

# FOUNDATION POLICIES

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**Charitable Contributions**

**Number: 1**  
**Adopted: 1/19/84**  
**Revised: 4/27/99, 11/3/08**

## Policy

### Policy Statement

The Foundation shall be responsible for receiving, depositing and acknowledging all private charitable gifts / grants.

### Donor Recognition - General Principles

Donors are entitled to recognition and gratitude for the benefits that they confer on the Foundation. Such acknowledgment should be immediate and meaningful. Acknowledgment should be appropriate to the level of the gift (as compared to the size of the transaction), any deferral in the timing of the benefits for Group Health, and the expectations and restrictions imposed. The financial future of the Foundation and Group Health is dependent upon maintaining its strong relationship with its Donors, and this requires adhering to its financial commitments to the Donor or other beneficiaries of a gift instrument, as well as to any obligations or conditions imposed by the Donor and accepted by the Foundation in connection with the gift. Written acknowledgement of all gifts should be in the mail within 72 hours (3 business days) of receipt of the gift. Methods of public acknowledgement of Donors and gifts will be made explicit to Donors and Donors' right to remain anonymous will be honored.

While Donors have the right to recognition and gratitude, Group Health and the Foundation retain the right to establish values and purposes for Donor recognition in keeping with Group Health values and corporate image.

### “Quid Pro Quo” Situations

The Foundation does not accept as charitable contributions the actual cost of goods or services received as part of an event ticket purchase, auction purchases or raffle ticket purchases.

If the Foundation has given something of value in return for a gift the Donor's tax deduction is reduced by the fair market value of the benefit received. There are certain regulatory guidelines for reporting the value of contributions received in quid pro quo situations where the contribution exceeds \$75. The IRS requires the Foundation to provide Donors with a written statement that informs the Donor that the amount of the contribution that is deductible as a charitable contribution is

limited to the excess of the amount contributed by the Donor over the value of the goods and services provided by the Foundation and provides the Donor with a good-faith estimate of the value of the goods and services furnished to the Donor by the Foundation.

Failure to comply with these federal guidelines may result in penalties to the Foundation. Therefore, any quid pro quo gifts or gift solicitations must be reported to and cleared with the Foundation's President.

### **Distinguishing Outright Donations from Deferred Gifts**

Any outright donations to the Foundation shall be recognized in accordance with gift levels established by the Senior Director of Development, and approved by the Foundation President. Public displays of Donor honor rolls and permanent Donor recognition and naming opportunities are approved by the Cooperative Board of Trustees. The requirements for eligibility and participation in specific recognition events and displays may be changed upon the recommendation of the Senior Development Director and with the approval of the Major Gifts Committee. The value of an outright donation shall be measured by its fair market value as of the date of the gift, less any economic benefit conferred on the Donor in consideration for such gift (i.e. "quid pro quo"), except when such benefit is considered nominal.

### **Deferred Donations: Irrevocable Obligations**

An irrevocable, deferred gift is one which is currently funded through an irrevocable gift instrument, and in which the interest of the Foundation is entirely or partially irrevocable. Because this gift provides current economic benefit to one or more individuals prior to or concurrently with the benefits to the Foundation, the recognition gift level should be adjusted accordingly. Recognition may differ for a Donor of a deferred gift at the same level as a Donor of an outright gift, even though the face value of the asset may be the same, because of the deferral in benefits to the Foundation. The levels of recognition shall be approved by the Foundation President and/or the Major Gifts Committee, based on the recommendation of the Senior Director of Development.

### **Deferred Donations: Revocable Commitments**

These gift arrangements, such as designation in a will by a Donor, or designation as a beneficiary of an insurance policy, in which the insured or some other party retains ownership, are valuable sources of future gifts and should be acknowledged and recognized. Because of the inherent uncertainty in the size or ultimate receipt of the gift, such an arrangement should be treated differently from irrevocable gifts, whether current or deferred. The form and extent of such recognition shall be approved by the Foundation President and/or the Major Gifts Committee, based on the recommendation of the Senior Director of Development.

### **Distinguishing Recognition from Reporting**

Donor recognition is a function of the size, nature and timing of the gift, and is different from the reporting requirements established by general accounting principles or the Financial Accounting Standards Board. It is appropriate to report potential future revenues to the Foundation Board and to

distinguish forecasting from financial reporting. It may also be important to clarify the difference between recognition and financial reports to Donors to avoid any embarrassment or confusion.

### **Donor Confidentiality**

Notwithstanding the benefits to the Foundation in promoting fundraising efforts and Donor participation, the needs and concerns of the Donor shall be considered first. No recognition program, or public announcement, shall be made without obtaining the written approval of the Donor (or Donor's family, where appropriate). The financial and personal details of the Donor, the gift arrangement and the economics of the gift, must be kept confidential, except where such information is specifically authorized by the Donor to be disclosed. The staff and Board of the Foundation shall adhere strictly to this policy.

<b>The Role and Responsibilities of Foundation Directors</b>	<b>Number: 2</b> <b>Adopted: 1/19/94</b> <b>Revised: 9/8/08</b>
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## Policy

### Policy Statement

The role of a director is to assure that Foundation fund raising and grantmaking activities are effective and ethically appropriate; and to accept fiscal responsibility for the management of Foundation assets.

### Fund Raising

1. Directors are expected to contribute to the Foundation and to also actively assist in the identification and solicitation of prospective donors.
2. Directors should be willing to take the time to become familiar with trends and new techniques in the area of fund raising. They should become familiar with the tax advantages of charitable giving and the many methods which prospective contributors have at their disposal for making charitable gifts.
3. Directors should establish realistic goals and objectives for fund raising programs and activities which are presented to them by Foundation management or outside development consultants. The goals and objectives should be periodically reviewed and compared with actual experience to assure their appropriateness.
4. Directors should assure that fund raising techniques and programs are not misleading, deceptive or unethical. They should become familiar with the Donor Bill of Rights (Appendix to Policy 15, Gift Acceptance).
5. Directors should recognize the importance of donor recognition and the need for continual cultivation of current and prospective contributors.

### Fiscal Responsibilities

1. Directors are responsible for establishing policies which will assure that the income and the assets of the Foundation are invested wisely and in accordance with accepted accounting principles through the review of regular financial statements, budgets, audits and special financial reports.

2. Directors are responsible for assuring that donor's wishes or specific restrictions on the use or application of charitable gifts or income are carried out by the Foundation.
3. Directors are responsible for maintaining the Foundation's tax exempt status and protecting the Cooperative by assuring that all activities and programs conform to law and are permitted under the Foundation's tax classifications.
4. Directors are responsible for review of requests for funding by the Foundation and maintaining an allocation process that is fair, equitable and responsible to the needs of the Cooperative and the community at large.
5. Directors are responsible for establishing policies to assure that charitable gifts, grants or other forms of conveyed income receive appropriate and timely acknowledgment.
6. Directors are expected to be familiar with the Foundation's Articles of Incorporation, Bylaws, policies and other documents.

### **Membership and Management Responsibilities**

1. Directors are responsible for periodic reports to the membership (GHC Trustees) highlighting Foundation activities.
2. The Board Chair shall conduct an annual performance review of the Foundation President within guidelines established by the Executive Committee.

### **Administrative**

1. Directors are expected to demonstrate their commitment to the Foundation by attending Board meetings and participating in committee and task force assignments.
2. Directors are expected to attend special programs and events at which Foundation presence is important.

<b>Warren G. Magnuson Scholarships (Reference: GHC Policy F-02-503)</b>	<b>Number: 3 Adopted: 3/15/84 Revised: 7/24/84, Inactive: 9/25/87</b>
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## Policy

### Policy Statement

The Foundation for Group Health Cooperative shall award annual scholarships through the Warren G. Magnuson Scholarship Fund to eligible GHC employees (and employees of GHC affiliated organizations) for their participation in study programs leading to a certificate or degree. The program of study must be directly applicable to employment at the Cooperative.

*On September 25, 1987, the Officers Group of the Group Health Cooperative Board of Trustees voted to officially rename the “Educational Assistance Plan for Undergraduate / Graduate Study” the “Warren G. Magnusson Tuition Assistance Program.” This program will be administered by Group Health Human Resources Division.*

STATUS: INACTIVE AS OF 7/24/84

<b>Nursing Scholarships</b>	<b>Number: 4</b> <b>Adopted: 3/15/84</b> <b>INACTIVE: 7/24/84</b>
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## Policy

### Policy Statement

The Foundation for Group Health Cooperative of Puget Sound shall award annual scholarships to eligible GHC employees (and employees of GHC affiliated organizations) pursuing an academic degree within the fields of Nursing.

*Group Health Cooperative has delegated responsibility for administering this policy to Nursing Administration.*

STATUS: INACTIVE AS OF 7/24/84

<b>Grant Application Process and Review Criteria</b>	<b>Number: 5</b> <b>Adopted: 1/19/84</b> <b>Revised: 11/24/98, 9/24/01, 3/18/02, 12/18/06; 5/12/08, 10/25/10</b>
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## Policy

### Policy Statement

The Board of Directors of the Group Health Foundation holds final authority for receiving, reviewing and awarding grants. The Foundation makes awards in a variety of priority areas which are reviewed annually by the Board of Directors. The appropriate subcommittee of the Board of Directors reviews and recommends proposals for approval by the Board of Directors.

Awards are made to Group Health Cooperative and Group Health Permanente employees, departments and programs within Group Health Cooperative and Group Health Permanente and to 501c3 health related organizations, educational institutions, or governmental entities within the Group Health Cooperative current or prospective service areas.

The Finance Committee will recommend an annual grantmaking budget for the upcoming year to the Board of Directors.

In general, the policies of the Foundation support funding to cover direct costs, such as personnel and supply expenses.

The Foundation will generally not consider funding requests for: (1) existing deficits; (2) endowment or capital costs, including construction, renovation, or equipment; (3) publications or media projects, including printing, video production or photography; (4) corporate sponsorships, auctions, or fundraising events; (5) grants to individuals who are not employees; (6) religious, legislative, or political purposes; or (7) overhead, administrative or indirect costs of greater than 20%..

Restricted fund balances will be used first in providing an award. If the restricted fund is not sufficient to cover the total grant, the balance will be taken from unrestricted funds. It is the responsibility of the Foundation President to recommend this action to the Board for all applicable requests.

Grant recipients are required to complete and sign an Acknowledgment of Grant Compliance form upon acceptance of the award, indicating the beginning and end dates of the project, progress report deadlines, and a project overview. All non-Group Health grant recipients must also provide a statement certifying that their organization does not discriminate in its leadership, staffing, or service on the basis of age, sex, marital status, sexual orientation, disability, ancestry, race, color, national origin, political ideology, religion, or creed.

Unless otherwise determined by the Board of Directors, grants will be cancelled if the grant recipient has not shown activity 90 days after their scheduled start, has been inactive for a period of at least 90 days, if the recipient refuses to provide progress reports, or if an organization is unable to fulfill the obligations of the grant. The decision to withdraw support will be made by the Board upon recommendation by the appropriate subcommittee. The Board may decide to award the remainder of the grant to another agency to complete the work outlined in the original grant proposal. The decision to award grant funds to another organization will be made by the Board upon recommendation by the appropriate subcommittee.

