholarships for students in need, to support capital improvements, to help build MSM’s endowment, and to otherwise support and advance MSM’s purposes as a nonprofit institution of higher education. The first part of this Gift Acceptance and Fund Management Policy (this “Policy”), the Gift Acceptance Policy, sets forth MSM’s policies and procedures for accepting such charitable gifts. The second part of this Policy, the Fund Management Policy, sets forth the policies which shall be followed in the investment, management and spending of MSM’s endowment and other funds that are invested for the long term.

### PART 1.

#### GIFT ACCEPTANCE POLICY

##### I. Purpose

- A. **Introduction.** The ideal gift to MSM is one that is consistent with both MSM’s purposes and the donor’s intent and financial plans, without imposing undue financial or other burdens upon MSM. Thus, the intent of this Policy is to help foster more gifts to MSM while at the same time providing discipline and guidance, both legal and financial, in the acceptance and administration of gifts.

All solicitations on behalf of MSM will be in accordance with the standards in the *Donor Bill of Rights*, as developed by the Council for Advancement and Support of Education (CASE) and other national organizations. A copy of the *Donor Bill of Rights* will be made available on MSM’s website.

- B. **What is a Gift?** A gift is defined as a voluntary and complete transfer of assets from a person or an organization to MSM where no goods or services are expected, implied, or forthcoming in return to the donor. Gifts usually take the form of cash, securities, real property, or personal property. The following criteria generally define a gift:

- Gifts are motivated by philanthropic intent.
- Gifts are transfers of assets to MSM’s control. MSM is not obligated to return unexpended funds.
- Gifts are not generally subject to an exchange of consideration or other contractual duties between MSM and the donor, except for certain planned gifts as outlined in this Policy, although objectives may be stated and funds may be restricted as to specific purposes.
- The donor may make a restricted-use gift by designating a specific purpose that is both approved by and appropriate to MSM. The donor may also make a gift

unrestricted, or may designate a gift for unrestricted use by a particular department or unit.

MSM is guided by standards set forth by CASE when questions of whether or not a particular transfer of assets constitutes a gift.

C. **Gift Acceptance.** MSM will make every effort to accommodate and accept all gifts from donors. However, all gifts, whether or not addressed in this Policy, shall adhere to the following principles of gift acceptance:

- **Support of Mission:** All gifts should advance MSM's mission and be consistent with its not-for-profit, tax exempt purposes and status.
- **Reputation:** MSM will not accept any gift which may damage or compromise MSM's reputation or core values.
- **Academic Integrity:** No gift may in any way interfere with or impinge upon MSM's capacity to fully control the management, operation, and direction of its affairs, including admissions procedures, academic programs, and financial aid, nor may any gift vitiate MSM's academic integrity and commitment to academic freedom.
- **Burden:** No gift may impose unreasonable financial or administrative burden on MSM, its staff, employees, or students, or any of its other resources.
- **Donor Intent:** All donors should be motivated by a philanthropic desire to support MSM and further its mission.
- **Gift Application:** MSM must have sole authority over the application of gift proceeds in accordance with a donor's stated wishes and any restrictions appropriate to and approved by MSM.
- **Gift Administration:** MSM must retain sole control over the administration and financial management of all gifts.

If a proposed gift conflicts with one of the foregoing principles, the advancement staff member working with the donor will consult with Vice President for Advancement, who will make a final decision regarding gift acceptance, in consultation with the President, as necessary. MSM shall in all cases reserve the right to decline any proposed gift deemed not to be in the interests of MSM or not to be consistent with the foregoing principles.

MSM will not accept gifts that involve discrimination based on race, color, religion, sex, sexual orientation, gender identity or expression, age, national origin, marital status, citizenship or veteran status, disability, or any other basis prohibited by federal, state, or local laws and regulations, or that is in contravention of MSM's values and traditions, as determined by MSM's Board of Trustees in its sole discretion. MSM

will adhere to federal law, including the Internal Revenue Code of 1986 (the “Code”), as amended, and regulations promulgated thereunder, and New York State law relating to charitable organizations and not-for-profit education corporations, particularly the New York Prudent Management of Institutional Funds Act.

- D. **Policy Approval and Scope.** This Policy has been approved by MSM’s Board of Trustees effective as of date and supersedes any existing policy or policies. This Policy shall not create any contract rights and is subject to change at any time, with appropriate review and approval as determined by the Board. MSM has a separate, Board-approved policy for the approval of gift agreements, “Policy for Contract Approval” by Board of Trustees dated 9/15/17.

This Policy does not anticipate all possible gift situations. Fundraisers should discuss any potential gift not described in this document with appropriate MSM officers, including the Vice President for Advancement.

- E. **Qualification and Registration.** MSM is a nonprofit organization which has been recognized by the Internal Revenue Service as exempt from federal income taxation under Code Section 501(c)(3), contributions to which are deductible under Code Section 170. MSM’s federal tax identification number is 13-1656667.

## II. Responsibility to Donors

- A. **General.** MSM, its advancement staff, and representatives will endeavor to assist donors in accomplishing their philanthropic objectives in a manner consistent with MSM’s commitment to maintaining the highest ethical standards. Advancement staff will adhere to all MSM policies related to ethics and conflicts of interest, including the *Donor Bill of Rights*.
- B. **Confidentiality.** Information concerning all transactions between a donor and MSM will be held by MSM in strict confidence and will not be publicly disclosed without the permission of the donor.
- C. **Anonymity.** MSM will respect the wishes of donors wishing to support MSM anonymously and will take reasonable steps to safeguard those donors’ identity (except as required by law).

## III. General Administrative Matters

- A. **Delegation / Responsible Offices**
1. The Roles of the Board of Trustees and the President. MSM’s Board of Trustees has full and final authority over all policies and procedures for solicitation activities and acceptance of all gifts to MSM. The Board of Trustees has delegated the authority to carry out these policies and procedures to the President of MSM, with certain exceptions provided for herein.

2. Vice President for Advancement. The Vice President for Advancement reports to the President of MSM and is responsible for developing policies for President and Board of Trustees approval, and for the subsequent implementation through the Advancement Office of such policies. All fundraising efforts must be conducted by the Advancement Office or the Office of the President.
3. Advancement Staff. Advancement staff reports to the Vice President for Advancement and is responsible for the following functions:
  - i. Carrying out the solicitation, receipt, acknowledgment, documentation, and stewardship of all gifts to MSM;
  - ii. Transmitting and documenting cash, pledges, and non-cash gifts for timely deposit, recording and/or other processing, as applicable;
  - iii. Acknowledging all gifts in accordance with IRS and other legal requirements and maintaining records of gift acknowledgments;
  - iv. Sending pledge payment reminders and collecting pledge payments; and
  - v. Implementing gift policies and procedures as adopted by MSM.