Unless otherwise determined by the Board of Directors, grants which have been approved by the Board must submit their final request for payment of the grant no more than 90 days following completion of the project.

<b>The Role and Responsibility of the President</b>	<b>Number: 6</b> <b>Adopted: 4/19/84</b> <b>Revised: 12/10/07</b> <b>Reviewed: 10/25/10</b>
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## Policy

### Policy Statement

The President manages the activities of the Group Health Foundation in a manner which effectively achieves the goals and objectives of the Foundation. The President's performance shall be reviewed annually by the Board of Directors. The Foundation President shall be administratively responsible to the Executive Committee and the Board of Directors and the President and CEO of Group Health Cooperative.

The role and responsibility of the President is established by the Foundation Board of Directors.

### Major Responsibilities

1. Develop annual goals, objectives and long-range planning documents for review and approval by the Board.
2. Design and implement programs and activities which are consistent with Board policies, past practices, and the Foundation's Articles of Incorporation and Bylaws.
3. Prepare annual budgets and revenue projections for Board approval.
4. Design and present fundraising and development plans to the Board for approval and implementation.
5. Employ and supervise the necessary staff to carry out the goals and objectives of the Board.
6. Assist the Board in the identification and preparation of policy and assume responsibility for administering such policies.

7. Ensure that the Foundation's activities in no way jeopardize the exempt status of the Foundation or the Cooperative.
8. Ensure that the fiscal policies and practices of the Foundation are followed.
9. Maintain the highest standards of accuracy and integrity in fundraising practices to ensure that they are not misleading or misrepresented to current and prospective donors.
10. Ensure that donors receive prompt and proper acknowledgment and recognition for their gifts and that their wishes regarding specific gift restrictions are followed.
11. Provide the Board of Directors with the necessary information, materials and educational opportunities so they may be informed of advancements and trends in fundraising and development.
12. Keep the membership of the Foundation informed of Foundation activities and developments.
13. Work closely and in collaboration with other management personnel within the Cooperative to keep them involved and committed to the purpose of the Foundation.
14. Maintain regular communication with donors to keep them abreast of the results of their gifts and to cultivate existing and potential contributors.
15. Ensure that federal or private grants received in the name of the Foundation are acknowledged and administered in accordance with the grantor's policies and requirements.
16. Keep the Directors informed as to their fundraising responsibilities.

### **Annual Performance Evaluation**

The President and CEO of Group Health Cooperative shall evaluate the performance of the Foundation's President annually. The GHC CEO is responsible for developing the performance standards and for ensuring the involvement of the Foundation Chair and other Directors.

The purpose of this evaluation is to reinforce strengths and to assist the President to overcome deficiencies. Additionally, it must allow the President to offer his/her own evaluation regarding personal performance and the performance of the Board.

<b>Expenditure Limits and Signature Requirements</b>	<b>Number: 7</b> <b>Adopted: 3/15/84</b> <b>Revised: 9/10/04, 12/18/06, 10/19/09</b>
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## Policy

### Policy Statement

The purpose of this policy is to define who can submit requests for purchases to Material Management and who can approve invoices for payment. This policy supports the organization by ensuring that there are adequate controls around expenditure requisitions and alignment between budget accountability and expense approval.

### Signature Authority Thresholds (from GHC Policy F-01-017):

Signature authorization thresholds are based on job titles as listed in the Human Resources Department and budget authority as assigned by the Financial Planning Department. Authorization of payment or purchase requisitions require a signature by an individual that has budget authority for the department that will be charged for the expenses incurred. The table below lists the dollar thresholds that apply to the corresponding titles:

Title of Individual with Budget Authority	Dollar Threshold
Manager	Up to \$25,000
Director	Up to \$100,000
Executive Director or Vice President	Up to \$1,000,000
Executive Vice President	Up to \$3,000,000
Group Health Corporate Officers	Up to \$25,000,000
Group Health Board Chairman	Over \$25,000,000

The Foundation's Director of Programs and Director of Operations may be delegated authority to approve expenditures from any Foundation-managed accounts up to \$1,000,000 at the Foundation President's discretion

### **Unrestricted Fund Expenditures**

Expenditures in excess of \$10,000 made from Foundation unrestricted accounts must be approved in advance by the Foundation President and by the Foundation Finance and Audit Committee, Executive Committee, or Board of Directors.

### **Restricted Fund Expenditures**

Expenditures initiated by donor-designated gift fund administrators from restricted funds for \$25,000 or greater must be approved in advance, in accordance with the table above.

### **Approval Documentation**

Approval of hard-copy invoices is to be documented via signature on each invoice or expenditure-approval form. Approval of general ledger transfers from the Foundation to Group Health may be documented via e-mail or via a signed document. Board or committee-level approvals are to be documented via approved meeting minutes.

### **Responsibilities**

The Foundation Director of Operations and the Foundation Grant and Gift Program Coordinators are responsible for monitoring compliance with the above signature and authorization requirements and for keeping appropriate documentation of such approvals.



<b>Gift Pledges and Pledge Payments</b>	<b>Number: 8</b> <b>Adopted: 5/17/84</b> <b>Revised: 9/23/02, 12/18/06, 10/19/09</b>
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## Policy

### Policy Statement

A pledge is a written or oral expression of intent to contribute an amount to be paid on an agreed schedule, such as annually, quarterly, or monthly. A pledge can be either conditional or unconditional.

### Conditionality

Conditional pledges depend on the occurrence of a specified future and uncertain event. They are only recorded when the conditional promise is met and becomes unconditional. Examples of these events include establishment of a new program, completion of a building, or matching funds raised by a specific date.

An unconditional pledge is one that lacks a future and uncertain event or the likelihood of a condition not happening is remote. An example of this might be the stipulation that an annual report must be provided by the donee to receive subsequent annual payments.

### Accounting Treatment

According to FAS 116, all unconditional pledges are carried as receivables, even though they are not considered binding contracts.

Unconditional pledges expected to be paid or collected in one year or less will be recorded at the donation amount. Those expected to be paid or collected in over a year will be recorded as contribution revenue at present value using a discount rate. The discount rate to be used will be the average rate earned on investments and will be analyzed each year for applicability.

There are three primary types of pledges, each with different historical fulfillment rates. For accounting purposes, the following schedules will be used for writing off uncollected receivables:

- Pledges that are sponsorships of fundraising special events: Uncollected receivables are written off 30 days after the date of the event.
- Pledges made at fundraising special events: Uncollected receivables are written off 90 days after the date of the event.
- All other promises to give: Uncollected receivables are written off when they become 120 days delinquent. A Promise to Give that is payable in installments will be completely written off when any installment becomes 120 days delinquent.

Pledges are not considered by the Foundation to be binding on the donor or his or her estate and may be canceled or revised by the donor at any time.

All pledges shall be confirmed and acknowledged by Foundation staff.

For recognition purposes, pledges are counted in full in the year in which the pledge is made.

<b>The Ultimate Use and Investment of Restricted Gifts</b>	<b>Number: 9</b> <b>Adopted: 7/24/84</b> <b>Revised: 12/13/93, 12/18/06, 12/14/09</b>
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## Policy

### Policy Statement

Restricted gifts shall be accepted based on guidelines outlined in Foundation Policy #15. All restricted gifts shall be used for the purpose specified by the donor. Responsibility for using these gifts lies with the Foundation President, who may enlist the assistance of administrators within Group Health.

It is the intention of the Foundation that these funds will be put to use within a year and not held indefinitely.

Interest generated by restricted gifts will be treated as unrestricted interest unless expressly prohibited by the donor.

### Responsibilities

#### Foundation Staff

The Foundation President shall assign a Foundation staff person to review all proposed expenditures from restricted funds. This person will ensure that any special donor instructions regarding the use of restricted gifts are carried out, and that appropriate-level expense approvals are documented based on the guidelines presented in Foundation Policy #7. They are also is responsible for maintaining documentation of all approvals and expenditures.

#### GHC Fund Administrators

To efficiently and effectively assist in the spending of gift funds, the President may enlist the assistance of GHC administrators who have responsibility for programs or service lines in the Group Health care delivery system. The administrator will identify appropriate uses of funds; request pre-approval of those expenditures from the Foundation; and provide the Foundation with documentation of all approvals and expenditures initiated by them and related to the fund.

#### Assignment of Co-Administrators

In cases where a GHC Fund Administrator is also a donor to the fund, a co-administrator will be assigned to provide additional authorization for all expenses. This additional step protects the donor

from the appearance of retaining control over the use of their donation, which violates the Internal Revenue Code and could result in the loss of tax benefits and other penalties to the donor.

#### Spending Policy

At least 50% of the balance in each Donor Designated Gift Fund (DDGF) is to be spent annually. This amount will be based on the balance in the fund as December 31<sup>st</sup> of the previous year. If the fund administrator is unable to spend 50% of the fund balance, the Foundation President will authorize expense reimbursements that adhere to the donor designation which may include equipment, programming, staffing, staff training, and CME work. In special circumstances, the Foundation President may approve written spending plans to carry more than 50% of the fund balance over into the following year.

<b>The Foundation's Halls of Honor</b>	<b>Number: 10</b> <b>Adopted: 7/24/84</b> <b>Inactive: 9/23/02</b>
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## Policy

### Memorials

The Foundation regularly receives gifts honoring the memory of a friend or loved one. Each individual that has a gift made in his or her name is assigned an account number for record-keeping purposes. Memorial accounts can then be audited to determine the names and number of donors and the cumulative dollar amount received.

Information is extracted from Foundation records each quarter to determine the cumulative dollar total of each account. If the total amount received reaches or exceeds \$500, a member of the honored individual's family is contacted for permission to add the name of the deceased to the Foundation's Halls of Honor.

### Major Gifts

An individual's annual gift of \$250 or more is defined as a major gift and is acknowledged as such in the Halls of Honor.

If the cumulative total of an individual's gifts to the Foundation reaches or exceeds \$250 in any calendar year, the individual is contacted for permission to add his or her name to the Halls of Honor. Information is extracted from Foundation records each quarter to determine account balances greater than or equal to \$250.

### Special Recognition

The center section of the Halls of Honor is reserved by the Foundation Board of Directors as a means of honoring individuals who, through their association with the Cooperative, have distinguished themselves as having made unique, unprecedented or monumental contributions of time talent, charitable gifts or leadership to the Cooperative.

STATUS: INACTIVE AS OF 9/23/02

<b>Establishment of the Permanent Endowment Fund</b>	<b>Number: 11</b> <b>Adopted: 9/25/85</b> <b>Revised: 9/23/02, 12/18/06, 10/19/09</b>
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## Policy

### Policy Statement

This fund will be known as the Endowment Fund (hereafter known as “the Endowment”).

The Endowment is to be a permanent fund. Only a portion of the income from the investment of the Endowment may be expended.

Use of Endowment income from the unrestricted portion of the Endowment will be distributed at the recommendation of the Finance and Audit Committee of the Foundation Board of Directors. Expenditure of donor restricted Endowment interest will be distributed as specified by the donor.

Investment performance of the Endowment will be managed by the Foundation President or his/her designee in consultation with the Foundation Finance Committee, the Foundation Investment Subcommittee, and in accordance with the Foundation Investment Policy (refer to Policy #13 and #13B).

Funds may be added to the Endowment only by donor designation.

<b>Spending Policy for Unrestricted Funds</b>	<b>Number: 11a</b> <b>Adopted: 6/15/92</b> <b>Revised: 9/23/02, 12/18/06, 12/10/07</b> <b>Reviewed: 8/23/10</b>
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## Policy

### Policy Statement

Unrestricted funds include undesignated contributions, the interest generated from both unrestricted and temporarily restricted contributions, and the spending allocation from the Foundation's general endowment. In addition, the Foundation Board of Directors has established a "Board Designated Endowment" fund, which is unrestricted in nature but invested along with the endowment.

Unrestricted funds are budgeted for use in the year following the year they are raised. Available amounts are calculated as of December 31<sup>st</sup>.

### Unrestricted Fund

The Foundation's Unrestricted Fund is to be used to fund the Foundation's grantmaking programs or as otherwise authorized. The Foundation President may approve unrestricted fund expenditures of \$10,000 or less. The Foundation Finance Committee and Board of Directors must provide additional authorization on expenditures in excess of \$10,000.

The Finance Committee may recommend for Board approval an annual transfer to the Board Designated Endowment of up to 50% of the net balance of unrestricted funds raised during the previous calendar year.

### Unrestricted Interest

Spending allocations of Foundation unrestricted interest are to be approved by the Foundation Finance Committee and Foundation Board as part of the annual budget approval process. Unrestricted interest may be maintained as operating reserve, may be allocated toward grantmaking, or may be allocated toward other Foundation programs as deemed appropriate. The Foundation President may approve unrestricted interest expenditures of \$10,000 or less. The Foundation Finance Committee and Board of Directors must provide additional authorization on expenditures in excess of \$10,000.

### Board Designated Endowment

Spending allocations made from the Board Designated Endowment and from interest earned on the Board Designated Endowment must be approved in advance by the Foundation Board of Directors.

### **Foundation General Endowment Spending Allocation**

Expenditures made from the annual spending allocation for the General Endowment are to be approved by the Foundation Finance Committee and Foundation Board as part of the annual Foundation budget approval process. General Endowment interest may be used to fund endowment investment management fees, may be allocated toward grantmaking, or may be allocated toward other expenditures recommended by the Foundation Finance Committee and Board of Directors.



<b>Foundation Board of Directors Meeting Attendance</b>	<b>Number: 12</b> <b>Adopted: 5/19/86</b> <b>Revised: 12/18/06, 10/19/09</b>
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## Policy

### Policy Statement

The Bylaws state the following:

“II.3 Notice. Written or printed notice stating the place, day and hour of the annual membership meeting and, in the case of a special membership meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than 10 nor more than 50 days before the date of the meeting, by or at the direction of the Chair or the Secretary of the Foundation or the persons calling the meeting to each member entitled to vote at such a meeting. Such notice shall be delivered personally; by mail; by telephone, wire or wireless equipment that transmits a facsimile of the notice; or electronically, for those members who have consented to receive electronically transmitted notices consistent with the laws of the State of Washington.

Notice of regular membership meetings other than the annual membership meeting shall be made by providing each member with the adopted schedule of regular membership meetings for the ensuing year at any time after the annual membership meeting and 10 days prior to the next succeeding regular membership meeting and at any time when requested by a member. If mailed, the notice of a meeting shall be deemed to be delivered when deposited in the United States mail addressed to the member at his/her address as it appears on the records of the Foundation, with postage applied.”

- The Board’s meeting agenda will be set by the President in consultation with the Board Chair and approved by the Executive Committee.
- All official actions of the Board will be taken in open public meeting. The Chair may call for a voice or hand vote.
- Those wishing to address the Board should contact the President one week in advance of a scheduled meeting. In consultation with the Chair, a period of not more than 15 minutes per meeting will be set aside for persons wishing to address the Board on topics relevant to the Foundation’s mission.
- The presence of a majority of the voting members of the Board shall constitute a quorum. The act of the majority of the Directors shall be the act of the Board of Directors.

- Persons wishing to defend or support applications for Foundation grants will do so by making arrangements with the President to address the Impact Committee of the Board of Directors and not the full Board.

The Board reserves the right to adjourn to Executive Session for matters dealing with:

- a) Personnel and staffing issues.
- b) Sensitive negotiations concerning grants, bequests, trust or other contribution – especially those which should not be discussed publicly.
- c) Legal matters.
- d) Real estate matters (as they might be influenced by public exposure).
- e) Other matters at the discretion of the Chair.

<b>Investment Policy for the Foundation</b>	<b>Number: 13</b> <b>Adopted: 12/14/87</b> <b>Revised: 10/15/90, 6/30/03, 3/21/05, 12/18/06,</b> <b>12/10/07, 10/19/09</b>
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## Policy

### Policy Statement

The following investment guidelines are established to provide standards and procedures for the Board of Directors in carrying out the fiduciary responsibilities outlined in Foundation Policy #2.

The primary goal of the investment fund is to provide for reasonable safety of principal while generating current income to assist the Foundation in fulfilling its mission. A secondary goal is capital appreciation to grow the endowment account and to offset the effects of inflation on principal.

In light of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) of 2009, the following are to be considered in managing the Foundation's investments:

1. General economic conditions;
2. The possible effect of inflation or deflation;
3. The expected tax consequences, if any, of investment decisions or strategies;
4. The role that each investment or course of action plays within the overall investment portfolio of the fund;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Foundation;
7. The needs of the Foundation, or a particular fund within the Foundation, to make distributions and to preserve capital; and
8. An asset's special relationship or special value, if any, to the Foundation's purpose.

### Explanation:

In an effort to meet its fiduciary responsibilities and to ensure the future availability of funding for priority areas, the Board of Directors recognizes the benefit of investment of un-obligated monies. Such investments shall maximize returns while limiting investments to investment-grade securities.

A Statement of Investment and Depository Authority is appended to this policy as Policy #13A. A Statement of Investment Policy for Endowment Funds is appended as Policy #13B. The Gift Annuity Reserve Policy, Policy #25, is related to investments but specifically addresses the annuity reserve fund.

### **Responsibilities**

The Board of Directors establishes investment restrictions and guidelines.

The Finance Committee reviews policy recommendations from management and the Investment Subcommittee on investment objectives and procedures, recommends Board action on those policies, and monitors the implementation of these policies.

The Foundation President is responsible for ensuring that the policy and guidelines are responsive to the needs of the Foundation.

<b>Statement of Investment &amp; Depository Authority</b>	<b>Number: 13a</b> <b>Adopted: 12/14/87</b> <b>Revised: 6/20/94, 12/10/07</b> <b>Reviewed: 8/23/10</b>
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## Policy

### Policy Statement

- A. The Treasurer of the Foundation and / or the Chief Financial Officer of the Cooperative shall have authority to implement the investment policies as adopted by the Board of the Foundation.
- B. The following officers and executives of the Foundation are authorized to open, maintain, and close such accounts as are required in the normal course of business of the Foundation subject to the limitations that follow.

President  
Director of Operations

The CFO (or designee) of the Cooperative is also authorized to execute any documents or complete any financial transactions necessary for the implementation of this policy.

- C. Funds may be invested in any of the obligations represented by the following securities:
- U.S. Treasury Bonds, Notes, Certificates, and Bills
  - Other obligations of the United States or its agencies
  - Other obligations backed by the full faith and credit of the United States Government.

Investments with approved commercial banks and savings and loan associations (as described in Section G). These include the following types of investments:

- Time deposits
- Certificates of deposit
- Repurchase agreements secured by obligations of the U.S. government
- Bankers' acceptances

Investments in corporate securities rated as investment grade by one of the major rating agencies.

Mutual fund shares may be used as an investment vehicle provided the investment guidelines of such mutual funds are restricted to high quality obligations.

- D. The permitted term to maturity of accounts and investments shall be restricted as follows:

- General Fund up to 7 years
- Endowment Fund up to 15 years

Interest accruing from long term deposits shall be deposited in the Foundation's Unrestricted Fund. An annual review by the Board of Directors will then allocate such interest as described in Policy #11A.

- E. Within the endowment account, up to eighty-three percent (83%) of the account balance may be invested in equities. Equities shall be acquired through the purchase of mutual fund shares. The specific mutual funds shall be approved by the Finance Committee.
- F. It is a goal of the Foundation to have a diversity of investments to minimize risk. Diversity shall be accomplished by limiting the percent of investment in any one non-governmental security to 25% of the assets of the Foundation.
- G. The following standards must be met in approving institutions as depositories for Foundation funds:
  - Banks rated by a major rating agency must be in the first two investment rating categories (AAA and AA).
  - Investments are permitted in any commercial bank or savings institution if the total investment per institution in either single or multiple CDs is less than or equal to \$250,000.
- H. A quarterly report on the status of investments shall be made to the Executive Committee and the Board by the Treasurer.

<b>Statement of Investment Policy for Endowment Funds</b>	<b>Number: 13b</b> <b>Adopted: 6/30/03</b> <b>Revised: 3/21/05, 12/18/06, 12/10/07, 8/23/10</b>
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## Policy

### Policy Statement

The following guidelines, objectives and restrictions apply to the investment management of the assets of the Permanent Endowment Fund of the Group Health Foundation. The Endowment Funds will be overseen and managed by the Foundation Finance Committee according to this investment policy, which includes asset allocation and spending policies. The Group Health Foundation is herein referred to as the “Foundation” and this Statement of Investment Policy is herein referred to as the “Policy.”

### STATEMENT OF PURPOSE

This Policy for the Group Health Foundation is set forth to insure that:

- 1) There is a clear understanding by the Foundation Finance Committee and its advisors of the nature, purpose, and goals of this Endowment Fund.
- 2) The Foundation Finance Committee and its advisors are given guidelines for implementing this policy.
- 3) The Foundation Finance Committee and its advisors have a basis to evaluate the investment performance of the investment managers.

It is the intent of this statement to establish an overall philosophy that will guide the members of the Foundation Finance Committee and its advisors toward accomplishing the desired goals and objectives. It is intended that the objectives be sufficiently specific to be meaningful, but flexible enough to be practical in allowing for changes in the securities markets and economy.

### AUTHORITY

The Group Health Foundation’s Board of Directors is responsible for setting and overseeing investment policy. It hereby assigns the Foundation Finance Committee the responsibility for the asset allocation of the Endowment Fund directed by this Policy and for the selection and

evaluation of investment managers. In carrying out its duties, the Foundation Finance Committee may appoint an investment subcommittee to make detailed analyses and specific investment manager selections.

## **STATEMENT OF RESPONSIBILITIES**

It is expected that the following parties associated with the Foundation will discharge their respective responsibilities in accordance with the normal fiduciary standards; that is (a) in the sole interest of the Foundation and other beneficiaries that these assets are intended to benefit; (b) with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent investor acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and of like aims.

### **Foundation Finance Committee**

The Foundation Finance Committee will establish investment policy for the Permanent Endowment Fund and establish procedures for monitoring (i) the implementation of such policy and (ii) monitoring the performance of the investments.

It is the specific responsibility of the Foundation Finance Committee, based on the advice of the Investment Subcommittee, if appointed, to periodically review the risk versus reward parameters underlying the Policy, and to make appropriate changes in the investments utilized to carry out this Policy, if necessary. Specifically, the Foundation Finance Committee shall review and reaffirm the investment objectives and portfolio guidelines annually and revise as appropriate. The Policy shall thereupon, as appropriate, be amended by the Foundation Board of Directors to reflect any applicable changes.