The procedures set forth in this Policy shall be applied by the advancement staff, and, in certain cases with respect to item i. above, Office of the President staff. Questions from advancement staff and the Office of the President staff regarding interpretation of this Policy should be directed to the Vice President for Advancement. Each member of the advancement staff of MSM and applicable Office of the President and Senior Vice President and CFO's staff members shall be given a copy of this Policy.

4. Acceptance of Gifts. Only the President of MSM and the Vice President for Advancement, and, with respect to gifts involving cash or publicly traded securities offered without restrictions, employees specifically designated by either of the foregoing in writing, are authorized to accept gifts to MSM.
5. Interpretation. The President of MSM has authority to interpret this Policy as it applies to specific gifts, subject to ultimate authority of the Board of Trustees as set forth above. The President or the Board of Trustees, as deemed appropriate, on a case by case basis, may also consult with the Senior Vice President and CFO and the Vice President for Advancement, as well as representatives from individual departments or programs.
6. Waivers. As many policies and procedures contained in this Policy are specifically intended to ensure MSM's compliance with tax and other laws, and all policies and procedures herein have been adopted after careful consideration in light of the purposes and goals of this Policy, requests for waivers or exceptions shall generally only be granted in unusual or extraordinary circumstances.



Any request for a waiver or exception shall initially be directed to the President, who may grant such request only after careful consideration of the legal requirements, purposes, and goals of the specific policy or procedure at issue. Notwithstanding the foregoing, in the case of any waiver or exception requested in connection with a gift of \$5,000 or more, such request may only be granted with the approval of the Board and, in the discretion of the Board or the President, upon consultation with legal counsel. Furthermore, any request for waiver or exception to any policy or procedure relating to the provision of benefits, rights, or consideration by MSM to a donor, or which results in MSM assuming any obligation, regardless of the amount or value of the gift, shall only be made with the approval of the Board and, in the discretion of the Board or the President, upon consultation with legal counsel.

The President, in the President's discretion, may appoint an ad hoc Gift Committee to assist in determining whether to allow exceptions or waivers. Members may include representatives from the Advancement Office, Business Office, Office of the Provost and Executive Vice President, and the Development Committee and Finance and Facilities Committee of the Board of Trustees.

Any exception or waiver which is approved hereunder shall be documented in writing, including a description of the process by which the decision was made, and maintained in MSM's files with any other documents related to the gift.

7. Gifts Related to Property Acquired with Tax Exempt Financing. Gifts related to facilities or projects financed with tax-exempt debt shall be reviewed by the Vice President for Advancement and Senior Vice President and CFO in consultation with MSM's legal counsel, as needed, to ensure that they do not adversely affect the tax-exempt nature of such financing.
8. Financial Records and Statements. MSM's financial records and statements are produced in accordance with Generally Accepted Accounting Principles (GAAP) and Financial Accounting Standard Board (FASB) pronouncements. For financial statement purposes, the Business Office is responsible for accounting for gifts to MSM in accordance with these guidelines. More information about MSM's accounting practices and records may be obtained from the Business Office.
9. Use of Outside Legal Counsel. MSM may engage legal counsel to advise MSM with respect to certain aspects of a proposed or existing gift. These circumstances include:
  - i. Review of gifts of closely-held or restricted securities, real estate, or other assets that are not readily marketable;
  - ii. Review of transactions imposing contractual obligations or restrictions on MSM or its use of the gifted assets;
  - iii. Review of transactions with potential conflicts of interest; and

- iv. Other circumstances where the Board of Trustees, President, Vice President for Advancement, or Senior Vice President and CFO feel appropriate.

- 10. Gift Acknowledgement and Substantiation. All donors shall be furnished with gift acknowledgement letters as soon as possible after the receipt of a gift but no later than 14 days after receipt of the gift with the goal that all acknowledgement letters will be sent within 2 business days after the receipt of a gift. A record shall be kept of all gift acknowledgment letters. Oversight and responsibility for assuring compliance with the Internal Revenue Service ("IRS") requirements and this Policy's guidelines regarding gift acknowledgement and substantiation is delegated to the Vice President for Advancement.

#### **B. Periodic Review**

- 1. General. The President and/or Vice President for Advancement will periodically (but no less frequently than every five years) review this Policy to ensure that it continues to accurately describe the policies of MSM with respect to acceptance of charitable gifts, and will propose that the Board of Trustees adopt any revisions that are deemed to be necessary or appropriate in order for this Policy to accurately reflect the policies of MSM.
- 2. Specified Review. This Policy will be reviewed upon the enactment or promulgation of legislation or regulatory rules affecting fundraising and gift acceptance by MSM, to assure continued compliance by MSM with relevant legislation and rules.

#### **C. Donor Expenses**

- 1. General. As a general rule, expenses associated with a donor's gift should be borne by the donor. Typical expenses include appraisal fees to substantiate the value of the donor's gift for tax purposes and the donor's legal fees.
- 2. Payment by MSM. MSM may, with the prior approval of the Senior Vice President and CFO and the Vice President for Advancement, agree to pay some or all of the expenses associated with a gift following a determination by the Vice President that doing so is necessary to facilitate the gift and appropriate in light of the benefit provided to MSM by such gift.

#### **D. Written Agreements**

- 1. General. All gift arrangements, other than outright unrestricted gifts of cash or publicly traded securities, shall be memorialized in a written document, or gift agreement. The gift agreement shall describe the dollar amount of the gift, any recognition to be provided by MSM, any restrictions imposed on the gift by the donor, any obligations undertaken by MSM with respect to the gift, and any other matters agreed to by the donor and MSM. All gift agreements must

be reviewed and approved by the Vice President for Advancement and the Senior Vice President and CFO prior to being sent to the donor for review and signature. Gift agreements shall be retained as part of MSM's permanent records.

With respect to gifts of less than \$25,000, a signed letter of intent or MSM pledge form is generally sufficient documentation. MSM will provide donors with a letter of intent template or gift/pledge form, as appropriate, in those cases. When adding to an existing fund, no specifications on how the money will be spent can be made, and all procedures specified in the gift agreement or resolution of the Board of Trustees establishing such fund must be followed.