### **Investment Subcommittee**

The Investment Subcommittee, as directed by the Foundation Finance Committee, will advise the Foundation Finance Committee in areas such as: asset allocation, investment manager selection, investment policy revision, performance monitoring, and other investment issues as it relates to Endowment assets.

### **Custodian**

If a custodian is determined to be necessary for protection of certain investments, the custodian will be charged with the responsibility for safekeeping securities, collections and disbursement, and periodic accounting statements for the assets under its control.

### **Investment Consultant**

The Foundation Finance Committee may choose to employ an investment consultant. The consultant will be charged with the responsibility of assisting the Foundation Finance Committee and the Investment Subcommittee, if appointed, in developing investment policy, monitoring and analysis of the Endowment Fund, and assisting these Committees in conducting all activities associated with the Policy.

## **PORTFOLIO SUMMARY**

The Foundation's investments under this Policy will typically be made in separately-managed accounts and/or mutual funds or other commingled investment vehicles. Mutual funds and commingled investments are typically held in registered form, and are not considered marketable securities. Therefore, no master custodian is required under this Policy for those specific investments, but a custodian bank or brokerage firm is required for those securities that are bearer instruments or are considered marketable. Evidence of ownership of all investments is to be kept in a vault or other secure facilities.

## **INVESTMENT GOALS AND SPENDING POLICY**

The primary purpose of the endowment for the Foundation is to provide for reasonable safety of principal while generating current income to assist the Foundation in fulfilling its mission. A secondary goal is capital appreciation to grow the Endowment Fund and to offset the effects of inflation on principal. To accomplish this, the Investment Policy provides that the Endowment be invested in a diversified mixture of asset classes that are collectively expected to provide an acceptable level of return for the acceptable level of risk over an extended time horizon.

As stated in Foundation policy #21, the endowment shall distribute annually up to 5% of a three-year average market, on a unit value basis. Newly received and named endowment funds will be invested for one year before disbursements are made.

The Foundation may also choose to charge up to 1% of the total market value of the Endowment as a management fee annually. Total spending, including management fee and spending allocations, cannot exceed 5%.

## **ASSET ALLOCATION POLICY**

Investment decisions shall be made within the framework of the goals stated above for optimizing the total rate of return, keeping in mind the desirability of limiting year-to-year risk of income and market fluctuations. These goals require that the total rate of return of the portfolio be optimized rather than maximized. The optimal portfolio allocation is one that carefully equates expected rate of return with expected risk of all investment categories used in the portfolio.

In setting the optimal allocation of assets for the Foundation's Endowment, the Board of Directors hereby adopts the following strategic (long-term) asset allocation policy:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Band</b>	<b>Minimum</b>	<b>Maximum</b>
US Equities – Large Cap	28%	5%	23%	33%
US Equities – Small Cap	7%	3%	4%	10%
<b>Total US Equities</b>	<b>35%</b>	<b>5%</b>	<b>30%</b>	<b>40%</b>
International Equities - Developed	23%	5%	18%	28%
International Equities – Emerging	12%	3%	9%	15%
<b>Total International Equities</b>	<b>35%</b>	<b>5%</b>	<b>30%</b>	<b>40%</b>
US Core Fixed Income	10%	3%	7%	13%
US Credit Fixed Income	10%	3%	7%	13%
TIPS	5%	2%	3%	7%
<b>Total US Fixed Income</b>	<b>25%</b>	<b>5%</b>	<b>20%</b>	<b>30%</b>
Commodities	5%	2%	3%	7%

At least annually, the Foundation Finance Committee must provide a report of investment performance of endowment assets and of compliance with this policy to the Board of Directors.

The strategic target asset allocation, which emphasizes diversification in order to lower expected risk and to maximize expected total return to risk, is to be reviewed at least annually to ensure the established guidelines are still appropriate.

The minimum and maximum ranges within each asset class provide for investment flexibility. The Foundation Finance Committee may make changes to the target allocation to take advantage of perceived changes in the capital markets for temporary periods, but agrees to avoid market-timing tactics. Any tactical asset allocation changes are to be based on a one-to-two year horizon and should be made in accordance with the established ranges.

Because portfolio assets may stray outside the limits of the asset allocation policy, they are to be rebalanced at least annually to conform to the asset allocation policy. The Foundation’s President, after seeking advice from the investment consultant or Investment Subcommittee members, will have the authority to rebalance the Endowment Fund to the approved strategic targets.

## **INVESTMENT OBJECTIVES**

The specific long-term strategic objectives for the Group Health Foundation endowment fund portfolio, both in total and for the respective asset class segments, will be compared in the following manner:

### **Medium-Term (Three-Years) Performance Objectives**

#### **1) Total Fund**

- The Total Fund shall exceed a custom Policy Index made up of the following indices: the Russell 3000 Index, the MSCI EAFE Index, MSCI Emerging Markets Index, Barclays Capital U.S. Aggregate Bond Index, Barclays Capital U.S. TIPS Index, and the Dow Jones UBS Commodities Index. The composition of the Policy Index shall

- be based upon the strategic asset allocation of the investment portfolio as set forth above.
- The Total Fund shall outperform the median fund in a comparative performance universe.

## **Long- Term (Five-Years and Over) Performance Objectives**

### **1) Total Fund**

- In addition to the above stated goals, the Total Fund shall produce over the long-term an annualized return of at least 5% over the rate of inflation, as measured by the Consumer Price Index (CPI) for urban consumers.

### **2) U.S. Equities - Large Market Capitalization**

- Actively managed large market capitalization U.S. equity funds should produce an annual rate of return that equals or exceeds the Standard & Poor's 500 Index and rank in the top quartile of a comparative performance universe over a full market cycle.
- Actively managed U.S. large market capitalization equity funds should produce return results with no more than one and a half times the standard deviation of their respective equity style benchmark.

### **3) U.S. Equities - Small Market Capitalization**

- Actively managed small market capitalization U.S. equity funds should produce an annual rate of return that equals or exceeds the Russell 2000 Index and rank in the top quartile of a comparative performance universe over a full market cycle.
- Actively managed U.S. small market capitalization equity funds should produce return results with no more than twice the standard deviation of their respective equity style benchmark.

### **4) International Equities - Developed**

- Actively managed international equity funds should produce an annual rate of return that equals or exceeds the MSCI EAFE Index and rank in the top quartile of a comparative performance universe over a full market cycle.
- Actively managed international equity funds should produce return results with no more than one and a half times the standard deviation of the MSCI EAFE Index.

### **5) Emerging Markets Equities**

- Actively managed emerging markets equity funds should produce an annual rate of return that equals or exceeds the MSCI Emerging Markets Index and rank in the top quartile of a comparative performance universe over a full market cycle.
- Actively managed emerging markets equity funds should produce return results with no more than one and a half times the standard deviation of the MSCI Emerging Markets Index.

#### **6) U.S. Fixed Income – Core and Credit**

- Actively managed U.S. fixed income funds should produce an annual rate of return that equals or exceeds the Barclays Capital U.S. Aggregate Bond Index and rank in the top quartile of a comparative performance universe over a full market cycle.
- Actively managed U.S. fixed income should produce return results no more than one and a quarter times the standard deviation of the Barclays Capital U.S. Aggregate Bond Index.

#### **7) Treasury Inflation-Protected Securities**

- Passively managed U.S. inflation-protected securities funds should produce an annual rate of return that does not significantly deviate, positive or negative, from the Barclay’s Capital U.S. TIPS Index.
- Passively managed inflation-protected securities funds should produce return results with no more than one and a quarter times the standard deviation of the Barclay’s Capital U.S. TIPS Index.

#### **8) Commodities**

- Actively managed commodities funds should produce an annual rate of return that equals or exceeds the Dow Jones UBS Commodity Index and rank in the top quartile of a comparative performance universe over a full market cycle.
- Actively managed commodities funds should produce return results with no more than one and a half times the standard deviation of the Dow Jones UBS Commodities Index.

#### **9) Cash & Equivalents**

- To achieve an annual rate of return that equals or exceeds the return of 90-Day U.S. Treasury Bills.

### **Investment Manager Watch List**

The Investment Subcommittee will maintain and monitor a “Watch List” for investment managers (funds) in the investment portfolio that are not meeting the specified objectives. An investment manager (fund) will be placed on the Watch List when it underperforms the stated benchmark and falls into the bottom quartile of a representative performance universe in any twelve-month period. The investment manager (fund) will remain on the Watch List until the Investment Subcommittee elects to remove or replace the investment manager (fund) from the Watch List.

### **PERFORMANCE MEASUREMENT AND OTHER GUIDELINES**

- a) In measuring performance, a full market cycle is understood as a typical five-to-seven year period during which U.S. economy rises and falls.
- b) Rate of return performance targets are time-weighted and net of management fees.
- c) Each investment manager shall be bound by the “Prudent Expert Rule” and must observe, in all instances, the fiduciary responsibilities of all related parties whether moral or legal.

- d) All written communications shall be addressed to the President of the Foundation or his/her designate.

### **INVESTMENT MANAGER FINANCE COMMITTEE GUIDELINES**

The Group Health Foundation's Endowment Fund may invest in commingled or mutual funds to implement the mission of this Investment Policy Statement. It is recognized that it is neither practical nor feasible to impose specific restrictions on these types of investments. However, the following list is intended to guide the Foundation Finance Committee and its advisors by providing general restrictions for evaluating mutual funds or commingled (or pooled) funds that are added to the Endowment Fund.

It is preferred that these investments not:

- a) Hold more than 20% of its investment portfolio in any one industry;
- b) Hold more than 5% of its investment portfolio, at cost as determined at the time of purchase, or 10% of the market value in the securities of any one company (except for obligations issued or guaranteed by the United States Government);
- c) Loan money or securities to any individual or corporation from the assets of the investment portfolio other than through the purchase of marketable fixed income securities;
- d) Purchase any municipal or other tax-exempt securities;
- e) Permit the mortgage, pledge, or hypothecation of any assets of the investment portfolio;
- f) Purchase any private placement which may not be publicly sold without registration under the U.S. Securities Act of 1993;
- g) Purchase participants or other direct interest in oil, gas, or other exploration or development programs;
- h) Make any investment which may be precluded by any special instruction issued in writing from time to time by the Board of Directors.

Deviation from these guidelines and restrictions (e.g., to accommodate investment in commingled accounts) is permissible with approval from the Foundation Finance Committee.

No member of the Board of Directors, the Foundation Finance Committee, or the Investment Subcommittee, if appointed, is permitted to receive any form of compensation with respect to the Endowment Funds. No member of the Board of Directors, the Foundation Finance Committee, or the Investment Subcommittee, if appointed, is to further the interests of the Foundation's officers, directors, trustees, or any entity with which they are affiliated to the detriment of the Endowment Funds of the Foundation.

<b>Selection of Foundation President</b>	<b>Number: 14</b> <b>Adopted: 3/18/96</b> <b>Revised: 4/27/99</b> <b>Last Reviewed: 9/8/08</b>
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## Policy

### Policy Statement

The terms of the Cooperation Agreement between Group Health Cooperative and the Foundation grant the Foundation Board of Directors the right to approve the employee designated by the Cooperative to serve as the President and Chief Executive Officer of the Foundation. This policy describes the process by which the Foundation Board will participate in decisions relating to staff this position.