A letter of intent must be used, regardless of the dollar amount, when a future gift is to be made using a donor advised fund. This is to prevent the donor, or the donor advised fund, from potentially violating certain provisions against self-dealing under federal tax laws.

2. Legal Counsel. Gift agreements involving gifts of assets other than cash or publicly traded securities (such as gifts of real property or interests in closely held businesses) will be reviewed and approved by the Vice President for Advancement, the Senior Vice President and CFO and, in the discretion of the Vice President for Advancement, MSM's legal counsel.
3. Variance Power/Alternative Use. MSM should, whenever possible, reserve the right to expand or alter any restrictions as to the use of gifted property in a way that is consistent with donor intent should it be determined in the future that the original restricted purpose of the gift no longer meets the needs or serves the mission of MSM. Accordingly, unless strongly objectionable to the donor, all gift agreements will have an alternative use/contingency clause as part of the agreement. The clause shall contain language substantially similar to the following, with the term "Fund" pertaining to the gift:

"MSM is entitled to protect the Fund from obsolescence and impracticability. Should the purpose for which the Fund was created become, in the judgment of the Board of Trustees, obsolete, unlawful, impossible to achieve, impracticable, incapable of fulfillment, or wasteful, the Fund may be applied to support such other purpose or purposes as are determined by the Board of Trustees to be consistent with Donor's original intent. MSM may exercise this variance power without the prior approval of any court, the New York State Attorney General, or other state agency."

4. Donor Control. A donor may not retain any explicit or implicit control over the use of a gift after acceptance by MSM. Donors can be involved in the implementation of a gift; however, they cannot have majority control over the



use of funds. If on a selection committee, donors must have less than 50% of voting rights in any voting process.

#### IV. **Forms of Giving**

##### A. **Classification**

Gifts to MSM may be classified as Unrestricted, Temporarily Restricted, or Permanently Restricted. These classifications are defined as follows:

1. **Unrestricted.** A donor makes a gift to MSM and places no restrictions on its use.
2. **Temporarily Restricted.** A donor imposes a restriction that permits MSM to expend the donated assets for a designated purpose or after a specific passage of time, the lapsing of a restriction, or upon a certain event. These gifts usually support a specific program, project or other specific initiative.
3. **Permanently Restricted.** A donor imposes a restriction that stipulates that donated assets be maintained permanently but permits the organization to expend part or all of the income earnings (or other economic benefits) derived from the donated assets. Examples include endowed funds, which may be further defined as follows:
  - i. **Endowment, Unrestricted Income:** Gifts restricted by donors for endowment but not bearing any restriction from the donor as to the use of the income the endowment produces.
  - ii. **Endowment, Restricted Income:** Gifts restricted by donors for endowment with their income restricted to a specific use, such as student scholarships, faculty support, facility maintenance, program support, or other purposes.

Permanently restricted gifts are added to the endowment assets of MSM and are invested and administered in accordance with the second part of this Policy, the Fund Management Policy. The assets contained within each endowment fund may be commingled with the assets of other endowment funds for investment and administration purposes; provided that each fund shall be separately accounted for. The amount distributable from an endowment fund in a particular year is referred to as the endowment "spending rate." MSM's annual endowment spending rate is established by the Board of Trustees in accordance with the Fund Management Policy in compliance with New York State law and is applied to all endowment funds.

## B. Outright Gifts

Outright gifts are gifts that are placed at the immediate disposal of MSM and in which the donor retains no interest (such as certain gifts made in trust). Outright gifts may be either restricted or unrestricted in purpose.

## C. Pledges

1. A pledge is a written commitment by a donor to complete a gift in the future. Written commitments may be accepted in the form of electronic submissions (email, fax, or pdf). While a potential donor may express an intention to make a gift to MSM, the intent alone does not constitute a pledge. In order to be considered a pledge and recorded by MSM as a financial asset, the donor must commit to and sign a written agreement that includes:
  - i. Specific words such as “promise,” “pledge,” or “agree”;
  - ii. The total amount of the pledge;
  - iii. The time period over which the pledge will be fulfilled, with a specific schedule indicating amounts and due dates of each payment; and
  - iv. The purpose of the pledge (whether restricted by a donor or not).
2. An unconditional pledge is a promise to give in any event on or before a specified date or occurrence. A conditional pledge is a promise to give only if and when a specific future event occurs. It will be recorded only when the future condition is met.
3. MSM’s financial records only reflect pledges that are documented in writing. For financial statement purposes, an unconditional pledge will be recorded at the present value of the pledge using the appropriate discount rate and timeline of the pledge payments.
4. A major gift pledge may be paid over time, generally not to exceed five years. A pledge in excess of \$250,000 that is of longer duration must be reviewed and approved by the Vice President for Advancement and the Senior Vice President and CFO.
5. All pledge documentation will be maintained electronically by the Advancement Office.
6. Modifications to Pledges. Pledges may only be modified in writing, with the approval of the Vice President for Advancement and the Vice President for Business Finance, and only after consultation with legal counsel.. Acceptable written documentation to modify a pledge or a pledge payment schedule is limited to a new gift agreement or amendment signed by both MSM and the donor.

7. Open Pledges. Open pledges (those that have one or more outstanding payments due) will be reviewed periodically by MSM. Reminder notices will be sent to donors. Pledges that are past due and are deemed uncollectable may be written off without written documentation to or from the donor.
8. Legal Authority to Make Pledges. Donors who make binding commitments to MSM must have legal authority to commit funds. Where this authority exists, legal credit and donor recognition credit will be made to the donor. Approved text for binding commitments is available from the Advancement Office.

Pledges from individual donors that are likely to be paid in full or part through either a donor advised fund or private family foundation must be written in the form of a non-binding statement of intention in order to prevent the donor, foundation, or donor advised fund from potentially violating certain provisions against self-dealing under the federal tax laws. Legal and donor recognition credit will be assigned to these entities. Approved text for these circumstances is available from the Advancement Office.

Corporate matching gifts, and gifts from Charitable Remainder Trusts or Charitable Lead Trusts cannot be applied as pledge payments to an individual's personal pledge commitment.

9. Pledge Underpayment/Overpayment. Pledge payments using marketable securities are considered fulfilled if the valuation of securities falls within 5% of the total pledge amount. Pledge payments received over the amount of a given pledge total amount will be applied to the original pledge. If a multi-purpose pledge, the overage will be proportionally distributed to all pledge purposes.

## V. Types of Property Gifted

### A. Cash and Cash Equivalents

Cash and cash equivalents are accepted in any amount. MSM will accept gifts of U.S. or foreign currency, checks drawn on U.S. or foreign banks, and credit card payments (via VISA, MasterCard, Discover and American Express), as well as gifts delivered via Electronic Funds Transfer (EFT) or wire transfer. MSM may accept gifts of digital currencies, such as cryptocurrency, if deemed advisable and practicable. Cash gifts may be delivered in person, by mail, EFT, wire, or via the Internet through MSM's online-giving site. Notwithstanding the foregoing, gifts in the form of currency (including cryptocurrency) in excess of \$500 shall not be accepted without prior approval of the President and the Senior Vice President and CFO.

## **B. Matching Gifts**

Many businesses have programs in place to promote civic engagement by matching charitable gifts their employees make to qualifying organizations. Donors employed by, or, in some cases, retired from, such companies are encouraged to take full advantage of corporate matching gift programs. Matching gift pledges are conditional and not booked until the condition, or match, is received. When the matching gift is received by MSM, the donor's employer will receive legal (tax) credit for the gift, and the individual will receive donor recognition (soft) credit, which will be counted toward qualification for inclusion in honor rolls or other events. The general policy of MSM is to direct matching gifts to support the same area(s) or program(s) as the original gift unless the donor's employer stipulates otherwise. Matching gifts cannot be used to fulfill personal pledges, as the individual does not have legal control over these funds.

## **C. Marketable Securities**

MSM will accept gifts of marketable securities, including publicly traded stocks, bonds and mutual funds, in any amount. In accordance with federal tax regulations, they will be valued at the mean of the high and low quoted selling prices on the date of gift, i.e. the date when the donor relinquishes dominion and control in favor of MSM, regardless of the actual date that MSM sells the security.

When dominion and control has been relinquished by a donor depends upon the method of delivery of the securities. For example, stock transferred electronically is valued as of the date the securities are received into an account owned by MSM. Stock mailed to MSM is valued as of the latest postmark date of either the envelope containing the stock certificate(s) or the envelope containing any required valid stock power(s). Stock directed by the donor to be registered in the name of MSM will be valued as of the date the stock is so registered. Stock that is personally delivered to MSM in negotiable form is valued on the date received by MSM.

In general, MSM's policy is to dispose of all gifts of securities as expeditiously as possible.

## **D. Closely Held Stock**

All gifts of interests in non-publicly traded stocks, bonds, partnerships, and limited liability companies are subject to review by the Vice President for Advancement, the Senior Vice President and CFO, and MSM's legal counsel, as appropriate. This review is required because (a) such assets are not traded on exchanges and are difficult to value, (b) such assets may be subject to shareholder or other agreements that may limit the ability to convert them into cash and expose their owners to liabilities, and (c) there may be federal regulations and laws to which MSM must adhere. Such assets must be accompanied by a qualified appraisal paid for by the donor for all contributions greater than \$10,000.



E. **Other Tangible and Intangible Personal Property**

MSM may accept gifts of other tangible and intangible personal property. Examples of tangible personal property include, but are not limited to, musical instruments, works of art, manuscripts, vehicles, boats, computer hardware, developed software, equipment, and livestock. Examples of intangible personal property include, but are not limited to, software under development, patents, copyrights, royalties, goodwill, trade names and trademarks, partnership interests, and intellectual property. MSM may choose not to accept a gift of property if it is impracticable or imposes an undue administrative burden on MSM.

Title(s) to personal property should be clear and unencumbered and properly documented, and must be immediately transferred to MSM at the time of the gift. Careful consideration will be given to the marketability, storage, transportation, and insurance and disposal and other costs associated with all gifts of personal property. Any costs incurred by MSM that are associated with the conveyance, delivery, and maintenance of the gift will be charged to the donor or to the MSM department, program, or unit that will benefit from the gift.

Gifts Valued Between \$500 and \$5,000. Determination of value of gifts for tax purposes is a matter between the donor and the IRS. If the value of the tangible or intangible gift(s) is estimated to be between \$500 and \$5,000, the donor may provide a signed statement of the donor's good faith estimate of fair market value of the items for gift documentation purposes. While the donor's written estimate of value may be used for internal gift and financial accounting purposes, a written, signed statement of value obtained from a member of the faculty, staff, or other person with proven expertise may also be used, but must not be shared with the donor. Gift receipts to the donor for a tangible or intangible gift will not state the value placed on the gift.

Gifts Valued in Excess of \$5,000; IRS Form 8283. The IRS requires donors to file Form 8283 to claim deductions for non-cash gifts in excess of \$500, but the charity does not sign Form 8283 unless the value of the gift exceeds \$5,000. For gifts of any item or group of similar items exceeding \$5,000, the IRS requires a current qualified independent professional appraisal and an executed Form 8283 from the donor, which must also be signed by MSM. Only the President, Vice President for Advancement, Assistant Vice President for Advancement, or Senior Vice President and CFO may execute a Form 8283 on behalf of MSM.

If the donor either does not wish to claim a tax deduction, or does not provide a copy of his or her appraisal, it is the responsibility of the department receiving the gift to obtain an appraisal – absorbing the cost involved. In these instances, internal valuations may be used for the purpose of recording gifts up to \$50,000, but there must be written documentation from the donor that they either are not taking a tax deduction or will not provide a copy of the appraisal. No IRS Form 8283 will be executed under these circumstances.

Disposal of Gifts of Personal Property. It is the policy of MSM to sell or otherwise dispose of all gifts of personal property, except for property that is to be retained by MSM for use in advancing its mission, as discussed below. The sale or disposition of the donated property will be carried out in consultation with the Vice President for Advancement and the Senior Vice President and CFO. If MSM disposes of the donated property having a value of at least \$500 within three years of the date of the gift, MSM must file an information return on IRS Form 8282 and provide a copy to the donor.

**F. Gifts in Kind**

Gifts in kind are gifts of tangible or intangible personal property that will be retained and used by MSM in furtherance of its mission. Any restrictions placed on the use of such property by the donor must be consistent with the institutional needs of MSM. The need for and potential use of the gift property should be approved by the appropriate MSM staff (including the department head or other appropriate staff from the department that is anticipated to make use of such property upon receipt) before the gift is accepted.

**G. Gifts of Services**

Gifts of services provide valuable support to MSM. However, pursuant to IRS regulations, a person's or organization's time or service is not considered a charitable contribution upon which a tax deduction can be claimed. The value of that time or service, however valuable to MSM, will not be counted or credited as a contribution, regardless of whether the individual assists MSM as a volunteer or as a professional providing a specialized service, e.g. accounting, legal work, consulting, or printing.