1. The CEO of Group Health Cooperative will notify the Executive Committee of the Foundation Board at least 30 days in advance of any proposed staffing change in the position of President of the Foundation.
2. Upon receipt of such notice, the Executive Committee will inform the full Foundation Board and formally solicit input. With the benefit of this input, the Executive Committee will coordinate with the CEO of Group Health and participate in the following steps:
  - Review job description / selection criteria
  - Screen and rank applications of finalists
  - Interview finalists,
  - Recommend candidates to the CEO of the Cooperative
3. The designation by the CEO of the Cooperative of the President of the Foundation shall be subject to approval of the Foundation Board of Directors.

<b>Gift Acceptance</b>	<b>Number: 15</b> <b>Adopted: 4/27/99</b> <b>Revised: 6/1/05, 12/18/06, 11/3/08</b>
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## Purpose

The following policy has been prepared to assist in the solicitation and acceptance of gifts from private sources by the Group Health Foundation (hereafter referred to as “Foundation”). Any exceptions or variations can be made only with the approval of the Board of the Foundation.

The Foundation accepts charitable donations in support of the mission of Group Health Cooperative (hereafter referred to as “Group Health”) from individuals, private foundations, corporations, business entities, trusts, and associations. This policy identifies the terms and conditions upon which the Foundation shall accept gifts and serves as a guideline for staff involved with fundraising, soliciting or accepting gifts, outside advisors who assist in the gift planning process, and Donors who wish to make gifts.

Except for the grant-seeking activities of the Center for Health Studies, all fundraising activity on behalf of Group Health regardless of department or facility, including solicitation and acceptance of contributions and/or grants from private sector sources (individuals; foundations, including family foundations; corporations, including corporate foundations and organizations) is to be coordinated through the Foundation to ensure adherence with IRS regulations.

### Related Group Health Foundation Policies

- 1 Acknowledging Charitable Contributions
- 6 Role and Responsibility of the President
- 22 Vendor Solicitation Policy
- 24 Accepting or Soliciting Support from Group Health Vendors

## Procedure

### General Principles

### Terms and Definitions

- "Senior Director of Development" shall be the member of the Foundation staff responsible for the fundraising program.
- "Donor" shall refer to any current or deferred contributor to the Foundation or to Group Health, whether such gift has been or will be received.

- "Foundation" shall mean the Group Health Foundation, a Washington State nonprofit corporation and tax-exempt organization under Internal Revenue Code Section 501(c)(3), and any staff and volunteers acting on behalf of the Foundation.
- "Foundation Board," sometimes referred to only as the "Board", shall refer to the Board of Directors of Group Health Foundation.
- "Foundation Counsel" shall mean the lawyer or law firm engaged by Foundation as its legal counsel for matters related to contributions.
- "Foundation President" shall be the president of the Foundation.
- "Investment Committee" shall refer to the Investment Committee of the Foundation Board.
- "Gift Acceptance Policy", sometimes referred to as the "Policy," shall refer to this statement of principles, procedures and restrictions, as amended from time to time by the Board of Directors of the Foundation.
- “Group Health Foundation Gift Acceptance Operational Guidelines” provides additional detail and support of this policy, and is reviewed and approved by the Board Major Gift Committee. It is in full accordance with this Gift Acceptance Policy.
- "Group Health" shall mean Group Health Cooperative, a Washington public charity organized under Internal Revenue Code Section 501(c)(3).
- Additional terms and definitions are contained in the body of this policy.

### **Relationship of the Foundation and Group Health**

As the charitable arm of Group Health, the Foundation’s policies, procedures and programs must be consistent with the mission and programs of Group Health. The Foundation shall not accept any proposed gift or support any proposed program that will or could subject the Foundation or Group Health to liability or expense without prior approval of the Board.

### **Fundraising Objectives**

The mission of the Foundation is “supporting Group Health in providing the best care for its members and creating better health in our communities.” All fundraising objectives and activities are in alignment with the Foundation’s mission and with Donors’ intended use of their contributions.

### **Gift Acceptance**

A gift is any item of value given to the Foundation by a Donor who expects nothing of value in return, other than recognition (for example, listing on a Donor wall or naming a building, fund, etc. in the Donor’s honor). A variety of methods of giving to the Foundation allows Donors to choose the one most appropriate for their circumstances and interests.

The Foundation may accept or decline any gift, pledge or grant based upon the best interest of the organization. Guiding principles include, but are not limited to, contributions or grants that (1) would violate the tax-exempt charitable purpose of the Foundation; (2) would be a discredit to the

Foundation if accepted; (3) does not further the mission of Group Health; or (4) if accepted would cause hardship on the Foundation in the management or disposition of the gift.

The Foundation may receive three different forms of gifts, which shall be separately identified and maintained:

- Permanent gifts, or gifts restricted by the Donor for the endowment, shall be held by the Foundation in its endowment funds.
- Unrestricted gifts, or gifts not designated by the Donor, shall constitute general funds or quasi-endowment (also known as the Board-Designated Endowment), as determined by the Board.
- Temporarily restricted, or gifts designated for specific projects, capital improvements or equipment, shall be held as Special Project Funds.

Absent stipulations of purpose from the Donor, gifts will be recorded as unrestricted expendable funds to support the Foundation's mission. If the Donor designates a specific purpose for use of the gift, then the gift is considered to be restricted and the Foundation is responsible for assuring that restrictions on use are honored unless (1) the Donor specifically waives the restriction, (2) court approval to change or void the restriction is granted, or (3) the Foundation Board otherwise approves changing or voiding the restriction upon the advice of Foundation Counsel. Approval to seek changes in the purpose of a gift funded by the above means can only be granted by the Foundation Board.

The Foundation will accept gifts that are made outright or in trust, on either a current or deferred basis.

The Foundation's primary function is to solicit, receive, manage and distribute funds. These funds are charitable gifts and/or distributions from endowments established through charitable gifts made to the Foundation, and Group Health, including the Group Health Center for Health Studies. Gifts made to the Foundation, and Group Health, including the Center for Health Studies shall be managed by the Foundation and subject to this policy.

Gifts will only be accepted in conformity with the terms of the Foundation Bylaws, this policy, Internal Revenue Service Regulations, applicable Internal Revenue Code provisions, and State law.

Gifts and contributions designated for the endowment shall be segregated from the operating assets of Group Health and shall not be commingled without the approval of the Foundation Board.

Unrestricted bequests shall be added to the Board Designated Endowment Fund.

### **Variance Power over Contributions**

The Foundation Board of Directors retains variance power over contributions, by which it may modify any restriction or condition on the distribution of assets, if conditions warrant. In these rare

instances, the Board may choose to reallocate assets while most closely retaining the donor's original charitable intent.

### **Statement of Principles**

The Foundation will always seek to assist the Donor in achieving his or her philanthropic objectives.

Gifts will be accepted for Foundation operations, quasi- and permanent endowment or special projects. Undesignated gifts made through the annual giving program are used to provide financial support for the normal operations of the Foundation. The endowment funds are designed to distribute to Group Health revenue for operating purposes, for support of designated programs, and additional capital for research and project development.

### **Relationship with Donors**

The Foundation will always seek to serve the charitable giving needs and objectives of its Donors by encouraging contributions and volunteerism, providing flexibility in the ultimate distribution of contributions and properly recognizing the material and personal contributions of its Donors.

The Foundation will remain open, accessible and transparent to its Donors by providing full communication of its activities, use of funds and policies and procedures.

The Foundation will always strive to maintain the integrity of the highest ethical standards with its Donors in actuality and in appearance. Foundation staff and Board members will act in the best interest of philanthropy and scrupulously avoid actual or apparent conflicts of interest or any conduct which would discredit the Foundation or Group Health or the Donor.

The Foundation endorses and operates in accordance with the "Donor Bill of Rights."  
(See APPENDIX A)

### **Board Committees**

The Foundation Board may establish appropriate committees to supervise and promote the fundraising objectives of the institution and carry-out the policies set forth in this policy.

#### **Major Gifts Committee**

The purpose of the Major Gifts Committee is to oversee the annual fundraising plan and solicitation procedures and fundraising of major and planned gifts as set forth in this policy.

#### **Investment Committee**

This committee shall exercise review, oversight and investment responsibility over the endowment, as well as gifts in trust over which the Foundation is then acting as trustee.

## **Source of Gifts and Solicitation Procedures**

The Foundation may promote and solicit gifts from the general public, former patients, medical staff, employees, volunteers, foundations, corporations, organizations, existing Donors and Board members, as provided in this policy. All solicitation and Donor recognition will be conducted in compliance with applicable State and Federal laws and regulations and applicable Group Health policies, procedures and guidelines, including those pertaining to patient/member privacy and conflict of interest.

## **Gift Acceptance Procedure**

The Foundation President is hereby granted the authority to accept donations and other charitable contributions, which are compliant with this Policy and which fit within the stated Foundation mission and goals.

Foundation staff will seek guidance and direction from the Foundation Executive Committee if a donation or potential donation appears to be inappropriately restricted or when the donation appears to be in conflict with the best interests of the Foundation.

The Foundation President shall not accept a proposed gift of real property which subjects the Foundation to expense or responsibility for maintenance, repair, taxes, insurance or other obligations without approval by the Foundation Executive Committee. The Foundation President is to be mindful of the administrative burdens attributable to property located outside the State of Washington. All gifts involving real property shall be formalized in writing, specifically describing the respective rights and duties of the Donor and the Foundation, e.g., the Foundation's rights and duties as a remainderman to a life tenant.

## **Gift Assets**

The Foundation will accept assets contributed to it or to a Trust for its ultimate benefit, provided that such assets conform to the conditions and limitations as provided in this policy. Gifts may be made in the name of Group Health or the Foundation, but will be held by the Foundation unless otherwise directed by the Donor.

## **Appraisals**

### **General Policy**

All gifts of real or personal property, whether outright or deferred, must be subject to a readily ascertainable value.

### **Exception to Appraisal Requirement**

The following gifts do not require formal appraisal:

- Cash or cash equivalents;
- Marketable securities traded on a registered public exchange (including New York, American, Over the Counter and regional stock exchanges);

- Closely held securities with a claimed gift value of not more than \$10,000;
- Other non-cash gifts with a claimed gift value of not more than \$5,000.

### **General Appraisal Requirement**

All other gifts require an appraisal or valuation.

It is the responsibility of the Donor to secure and pay for the appraisal for the Donor's income tax reporting purposes.

The Foundation may obtain its own appraisal, in order to substantiate value, but may accept either report if it is reasonable to do so. This step is appropriate if there is an appearance of a conflict of interest, the appraiser selected by the Donor does not have the requisite qualifications or the potential risks and costs to the Foundation merit it.

Any conflict in the appraisals must be explained and resolved between the Donor and the Foundation so that there is mutual agreement of value.

### **The Foundation as Trustee**

#### **General Policy**

The Foundation may be asked to act as a Trustee of a deferred gift. The Foundation will not, absent special circumstances, agree to act as sole Trustee. It may, however, consider acting as a co-Trustee. Prior to accepting such responsibility, the Board will consider the following:

- The availability and costs of other qualified professional Trustees;
- The nature, length and complexity of the proposed services;
- The size of the deferred gift and the proportion passing to the Foundation;
- Anticipated direct and indirect costs to the Foundation and availability of reimbursement by or responsibility of the Trust for such costs;
- Staff availability and experience of the Foundation;
- Ability to utilize outside custodial services to absorb administrative burdens;
- The nature of the relationship with the Donor or income beneficiary.

#### **Standard of Conduct**

All members of the Group Health Board, Group Health Foundation Board, officers, employees and staff of Group Health and the Foundation, collectively referred to as "Affiliated Persons," shall be subject to the rules and limitations set forth below. Any action by such individuals in violation of these requirements shall not be permitted unless the Board expressly approves.

The Affiliated Person must always, during the course of services for the Foundation, reflect the highest standards of morality, ethical behavior, integrity and public responsibility.

## APPENDIX A

### ***DONOR BILL OF RIGHTS***

Philanthropy is based on voluntary action for the common good. It is a tradition of giving and sharing that is primary to the quality of life. To ensure that philanthropy merits the respect and trust of the general public, and that donors and prospective donors can have full confidence in the nonprofit organizations and causes they are asked to support, we declare that all donors have these rights:

- I. To be informed of the organization's mission, of the way the organization intends to use donated resources, and of its capacity to use donations effectively for their intended purposes.
- II. To be informed of the identity of those serving on the organization's governing board, and to expect the board to exercise prudent judgment in its stewardship responsibilities.
- III. To have access to the organization's most recent financial statements.
- IV. To be assured their gifts will be used for the purposes for which they were given.
- V. To receive appropriate acknowledgement and recognition.
- VI. To be assured that information about their donation is handled with respect and with confidentiality to the extent provided by law.
- VII. To expect that all relationships with individuals representing organizations of interest to the donor will be professional in nature.
- VIII. To be informed whether those seeking donations are volunteers, employees of the organization or hired solicitors.
- IX. To have the opportunity for their names to be deleted from mailing lists that an organization may intend to share.
- X. To feel free to ask questions when making a donation and to receive prompt, truthful and forthright answers.

*The Donor Bill of Rights was created by the Association of Fundraising Professionals (AFP), the Association for Healthcare Philanthropy (AHP), the Council for Advancement and Support of Education (CASE), and the Giving Institute: Leading Consultants to Non-Profits. It has been endorsed by numerous organizations*

**Gift Acceptance Operational  
Guidelines**
**Related to Policy Number 15  
Adopted: 12/31/08**

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# **Group Health Foundation**

## **Gift Acceptance Operational Guidelines**

### **Purpose**

The following Gift Acceptance Operational Guidelines manual provides additional detail and support for Foundation Policy 15, Gift Acceptance, and is in full accordance with this Policy. It is reviewed and approved by the Major Gift Committee of the Group Health Foundation.

### **Gift Techniques**

The Foundation is permitted to accept gifts and contributions only as authorized in this Manual. Any proposed gift which does not meet the procedures established herein may not be accepted without approval by the Foundation Executive Committee. The following programs are approved by the Board, subject to the conditions and limitations as noted.

### **Outright and Non-Cash Gifts**

These are gifts which are offered to the Foundation by a living individual Donor or by a Foundation, corporation or organization. When the gift is non-cash (a.k.a. “in-kind”), the Foundation must be reasonably satisfied that the Donor has the legal authority to make the gift, appropriate instruments of conveyance of title have been delivered and properly executed and the source of the funds does not violate public or institutional policy. No gift may be received that is subject to any conditions or prearrangements, unless full disclosure has been made to the Foundation in accordance with procedures set forth in this Manual. The Foundation retains the right to refuse to accept a non-cash gift for any reason. Donors of non-cash gifts will be recognized for the fair market value of goods/services donated.

### **Planned Gifts**

The types of planned gifts to be offered include bequests, charitable gift annuities (immediate and deferred), charitable remainder trusts, charitable lead trusts, retained life estates, gifts of life insurance policies and proceeds, and such other gift arrangements as the Board may from time to time approve.

### **Bequests**

The Foundation will accept bequests from an estate of a deceased Donor, provided that the personal representative of the Donor has full authority to act and any proposed gift otherwise conforms to the provisions of this manual.

Unrestricted gifts, or gifts not designated by the Donor, shall be added to the Board-Designated Endowment fund, which is a quasi-endowment fund.

### **Administration of Estates**

The Foundation will not act as the executor of an estate. If the Foundation is named as executor of an estate, the Foundation will ask the court to appoint another executor. The executor may not serve on the Group Health or Group Health Foundation Board, may not be a current or past employee of Group Health or Group Health Foundation Board, and may not have any other relationship with Group Health or the Foundation that would present a conflict of interest in managing the distribution of the estate.

On notification that the Foundation has been identified as an heir of an estate or beneficiary of a living trust, in which the Foundation has a vested interest, a separate file for the deceased Donor shall be established.

The Foundation shall obtain a full copy of the testamentary instrument, whether a will or living trust. As a vested beneficiary, the Foundation is entitled to this document, and not just the relevant passages that describe the nature and extent of the gift.

Upon final distribution from the estate, the Foundation will be required to sign a receipt, reflecting its acknowledgment of full distribution. This receipt will be signed by the Foundation President or Director of Operations, after such officer is satisfied that:

- There are no further assets to which the Foundation is entitled
- All legal issues (if any) have been resolved to the satisfaction of legal counsel;
- All documentation related to the estate, including final accountings or waivers, have been received and properly executed.

If the Foundation is a beneficiary of a permanent charitable trust or supporting foundation and no further probate administration is required, then the Foundation shall establish a new file and Donor identification, reflecting a change in status.

The Foundation's share in the trust fund or Foundation shall be properly reflected on its books and records, in accordance with Generally Accepted Accounting Principles.

### **Estate Litigation**

While the Foundation does not wish to engage in protracted litigation over the implementation or interpretation of a bequest, it may be necessary and appropriate to do so. Factors which the Foundation Board will consider include the following:

- The size of the estate and the share allocated to the Foundation;
- The anticipated costs, duration and risks of litigation;

- The impact on the reputation and goodwill of the Foundation;
- The position of other beneficiaries in the estate, especially other charitable organizations;
- The prior relationship and history of the Donor with the Foundation;
- The advice of legal counsel, the Foundation President and staff.

## **Financial Reporting**

The Foundation shall comply with the requirements of the Financial Accounting Standards Board in connection with its reporting of all bequests.

## **Trusts**

The Foundation will accept gifts of remainder interests in Charitable Remainder Trusts, whether Unitrust or Annuity Trust, as well as gifts of income from Charitable Lead Trusts. The Foundation is authorized to arrange for a trust institution to manage charitable trusts where the Foundation is the remainderman. The costs of administration of charitable remainder trusts and charitable lead trusts shall be an expense of the respective trusts.

## **Advice to Donors**

The Foundation will offer general guidance to a prospective Donor with respect to the establishment of a Charitable Trust. The Foundation will recommend that the Donor seek competent independent counsel for specific tax and legal advice, and will make it clear to the Donor that the Foundation is not qualified to provide tax or legal advice. The Foundation will, if requested, provide the names of several attorneys qualified in the area of charitable giving. It will be deemed a possible conflict of interest for any member of the Foundation's Board to provide such services on behalf of a prospective Donor, whether compensated or not. However, the Foundation will assist Donor's advisors in the design and preparation of such instruments, if they seek such help. Members of the Board and professional staff of the Foundation may act in an advisory capacity on behalf of the Foundation to Donor's counsel.

## **Preparation of Written Documentation**

The Foundation will encourage prospective Donors to utilize Charitable Trust documents prepared by his or her own counsel. If requested by counsel or Donor, the Foundation will provide sample documents or clauses for use by the Donor or Donor's counsel. The Donor will be advised to seek independent counsel for both legal and tax advice, and will make it clear to the Donor that the Foundation is not qualified to provide tax or legal advice. In the absence of such counsel, the Donor will be required to acknowledge in writing that he or she has been urged to seek counsel, but has elected to waive this right.

## **Designation of the Foundation as Trustee**

The Foundation may accept appointment as a Trustee, only as authorized in this Manual.

## **Charitable Remainder Trust Procedure**

The responsibility for designing and recommending Charitable Remainder Trusts lies with the Senior Director of Development, or his or her designee. All plan proposals shall be approved by this individual before submission to the Donor or counsel to the Donor. The following guidelines are intended to provide reasonable parameters in the design of these gift instruments, but are not recommendations or limitations, except where noted.

### **Payout Rates**

The payout rate for a trust is determined by the Donor, not by the Foundation. However, the Foundation staff is to be guided by the following in making recommendations to the Donor and/or the advisors of the Donor

- The minimum and maximum payout rates are established by the Internal Revenue Code and subject to the net income provisions of certain Unitrusts.
- The charitable remainder interest created upon the contribution of any asset to the Trust may not be less than 10%. No asset will be accepted to any Trust over which the Foundation has responsibility as Trustee, nor will any plan be designed, in which the charitable contribution deduction will be less than 10% at the time of the gift.
- Beyond the effect on the Donor's income tax deduction, the high payout will affect the total return of the Trust. The higher the payout, the faster the Trust principal will erode (A high percentage of a declining value will generally under perform a modest percentage of an increasing value).

### **Income Beneficiaries**

The Donor selects the identity and number of income beneficiaries. However, the gift planner should be guided by the following in making recommendations:

If the Donor selects anyone other than the Donor as an income beneficiary, currently or contingently, the Donor may be making a current gift of the present value of the future cash flow to such beneficiary.

The Donor is entitled to a marital deduction for such income interest passing now or in the future to the Donor's spouse, provided that the spouse is the only other income beneficiary of the Trust. If children or others are named as future or contingent income beneficiaries, following the spouse, the Donor is not entitled to a marital deduction and the gift of income to the spouse may constitute a taxable gift. This can also occur if the Trust must last a specific term of years, regardless of the life expectancy of the spouse.

### **Remainder Beneficiaries**

The Donor selects the identity and number of the charitable remainder beneficiaries. The gift planner should be guided by the following in making recommendations:

The Donor may retain the right to revoke named charitable remainder and replace such beneficiaries, either by a written designation made during life or in the Donor's last will. Each Donor should be told of this power, since it would be misleading to fail to do so. However, Group Health cannot acknowledge and recognize a gift to it unless such gift is partially or entirely irrevocable. The Donor may limit the power to modify or revoke the charity's interest to a specific percentage or dollar amount, if he or she wishes to do so.

All remainder beneficiaries should be qualified under several provisions of the Internal Revenue Code. Public charities are qualified under IRC Section 170(b)(1)(A). Private Foundations are qualified under a broader section (IRC Section 170(c)). Using the latter designation will reduce the available tax deduction to that available for gifts to private Foundations. The charity should also be qualified under the gift tax section (IRC Section 2522) and the estate tax section (IRC Section 2055). It is possible to qualify for one and not the other. The Foundation is qualified under IRC Sections 170(b)(1)(A), 2522 and 2055.

### **Contributed Assets**

The Donor selects the type and extent of any assets contributed to a Charitable Trust. However, because of serious adverse tax consequences and possible disqualification of the Charitable Trust, the Foundation will not accept any responsibility as a Trustee and will not endorse any Charitable Remainder Trust instrument, that is or will be funded with the following assets:

- Encumbered real estate.
- Margined securities.
- Sole proprietorships.
- Limited partnerships.
- Working interests in oil and gas fields.