**H. Real Property**

MSM will accept gifts of real property (improved and unimproved), including detached single-family residences, condominiums, cooperative units, apartment buildings, rental property, commercial property, farms, and acreage. These gifts may include real property that is subject to a retained life estate or other planned gift vehicle. MSM will *not* accept gifts of time-share properties. MSM shall consider utilizing a single-member limited liability company to accept any gift of real property to shield MSM from potential liabilities related to the real property. Gifts of real property must be valued at a minimum of \$500,000 to be considered for acceptance.

General Assessment. All gifts of real property are subject to a thorough review by the President and, as the President deems appropriate, MSM's legal counsel, who will consider the following factors:

1. The usefulness of the property for MSM's purposes;
2. The marketability of the property;
3. The existence of restrictions, reservations, easements, zoning, and/or other limitations;

4. The existence of encumbrances, such as mortgages, deeds of trust, and mechanics' liens;
5. The existence of clear and properly documented title to the property;
6. Carrying costs, such as property owner's association dues, real estate taxes, insurance, utility services, transfer fees and other maintenance expenses; and
7. Fair market value in relation to the costs and limits listed above as determined by a qualified appraisal conducted in accordance with IRS standards.

Limitations and encumbrances will be carefully reviewed before the acceptance of any real property, including any and all mortgages, deeds of trust, restrictions, reservations, easements, mechanic's or other liens and other limitation of record. Generally speaking, no gift of real estate will be accepted until all mortgages, deeds of trust, liens and other encumbrances have been discharged. Exceptions may be made when the value of MSM's interest in the property net of all encumbrances is deemed to be substantial, or when a separate agreement to pay any encumbrances that might be charged to MSM has been executed by a financially responsible party.

Environmental Risk Assessment. Prior to the acceptance of any parcel of real property, an assessment of the potential environmental risks will be conducted. This assessment shall include the following:

1. An inquiry of the present owner regarding his, her, or its knowledge of the history of the property;
2. A title search to determine whom the prior owners might have been;
3. A consultation with federal, state and local environmental agencies to find out whether the property has any history of hazardous waste contamination;
4. A visual inspection of the property for any evidence of environmental hazards; and
5. An environmental audit conducted by a professional service in the form of a Phase I Environmental Site Assessment also may be required.

MSM may require inspection by a properly licensed or certified professional for all gifts of real estate, including an interest in mining or oil and gas properties, as may be required to demonstrate due diligence and care in accepting the property as free from contamination. Any such inspection shall be properly documented.

In accordance with MSM's general policy, all expenses associated with a donor's gift of real property, including appraisals, surveys and environmental risk assessments, should be borne by the donor. In general, MSM's policy is to dispose of all gifts of real estate as expeditiously as possible. This policy will be communicated to the donor when MSM receives notification of the donor's desire to make the gift.

## **I. Bargain Sales**

Bargain sales are a way to make charitable gifts using property – tangible, intangible, or real. If a donor sells property to MSM for less than fair market value with the intent of making a gift, the transaction is partly a sale and partly a gift. Bargain sales can also arise when a donor transfers property to MSM in exchange for like-kind property of



lesser value, or when a donor transfers property that is subject to indebtedness, thereby being relieved of the obligation.

Bargain sale transactions may be accepted by MSM with the prior written approval of the Vice President for Advancement and Senior Vice President and CFO, whose approval will be based on consultation with MSM's legal and accounting counsel, with all concurring that the bargain sale is appropriate for MSM. Since bargain sale transactions require the outlay of funds by MSM, these transactions should be approved only in very limited circumstances. One such circumstance involves property that MSM intends to keep for use in its programs that may be acquired on beneficial terms in a bargain sale transaction. In limited circumstances, MSM may consider bargain sale transactions to acquire property that would not be retained for use in MSM's programs, if it is determined in the approval process that the property can be sold for cash in a timely manner.

## **VI. Acceptance and Valuation of Gifts**

- A. MSM will value gifts for gift and campaign credit purposes in accordance with its internal procedures reflecting, in general, the reporting standards suggested by CASE. Such valuation and credit will be independent of the valuation and date of the gift as reported by the donor to the IRS, or the value placed on the gift by that donor for income tax purposes. Such valuation may also differ from valuation for financial statement purposes as required by the FASB, a discussion of which is beyond the scope of this Policy.
- B. Checks and cash gifts will be valued for gift and campaign credit purposes at face value, and recorded for purposes of gift acknowledgment on the date that they are received by MSM. Checks received by mail will generally be deemed received as of the date of mailing. Credit card gifts will generally be deemed received on the date processed and approved by the relevant financial institutions.
- C. Gifts of real property will be valued for gift and campaign credit purposes at fair market value, as ordinarily substantiated by a qualified independent appraiser retained by the donor. Gifts of tangible personal property will also be valued for gift and campaign credit purposes at fair market value, as ordinarily substantiated by an appraisal supplied by the donor if the value is in excess of \$5,000. If there is no market for the asset, the gift will be credited with a value of one dollar (\$1.00). Please refer also to the discussion in Section V.E. and H. regarding appraisals and gift acknowledgment.
- D. Neither gains nor losses realized by MSM's sale of a non-cash gift will affect the value for gift and campaign credit purposes.
- E. Notwithstanding the foregoing provisions, the valuation of a gift shall be subject to reduction on account of amounts payable to or retained by a non-charitable beneficiary in connection with a planned gift or on account of deferral of MSM's access to such gift, as provided elsewhere in the Policy.



## **VII. Planned Giving**

The concept of “planned giving” encompasses a broad array of gift arrangements or vehicles, including but not limited to those described below. Planned gifts may be either irrevocable (cannot be changed by the donor once the gift is made) or revocable (can be changed by the donor at any time or for some specified period of time).

Except in limited circumstances approved by the President in consultation with legal counsel, MSM shall not agree to serve as executor of a decedent’s estate or as trustee of a living trust or other trust. Waiver of this policy will be considered on a case by case basis upon careful considerations of the risks and benefits to MSM.

### **A. Bequests**

A bequest is a gift to be made upon the death of a donor, or the death of a donor and other designated individual(s), to MSM as documented in a donor’s Last Will and Testament or other legally binding testamentary document. Gifts made via a bequest may be outright, contingent, unrestricted or restricted, and can be made pursuant to a legally binding pledge agreement. Bequests may involve cash, securities, articles of tangible personal property, or all or a portion of the residue of the estate.