### **Minimum size**

Because of the cost of implementation and administration, Trusts are not recommended if the initial value is less than \$100,000. Alternative gift vehicles, such as the pooled income fund or a gift annuity, may be recommended when appropriate.

## **Types of Agreements**

### **Life Estate Agreements**

The Foundation will accept a life estate arrangement, in which the Donor retains a life interest in the underlying asset and the Foundation receives the ultimate remainder interest. At the present time, tax law permits such an arrangement for the Donor's personal residence or farm.

### ***Gift Acceptance Procedure***

The Foundation President, or his or her designee, and the Foundation's Counsel will review the details of any life estate agreement. Once both individuals have reviewed and commented on the

proposed gift, the Senior Director of Development, or his or her designee, may proceed, provided that the gift conforms to the rules set forth in this Manual and applicable provisions of federal and state law.

The Foundation President shall not approve a proposed gift which subjects the Foundation to expense or responsibility for maintenance, repair, taxes, insurance or other obligations without approval by the Board. The Foundation President is to be mindful of the administrative burdens attributable to property located outside the State of Washington. All such agreements shall be formalized in writing, specifically describing the respective rights and duties of the Donor (life tenant) and the Foundation (remainderman).

### **Bargain Sales**

A bargain sale is part gift, part sale of appreciated property to the Foundation. The asset acquired by the Foundation may be any type of property which it may legally hold. The Foundation's motivation for the purchase would be the inherent equity in the property, in excess of the purchase price.

### ***Valuation***

To determine the fair market value of the asset, it must be adequately appraised in accordance with the standards and procedures set forth in this Manual.

### ***Criteria***

The Foundation should not participate in a bargain sale of property unless the following criteria are met:

1. There is substantial (no less than 50 percent) discount in the purchase price below a conservative estimate of the fair market value of the asset. This discount may not be changed without Board approval.
2. The asset acquired must be readily marketable by the Foundation, unless the Foundation anticipates holding the asset for investment purposes. If the asset is acquired for investment purposes, it must meet the standards and criteria set forth in this Manual.
3. The Foundation must not be subject to out-of-pocket expenses in maintaining, securing, shipping, or preserving the asset. If the property generates sufficient cash flow for these purposes, this criterion will be met. The Board may, upon full review, agree to expend Foundation funds, if necessary, reasonable, and unavoidable and the value of the property as a gift merits such expenditure.
4. A gift should not be encouraged from a Donor unless it is clear that there is donative intent present. A taxpayer will not be allowed a deduction for the gift element of an asset unless there is evidence of intent to make a charitable gift. Therefore, a contribution by a business of products manufactured by it for the purpose of expanding and developing its market is not considered a charitable contribution.

### **Gifts of Mortgaged Property**

The amount of the indebtedness is treated as a relief of liability and cash proceeds to the Donor. The Donor should be properly advised of the general tax consequences and told to consult with his or her tax advisor. The above is true even though Group Health does not agree to assume or pay the indebtedness. If the Donor agrees to hold the Foundation harmless and to pay off the indebtedness as it falls due, the Donor may be able to escape the bargain sale rule.

### ***Gift Acceptance Procedure***

The Foundation President, or his or her designee, and the Foundation's Counsel will review the details of any gift of mortgaged property. Once both individuals have reviewed and commented on the proposed gift, the Senior Director of Development, or his or her designee, may proceed, provided that the gift conforms to the rules set forth in this Manual and applicable provisions of federal and state law.

### **Pooled Income Fund**

A pooled income fund is an instrument established by the Foundation for the purpose of providing certain tax benefits, investment assistance and income to the Donor for the lifetime of the designated Beneficiary(ies), with the remainder passing outright to the Foundation upon the termination of the interests of the income beneficiary(ies.)

### ***General Policy***

The Foundation can consider, at such time as the Board determines, the implementation of such a program.

### **Charitable Gift Annuity**

The charitable gift annuity is a contract between a Donor and the Foundation whereby a Donor contributes cash or other property to the Foundation in exchange for a fixed annual payment extending over the lifetime of designated Beneficiary(ies).

### ***General Policy***

The general purpose of the gift annuity program is to encourage larger estate gifts from current Donors and to broaden the base of financial support beyond current sources.

### ***Criteria and Funding***

The Foundation shall offer CGA rates in accordance with the parameters established by the American Council on Gift Annuities.

Minimum initial contribution: \$10,000. Permissible assets: cash and/or publicly traded securities. Any other type of asset must be approved in advance by the board.

Agreements shall be limited to two lives and the minimum age for the annuities shall be 60 for immediate annuities and 45 for deferred annuities. Annuitants with deferred contracts may begin receiving payments when they turn 60.

### ***Beneficiaries***

Gift annuities may be issued to a single beneficiary or to joint or two-life successive beneficiaries. The annuity may be immediate, i.e. to begin upon contribution, or deferred, i.e. to commence on some date certain in the future.

Payments will be made on a schedule mutually acceptable to the Foundation and the Donor.

### ***Gift Acceptance Procedure***

The Foundation President or Director of Operations has authority to approve all agreement proposals that conform to these policies. The Board will have the sole discretionary authority to approve all proposed agreements which do not conform to these guidelines.

### ***Administration***

The program will conform to the requirements of Generally Accepted Accounting Principles, as established by the Financial Accounting Standards Board, and approved by the Board of Directors and the auditors of the Foundation. In addition, administration of the gift annuities program will conform to all Washington State Office of the Insurance Commissioner requirements.

The Foundation may employ agents and advisers to facilitate the managements and investment of these assets. The administration of the program may be conducted by a bank or trust company selected by the Board, upon recommendation of the Foundation President. Assets of the program will be segregated from other assets of the Foundation, and a reserve account will be established at the bank or trust company to comply with standard practices. The administrator will provide periodic reports of investment holdings and market value pertaining to individual agreements, to the annuitants and to the Foundation Board Committees.

## **Gift Assets**

The Foundation will accept assets contributed to it or to a Trust for its ultimate benefit, provided that such assets conform to the conditions and limitations as provided in this Manual. Gifts may be made in the name of Group Health or the Foundation, but will be held by the Foundation unless otherwise directed by the Donor.

## **Cash and Cash Equivalent**

### **Description**

Cash, certificates of deposit, money market account, personal check, money order, cashier's check and similar instruments.

### **Gift Procedure**

Delivery of the cash or cash equivalent should be properly drawn to the name of or endorsed over to the Foundation. The Foundation President or his or her designee may accept all gifts in this category,

unless the Donor preconditions such gift in some manner that is inconsistent with the mission of the Foundation or contrary to its bylaws or with this Manual.

## **Marketable Securities**

### **Description**

Marketable securities are publicly traded domestic stocks (common and preferred), bonds (discount, convertible, ordinary), notes, and debentures, all of which are listed or sold in an established securities exchange.

### **Gift Procedure**

The donation occurs upon the delivery of the certificate of security, properly endorsed by the registered owner, with signatures guaranteed where required, or irrevocable assignments with properly executed instructions to the Foundation or its transfer agent designating Group Health Foundation as the owner. Group Health Foundation may establish a brokerage account, in the same brokerage firm as Donor, in order to expedite a transfer from the Donor's account to the Foundation's account. Upon the Foundation's receipt of the certificates and transfer documents, it shall promptly inform the Donor of the completed gift. If the transfer is made to the Foundation's account at a brokerage firm, Group Health Foundation shall promptly notify the Donor of its notification of the gift.

### **Conditions and Limitations**

The Foundation will not accept puts, calls, commodities, securities that are pledged or securities incapable of valuation. Securities that are margined may be accepted if approved by the Foundation Board and Foundation Legal Counsel, where the Foundation will not be obligated to cover any margin call and any earnings there from or where gains recognized upon sale will not adversely affect the Foundation's tax exempt status by reason of recognition of unrelated business taxable income. All other securities in this category may be accepted by the Foundation President or Director of Operations.

## **Closely-Held Securities**

### **Description**

Non-publicly traded securities, consisting of common or preferred stock of domestic U.S. companies.

### **Gift Procedure**

Delivery of stock certificate, properly endorsed by the legal and registered owner thereof, or irrevocable assignment separate from certificate of such stock, together with the original stock attached thereto.

## **Conditions and Limitations**

The gift must be accompanied by, or Donor must consent to obtain, within the time limitations required by law, an adequate and full appraisal of the value of the gift to the Foundation, in accordance with the standards set forth in this Manual. The stock must be capable of valuation, not conditioned upon a pre-existing obligation for sale or transfer and free of any liens or encumbrances. The Foundation must be legally qualified to own and hold the security in the State of Washington, as well as the state in which the company does business. In this regard, the Foundation will not accept stock in a law, medical, accounting or dental corporation. All gifts in this area must be reviewed by Counsel and approved by the Foundation Board.

## **Real Estate**

### **Description**

Real estate donations may include improved or unimproved real property, including raw land, buildings, farms, personal residences and vacation homes.

### **Gift Procedure**

A gift is complete upon delivery and acceptance of a properly executed and notarized deed, capable of being recorded, which names the Foundation as owner and grantee. Delivery may be made directly to an officer of the Foundation or to an agent acting on behalf of the Foundation. Timing of the gift is not dependent upon actual recording of the deed, which may be delayed at the discretion of the Foundation.

### **Conditions and Limitations**

A gift of real estate creates significant legal and economic issues for Group Health and the Foundation.

Some state jurisdictions do not permit out-of-state charities to own real estate in that state. A local agent may have to be appointed for this purpose.

The Foundation will not accept delivery of real estate, either as an outright donee or in its fiduciary capacity as a Trustee, unless the Board is satisfied that the requirements of title of real property and environmental assessment have been met and is satisfied after a review of zoning requirements and seismic studies, if appropriate.

The Foundation will be responsible for its entire pro rata share of the costs of maintenance, upkeep, insurance, taxes and debt service. It is the policy of Group Health that these expenses be paid out of the earnings of the donated asset, to the extent foreseeable. The Foundation will not accept a proposed gift unless the anticipated expenses can be covered by earnings, or any excess is deemed nominal or temporary. A "temporary" shortfall is considered duration of six months or less.

Property over which the Foundation has sole ownership or control will be offered for sale to the public as soon as practical. The Foundation does not wish to retain such assets, unless it will ultimately use them in its exempt functions or cannot reasonably expect to receive full and adequate value upon sale, in light of the market conditions then prevailing.

Property which is subject to an encumbrance will cause the gift to be treated as a bargain sale, reducing the value of gift for the Donor and triggering other tax consequences. The Foundation will incur the debt service obligation, and any gain realized upon sale will generate unrelated business taxable income to it. It is possible for the Donor to avoid the bargain sale rule if he or she agrees, as a condition of the gift, to hold the Foundation harmless from any liability under the encumbrance and to pay all the debt service as and when it becomes due.

Property subject to a lease may be accepted, provided all leases are fully assigned, together with the fee interest, and there is no lease with Donor at less than fair market value.

A gift may be the entire fee interest, a partial undivided interest, an interest subject to an intervening term of years or a remainder interest subject to an intervening life estate.

All proposed outright gifts of real estate must be reviewed by Foundation Counsel and approved by the Foundation Board.