If a donor designates a bequest for a restricted use for which the donor did not execute an agreement with MSM during his/her lifetime, the Vice President for Advancement, in consultation with Senior Vice President and CFO, will oversee the preparation of a memorandum of understanding regarding the use of the bequest.

If the Vice President for Advancement determines that a bequest will place unreasonable constraints and/or conditions upon MSM, or that any restrictions regarding MSM’s use of a bequest are unreasonable or legally impermissible, the advancement officer will contact the fiduciary of the estate or trust to request that such restrictions be altered or eliminated. Legal counsel will be consulted to determine whether it is necessary to petition an appropriate court for permission to alter or eliminate a restriction. Alternatively, the bequest may be refused or disclaimed.

Once the bequest has been approved for acceptance, the designated staff member will cooperate with the executor of the donor’s estate to complete whatever action is required to effect legal transfer of the gift from the estate to MSM.

### **B. Charitable Gift Annuities**

MSM does not currently have a charitable gift annuity program.

### **C. Charitable Remainder Trusts**

A charitable remainder trust is a planning vehicle whereby a donor transfers assets to a trust, retaining the right for the donor and/or other beneficiary(ies) to receive distributions, either for life or for a term of years. At the death of the last surviving

named beneficiary or the end of the term, the trust terminates and the remainder is distributed to MSM.

Charitable remainder trusts can be funded with a wide variety of assets, and can involve annuity distributions (commonly referred to as "CRAT"s) or unitrust distributions (commonly referred to as "CRUT"s). They can be established during the donor's lifetime or through his or her estate.

MSM will accept gifts of any amount through charitable remainder trusts.

#### **D. Charitable Lead Trusts**

Charitable lead trusts are planning vehicles which are similar to charitable remainder trusts. A donor transfers property to the trust, which distributes either a fixed amount or a percentage of the value of the trust assets to MSM, usually for a term of years. At the end of the trust term, the trust terminates and all of the trust assets pass to the donor's designated beneficiaries.

MSM will accept income from charitable lead trusts funded at any level.

#### **E. Life Insurance**

MSM will accept gifts of life insurance policies where it has been named both the owner and the beneficiary which have a face value of at least \$5,000. To accept a policy, a gift of insurance must meet the following criteria:

1. MSM is designated as both the beneficiary and the owner of the policy.
2. The policy is a cash value life insurance policy which either:
  - a) Is paid-up as of the date of the gift, or
  - b) Is not paid up as of the date of the gift, but has a payment schedule of not more than 5 years.

If a policy is not paid up, the donor must pledge to donate to MSM an amount which is at least equal to any premiums, including unscheduled premiums, which may become due in order to maintain the policy. MSM shall use such pledged gifts to pay life insurance premiums on a timely basis (provided the donor has not paid the premium directly). If a premium notice is received by MSM before the donor makes the gift to cover payment, MSM will pay the premium in order to keep the policy active and will notify the Advancement Office, which will send a reminder to the donor. Non-payment of a premium by a donor may result in a decision by MSM to have MSM absorb the cost of the premium, let the policy lapse, cash in the policy, or pursue a viatical settlement arrangement.

The gift will be valued for gift and campaign credit purposes and for purposes of acknowledgement at cash surrender value. For policies with remaining payments

required, premium payments supplied by the donor are credited as a gift in the year received. The gift will be valued at the cash settlement amount for realized death benefits provided not previously credited.

The gift will be completed upon the execution and delivery of the life insurance policy to MSM, or upon assignment of the policy if the donor is not the original owner of the policy.

If the donor designates the gift to establish an endowed or restricted fund, the gift agreement will include the provision that the gift must reach the minimum amount that is required when the gift is realized to establish such a fund.

**F. Remainder Interest in a Personal Residence/Life Estates**

Donors can receive an income tax charitable deduction by making a gift to MSM of their personal residence or farm while retaining full use and rights to the property during their lifetime. Thereafter, the property will either be sold or used by MSM for purposes specified by the donor, if any, and as approved by MSM, namely, the Vice President for Advancement and the Senior Vice President and CFO. The donor irrevocably transfers legal ownership of the property to MSM but retains a "life estate" for the lifetime of the donor and/or his/her designee; and MSM receives the "remainder interest" in the property.

Retained life estate gifts are subject to all of the policies and procedures for gifts of real estate. In addition, the donor must sign a "Life Estate Agreement" with MSM, prepared by MSM's legal counsel, to articulate his/her responsibility for maintenance of the property, taxes, insurance, and other expenses.

**G. Retirement Assets**

MSM will accept funds it receives as the designated beneficiary of tax deferred retirement assets (for example, an IRA, a 401(k) plan, a 403(b) plan, or a defined contribution plan). The Advancement Office should attempt to obtain a copy of the executed designation form that the donor has submitted to the asset's or plan's administrator to name MSM as the beneficiary.

**H. Donor Advised Funds**

MSM will accept funds it receives as a beneficiary of a distribution from a donor advised fund.

## **VIII. Naming Opportunities**

- A. MSM may approve the establishment of named, endowed funds. Generally, the **minimum threshold amount required for naming endowed funds shall be \$100,000 for the College and \$50,000 for the Precollege.**
- B. MSM may further establish set levels of named, endowed funds with differing minimum threshold amounts. These minimum threshold amounts will generally be set at approximately twenty times the required income value. If, after five years, the gifts received for a fund are not sufficient to establish the fund as intended by the donor, Advancement office staff will contact the donor to discuss alternatives. If the donor is deceased, the donor's personal representative (executor or trustee) will be contacted. If the donor is not available, the President, in consultation with the Board of Trustees as appropriate, will determine how the funds will be managed in accordance with legal requirements. Solicitation materials and discussions should be clear that gifts to a specific fund are subject to this contingency and also to a change in use if the stated purpose becomes obsolete, impracticable, incapable of fulfillment, or wasteful, as determined by the Board of Trustees, in accordance with this Policy.
- C. Naming opportunities may also be made available for scholarships, faculty positions, buildings, rooms, facilities, or other capital projects, or otherwise approved for donor recognition, memorial, or other purposes, at levels established by the President from time to time. The President shall have final approval over all major naming opportunities for buildings and components of buildings and/or other large projects, or in cases that involve a large financial impact, might affect the public image of MSM, or that add or change a major program. The Vice President for Advancement is authorized to develop and revise, with the approval of the President, lists of gift opportunities, with an indication of the amounts required for naming. Irrevocable Planned Gifts are eligible for designated naming opportunities only if the actuarial present value of the charitable interest in the planned giving arrangement equals or exceeds the minimum amount required to name a gift.

## **IX. Providing Legal or Financial Advice**

- A. MSM does not provide personal legal, financial, tax **compliance** or other professional advice to donors. While advancement officers may provide donors with suggested bequest language or assistance with other language pertaining to gift designation, gift illustrations, including calculations, and draft documents prepared or approved by MSM's legal counsel, prospective donors should be encouraged to seek the assistance of their own legal counsel or other professional advisors in matters relating to the legal, tax and estate planning consequences of the proposed gift to MSM. The donor is responsible for supplying and signing all legal documents necessary or advisable in connection with the transfer of any property to MSM.



## **PART 2.**

### **FUND MANAGEMENT POLICY**

MSM's Board of Trustees has delegated to its Facilities and Finance Committee (the "Committee") responsibility for investing and managing MSM's endowment funds and other assets that are invested for the long term. This Fund Management Policy sets forth the policies which shall be followed to carry out this responsibility and for the spending of MSM's endowment funds.

Reference is made to Part 1. of this Gift Acceptance and Fund Management Policy regarding minimum dollar thresholds for endowments, naming opportunities, acceptance of donor restrictions, and other relevant matters.

As used in this Fund Management Policy, the term "Endowment" includes the following:

1. "Endowment funds," meaning individual donor-established funds that, pursuant to the terms of the applicable gift instruments, are not wholly expendable on a current basis;
2. "Quasi-endowment funds," meaning funds that the Board of Trustees chooses to treat as endowed but that are not subject to any legal prohibition against expenditure on a current basis; and
3. Other funds that MSM chooses to include and manage with the endowment funds and quasi-endowment funds as part of the Endowment.

### **NEW YORK PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS ACT**

In executing its responsibilities, the Committee will comply with the New York Prudent Management of Institutional Funds Act ("NYPMIFA" or the "Act"), and all provisions of this Fund Management Policy shall be interpreted in accordance with the Act's requirements. NYPMIFA requires that "each person responsible for managing institutional funds act in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances." NYPMIFA further requires that any person that has special skills or expertise, or that is selected in reliance upon the person's representation that the person has special skills or expertise, has a duty to use those skills or that expertise in managing and investing institutional funds.<sup>1</sup>

The Act provides that in managing and investing an institutional fund, an institution shall consider the purposes of the institution and the purposes of the institutional fund. The Act further provides as follows:

1. The institution may only incur management and investment costs that are appropriate and reasonable in relation to the assets, the purposes of the institution, and the skills available to the institution.

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<sup>1</sup> The Act defines "institutional fund" as simply "a fund held by an institution."

2. An institution shall make a reasonable effort to verify facts relevant to the management and investment of the fund.
3. Management and investment decisions must be made in the context of an institutional fund's portfolio of investments as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the institutional fund and the institution itself.
4. Investments of an institutional fund shall be diversified. The diversification requirement may be disregarded because of special circumstances but this must be reviewed at least annually.
5. Except as otherwise provided by a gift instrument, the following factors, if relevant, must be considered on an ongoing basis in managing and investing an institutional fund:
  - a. general economic conditions;
  - b. the possible effects of inflation or deflation;
  - c. the expected tax consequences, if any, of investment decisions or strategies;
  - d. the role that each investment or course of action plays within the overall investment portfolio of the individual institutional fund;
  - e. the expected total return from income and the appreciation of investments;
  - f. other resources of the institution;
  - g. the needs of the institution and the individual institutional fund to make distributions and to preserve capital; and
  - h. an asset's special relationship or special value, if any, to the purposes of the institution.
6. Within a reasonable time after receiving property, an institution must make and carry out decisions concerning the retention or disposition of the property or to rebalance a portfolio, in order to bring the institutional fund into compliance with the purposes, terms, and distribution requirements of the institution as necessary to meet other circumstances of the institution and the requirements of NYPMIFA.

The Act specifically permits two or more institutional funds to be pooled for purposes of management and investment, provided that the above requirements are met.

## OBJECTIVES

In order to support MSM's mission and operations over the long-term and to achieve intergenerational equity between current and future students, the primary objective in managing MSM's Endowment is to achieve a total return that preserves the real value of the Endowment in perpetuity commensurate with the risk tolerance of the Board of Trustees. "Total return" as used herein refers to an investment approach in which investment returns are achieved through both current yield (interest and dividends) and capital appreciation (realized and unrealized). A secondary objective is to grow the real purchasing power of the Endowment while avoiding taking excessive risk. Measurement of purchasing power is based on the market value of the Endowment's assets adjusted for investment returns, spending and inflation, but exclusive of gifts. In absolute terms, the Endowment's return objective is to earn a  $X\%$

annualized real rate of return over rolling ten-year periods. The Higher Education Price Index will be used to measure inflation.

The return earned by the Endowment is expected to exceed the performance of a passively invested portfolio that reflects the Endowment's strategic asset allocation ("SAA"), over rolling five- and ten-year time periods in order to maintain a long-term focus in managing the assets.

The return earned by each asset class is expected to exceed the performance of a broad investable benchmark that reflects the returns that can be earned from investing in the asset class on a passive basis. Each investment manager is expected to outperform an investable benchmark that represents a passive implementation of the manager's investment style. Private equity and similar limited partnership structures will be evaluated based on internal rates of return and multiples of returned capital and their ranking relative to partnership universes of the same type and vintage year. For evaluation purposes, performance will be calculated net of investment management fees. An independent third party will be used to calculate performance.

## **RESPONSIBILITIES OF THE COMMITTEE**

In carrying out its responsibilities under this Fund Management Policy, the Committee shall:

1. Establish investment objectives that are consistent with the financial needs of MSM and the risk tolerance determined by the Board of Trustees.
2. Supervise and coordinate with the Senior Vice President and CFO in implementing this Fund Management Policy.
3. Review and approve asset allocation studies conducted by the Senior Vice President and CFO at least once every three years, which will be used as the basis for establishing the Endowment's SAA, and establishing the Endowment's SAA.
4. Approve the hiring, setting of investment guidelines and termination of investment managers, taking into account the requirements of NYPMIFA, in consultation with the President and Senior Vice President and CFO.
5. Monitor the performance of the Endowment, asset classes and investment managers against their benchmarks.
6. Monitor the Endowment's investments to ensure compliance with investment policies and guidelines.
7. Recommend to the Board the annual Endowment spending amount jointly with the Finance and Facilities Committee and the President.
8. Report annually on these matters to the Board of Trustees.
9. Review this Fund Management Policy on a periodic basis.

## RESPONSIBILITIES OF THE SENIOR VICE PRESIDENT AND CFO

The Endowment is managed by MSM's Senior Vice President and CFO under the supervision of the Committee and the President. In carrying out its responsibilities under this Fund Management Policy, the Senior Vice President and CFO shall:

1. Implement this Fund Management Policy.
2. Conduct asset allocation studies that the Committee uses as the basis for setting the Endowment's SAA. These studies will be conducted at a minimum of at least once every three years.
3. Provide the Committee with quarterly performance and asset allocation reports.
4. Monitor investment manager/investment vehicle performance and compliance with investment guidelines. As part of this monitoring process, it is expected that the Senior Vice President and CFO will visit the investment managers at least once a year.
5. Monitor and manage the Endowment's liquidity requirements.
6. Develop and maintain an adequate system of internal controls for management of the Endowment.

In addition, the Senior Vice President and CFO is responsible for the day-to-day investment management of the Endowment including meeting custody, depository, legal and audit requirements.

## STRATEGIC ASSET ALLOCATION

The Endowment's SAA is based on the periodic asset allocation studies performed by the Senior Vice President and CFO and is attached to this [Statement as Exhibit I](#). Given the objective of maintaining the Endowment's real purchasing power, it is expected that the portfolio will have relatively high exposure to equity, and asset classes with equity-like characteristics, and lower exposure to fixed income asset classes. However, it is expected that SAA will be highly diversified across asset classes in order to reduce volatility. SAA will be reviewed for appropriateness at least annually by the Committee to ensure it is appropriate in light of MSM's risk tolerance and spending needs.

SAA is intended to be long-term in nature as it is difficult to add value through short term tactical changes due to associated transaction costs and the need to be correct twice, in both selling and buying.

Deviations from SAA will be reviewed by the Committee on a regular basis.

## PERMISSIBLE INVESTMENTS

Permissible investments include publicly traded equity securities including both domestic and international stocks, fixed income securities including those issued by either domestic or international governments or corporations, mortgages, illiquid alternative investment structures such as limited



partnerships and hedge funds, and derivative instruments such as futures, options and swap contracts that are either exchange traded or private.

Securities of any one issuer, except for those of the U.S. Government and its agencies or instrumentalities, shall not exceed 5% of the total market value of the Endowment.

## **INVESTMENT MANAGEMENT**

The Endowment will be managed by external investment managers who will have discretion to manage the assets subject to MSM's investment guidelines for their accounts. In general, it is expected that assets will be actively managed as there is an underlying expectation that markets are not perfectly efficient, and that it is possible to identify added-value managers. Index funds may be used to gain broad low-cost asset class exposure.

Investment managers shall be selected, continued and terminated in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. This standard shall apply when assessing an investment manager's independence including any conflicts of interest the investment manager has or may have, establishing the scope and terms of the delegation, including the payment of compensation, consistent with the purposes of MSM and the institutional funds managed, and monitoring the investment manager's performance and compliance with the scope and terms of the delegation.

Each investment manager shall have the duties, responsibility and authority set forth in a written agreement between MSM and the investment manager (a "Delegation Agreement"). Each Delegation Agreement shall: (1) require the investment manager to manage and invest MSM's funds in accordance with this Policy and NYPMIFA; (2) provide that the investment manager has a duty to utilize its special skills and expertise in investing and managing MSM funds; and (3) provide that the Delegation Agreement may be terminated at any time without penalty upon not more than sixty (60) days' written notice.

## **ENDOWMENT SPENDING POLICY & GUIDELINES**

MSM's Endowment spending policy and guidelines are designed to provide a dependable source of funds for current operations and to allow regular and sustained growth for budget planning and support while maintaining the real purchasing power of the Endowment over time. All returns in excess of Endowment spending will remain invested.

It is MSM's policy to appropriate and spend annually up to a maximum of 5% of a 12-quarter moving average of the Fund's market value, calculated on a per unit value. The annual spending amount will be determined each year using the 12 trailing quarters ending in the preceding December.<sup>2</sup> The annual spending amount will be determined each year using the 12 trailing quarters ending in the preceding December.

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<sup>2</sup> Pursuant to NYPMIFA, the appropriation of 7% of the five-year average market value of the principal of an endowment fund is presumptively imprudent. However, there is no corresponding presumption of prudence for any lesser amount.

The annual spending rate for each year shall be determined in accordance with the following guidelines. For any endowment fund established prior to September 17, 2010, MSM may not appropriate more than the fund's historic dollar value unless the donor expressed the intent to allow expenditures greater than the historic dollar value in the gift instrument. For endowment funds established on or after such date, MSM may appropriate so much of an endowment fund as MSM determines, subject to the donor's intent as expressed in a gift instrument, is prudent for the uses, benefits, purposes and duration for which the endowment fund was established.

NYPMIFA provides the following eight factors that must be considered, if relevant, when making decisions as to expenditure or accumulation of endowment funds:

1. the duration and preservation of the individual endowment funds included within the Endowment;
2. the purposes of MSM and the individual endowment funds included within the Endowment;
3. general economic conditions;
4. the possible effect of inflation or deflation;
5. the expected total return from income and the appreciation of investments;
6. other resources of the School;
7. where appropriate and if circumstances would otherwise warrant, alternatives to the expenditure of individual endowed funds included within the Endowment, giving due consideration to the effect that such alternatives may have on the School; and
8. the other provisions of this policy.

A contemporaneous record describing the consideration given to each of these factors and other legal requirements will be maintained. The actual spending rate each year shall be approved by the Board.

The Committee will consider the above factors in addition to any other relevant information. As part of its evaluation, the Committee will consider whether a given spending rate is appropriate for multiple similarly-situated endowment funds. The Committee will make adjustments as necessary if, based on the particular circumstances of any individual fund, the prudent application of the above factors warrants such a course of action. The Committee will document the reasons for which any deviation is deemed appropriate.

## **INVESTOR RESPONSIBILITY POLICY**

In accordance with MSM's mission as an educational institution committed to fostering diversity, equity and inclusive practices, MSM considers environmental, social and governance ("ESG") issues as part of its investment process. The consideration of such factors shall be incorporated in varying manners across decisions made by the Committee. The Committee and the Senior Vice President and CFO shall consider material ESG factors as part of the criteria on which investment managers are evaluated. The inclusion of ESG factors in the investment process is not intended to result in the exclusion of specific investments on the basis of any single factor alone, but as an aid improving the long-term financial returns of the Endowment.