### **Title of Real Property**

A proposed gift of real property, whether outright or in trust, shall be subject to the following preconditions:

A Preliminary Title Report shall be ordered. The Report shall be reviewed for (1) proper legal ownership by the Donor, (2) the existence of any covenants, conditions or restrictions which may affect its value, use or compatibility to Group Health, (3) the rights which any other party may have in the use of the surface, air or subsurface of the property through easements, options or the like, and (4) the existence of any tax liens, encumbrances or judgment liens.

The board shall obtain opinion from Counsel on the status of title based on this Report.

A policy of title insurance shall be purchased upon acquiring title to all real property.

### **Environmental Hazards**

All proposed gifts of real property, whether outright or in trust, shall be subject to a Phase I Environmental Review ("Phase I Review"), unless the Foundation board, upon advice of counsel, approves otherwise. Where appropriate or recommended either by Counsel or the board, a Phase II Environmental Review ("Phase II Review") shall be required.

### ***Phase I Review***

A Phase I Review includes assessment by qualified experts of the potential environmental contamination in the proposed gift property resulting from past or present land use. The environmental assessment should be based on site inspections and interviews, adjacent land use surveys, regulatory program reviews, aerial photograph evaluations and other background research. The scope of the review is usually limited to analysis of existing data, excluding core samplings or physical testing.

### ***Phase II Review***

Subsurface investigation of the proposed gift property through selected soil samples, laboratory analytical data and testing, followed by a detailed report with conclusions and recommendations.

## **Life Insurance**

### **Description**

Proceeds paid upon death of the insured, whether from a policy owned by Group Health, Group Health Foundation or any third party; includes policies which are contributed directly to Group Health or the Foundation or which include Group Health or the Foundation as named beneficiary.

### **Gift Procedure**

Where the Foundation is named as the owner, the gift is complete upon proper execution and delivery to an officer of Group Health, the Foundation, or its agent an irrevocable assignment of ownership of an existing policy and designation of the Foundation as complete or partial beneficiary, or the designation of the Foundation as initial owner and beneficiary of a new policy, provided the Foundation consents thereto.

### **Conditions and Limitations**

The Foundation will accept any gift of a life insurance policy provided that the policy is paid-up with no subsequent scheduled reoccurring premiums due or, if the policy is not paid-up, the Donor has pledged an amount equal to or exceeding the value of the premiums due. Such pledge should be payable within 5 years and with payments made in concert with the due dates of the premium payments.

Furthermore, the Foundation will accept a gift of life insurance policy, provided that it is under no prearranged obligation to expend its assets to maintain the policy, except by gifts from the previous owner or the insured; provided further, that no portion of the proceeds is paid to anyone or any organization that is not qualified as a tax-exempt entity under Internal Revenue Code Section 501(c)(3); and, provided further, that the Foundation has the unrestricted right to exercise fully its powers as the owner, including the power to surrender, select payment options, designate beneficiaries and withdraw or borrow cash values. The Foundation will not participate in any “split ownership” or other program in which a Donor or any non-charitable entity or individual receives a partial interest in the insurance policy or proceeds.

The owner and beneficiary of any policy gifted to Group Health shall read: "Group Health Foundation". The policy shall be retained in a secure location under the control of the Foundation President, or his or her designee.

If the policy is fully paid up, i.e., requiring no further premiums, the records of the Donor shall reflect a completed gift.

If the policy is not yet paid up, the Donor shall be provided a copy of all future premium notices as soon as received by the Foundation. If the insurance company will do so, an invoice should be sent directly to the Donor. The Donor must be promptly contacted by the Foundation with a request to make an additional contribution to maintain the policy.

If a Donor fails to make sufficient contributions necessary to continue the policy in force, the Board shall not utilize the assets of the organization or the cash value of the policy to do so, except as provided herein.

- The Board determines that it is in the best interests of the organization; or
- The policy has been in existence for at least five (5) years and there is significant cash value; or
- The face amount of the policy can be reduced to a level such that future premiums will not be required.

If the policy is to be discontinued, the Donor shall be notified at least thirty (30) days in advance and be offered an opportunity to continue contributions to the Foundation to cover the cost of the premium.

Any proceeds received upon cancellation of the policy shall be utilized, to the extent possible, as the Donor requested the gift be used.

The Foundation will not participate in any split-interest or split-dollar life insurance program, unless such program can qualify, under express authority of a court of competent jurisdiction or the Internal Revenue Service, for the partial interest rules of Internal Revenue Code Sec. 170(f)(3)(A), and such program will not constitute either private inurement or private benefit to some third party.

## **Notes and Trust Deeds**

### **Description**

Obligations of a third party or entity to pay to Donor or assignee a specific sum of money on a date certain, with or without interest, and secured or unsecured by other assets.

If the note is secured by real property, the evidence of the security, whether by mortgage or deed of trust, must be fully assigned. If the note is secured by personal guarantees, security instruments or financing statements under the Uniform Commercial Code or otherwise, such form of security must be fully assigned.

### **Gift Procedure**

A gift may be consummated by irrevocable assignment and delivery to an officer or agent of the Foundation of the note and security instrument, properly executed by the owner thereof. A gift of an undivided partial interest is acceptable, provided that the same proportion of the security instrument is an element thereof.

### **Conditions and Limitations**

No consideration may be paid for the note or security instrument.

There must be no conditions, restrictions or prearranged terms on the receipt, retention or disposition of the note or security interest.

The note must be fully negotiable.

The gift must be adequately appraised, based on fair market value, in light of its yield, maturity date and nature and extent of its security.

## **Tangible Personal Property**

### **Description**

Tangible personal property includes antiques, artwork, yachts, coins, jewelry, furniture, manuscripts and the like.

### **Gift Procedure**

Completion of the gift requires delivery of the item, together with properly executed conveyance of title, to an officer or agent of the Foundation.

### **Conditions and Limitations**

The Foundation may accept items within this category upon approval by the Board, after considering the cost of protecting, transporting and maintaining the item and its potential use by the Foundation in its exempt functions or its potential for resale. Proposed gifts of items of substantial value (in excess of \$10,000) should be reviewed by Foundation Counsel.

### **Gifts of Art (Subject to the Group Health Arts Program Standards)**

Group Health Facilities has a regional arts program with committee oversight. Gifts of art must meet all standards outlined in the *Group Health Arts Program Standards* manual as well as the gift acceptance policies detailed in this Manual.

The Arts Program Oversight Committee is the body authorized to make decisions on art acquisitions. They will oversee the review process for all acquisition, de-accession and relocation.

### ***Art Selection Criteria***

All art selections will be based on the following criteria, as well as the art program mission statement. Art is defined as original works; this includes originals, signed and numbered limited edition prints, photography, glass or ceramic and mixed media art (posters are not original art). The criteria used are as follows:

- The artwork shall be recognizable as a “work of art.”
- All artwork must be consistent with the Arts Program Oversight Committee and Group Health missions.
- The Arts Program Oversight Committee must approve all artwork as needed on a case-by-case basis, unless delegated to a Special Projects Committee.
- Artwork that is purchased shall be an asset to Group Health.

### ***Donations of Art***

The Group Health Cooperative Arts Program Oversight Committee may review and accept gifts of art to display in Group Health facilities under these guidelines:

- A letter, which is donor friendly, is used to explain the procedures for donated art. When a potential donor contacts Group Health or the Foundation regarding an interest in donating a piece of art, the letter is sent to them for clarification of the criteria and process for acceptance.
- Meetings for acceptance of art will be held as needed.
- Contributed art shall be of significant quality and appropriateness so as to enhance the environment of Group Health.
- Art shall be contributed without restrictions requiring permanent display in specific Group Health spaces or limited possible future sale. All donations shall be considered outright and unconditional.
- Once a donor gives a piece of art, he/she has relinquished ownership and the work then legally belongs to Group Health.
- Donors must have legal title to any gift and sign a Deed of Gift, assigning all rights to the object to Group Health.
- Donations of art should be approved by the Arts Program Oversight Committee under the following conditions.
  - When there is a reasonable expectation that the art will eventually and irrevocably be contributed to Group Health.
  - The donation is important to the Group Health environment or to additional contributions from the donor.
  - It may encourage contributions of artwork from others.

The appraised value of a donation is the responsibility of the donor. Art valued at \$5,000 or greater must have a professional appraisal. The value of art estimated below \$5,000 can be established in writing by a reputable art dealer. Acquisitions shall not be appraised by a trustee, staff member, or any other person closely associated with either. In the event that an accessioned item is re-evaluated for insurance purposes, this value does not necessarily need to be revealed to the donor.

### **Gifts-in-kind**

Gifts in kind include assets to be used in the form in which they are given, such as art objects, books, equipment, etc. Most of these gifts would be considered tangible personal property. Gifts that can be used or sold are recorded at fair market value on the date of the gift. These types of gifts are limited to assets that can be used or sold by the Foundation and are subject to the approval of the Foundation Board as described above.

From time to time the Foundation may receive contributions for services. Contributions of services shall be recognized if the services received:

- Create or enhance non-financial assets, or
- Are provided by individuals possessing required specialized skills that would typically need to be purchased if not provided by donation.

Because contributed services are not eligible for a charitable deduction, the Foundation does not provide documentation recognizing them as such.

### **Partnership and Limited Liability Company Interests**

#### **Description**

General and limited partnership interests, in a public or private enterprise, and shares or units in a limited liability company.

#### **Restriction**

Because of issues related to unrelated business income, potential liability, valuation, liquidity and general suitability and appropriateness, the Foundation will not normally accept gifts of partnerships or limited liability company interests. Any proposed gift must be reviewed by Counsel, recommended by the Foundation President and approved by the Board.

### **Oil and Gas Interests**

#### **Description**

Working, royalty, leasehold, fee or net production interests, whether without outright or in partnership.

## **Restriction**

The Foundation will not normally accept gifts of oil and gas interests. Exception may be granted with approval of the Board.

## **Appraisals**

### **General Policy**

All gifts of real or personal property, whether outright or deferred, must be subject to a readily ascertainable value.

### **Exception to Appraisal Requirement**

The following gifts do not require formal appraisal:

- Cash or cash equivalents;
- Marketable securities traded on a registered public exchange (including New York, American, Over the Counter and regional stock exchanges);
- Closely held securities with a claimed gift value of not more than \$10,000;
- Other non-cash gifts with a claimed gift value of not more than \$5,000.

### **General Appraisal Requirement**

All other gifts require an appraisal or valuation.

It is the responsibility of the Donor to secure and pay for the appraisal for income tax reporting purposes.

The Foundation may obtain its own appraisal, in order to substantiate value, but may accept either report if it is reasonable to do so.

This procedure is appropriate if there is an appearance of a conflict of interest, the appraiser selected by the Donor does not have the requisite qualifications or the potential risks and costs to the Foundation merit it.

Any conflict in the appraisals must be explained and resolved between the Donor and the Foundation so that there is mutual agreement of value.

## **Standards and Procedures for Appraisal**

### ***Timing***

The appraisal must be prepared not earlier than sixty days prior to the date that the contribution is made and not later than the due date of the return on which the deduction is claimed or the date that an amended return is filed if the amended return is the first return on which the deduction is claimed.

## ***Content***

The appraisal must be prepared, signed and dated by a qualified appraiser as defined below.

The appraisal must include the following information:

- A description of the property in sufficient detail for a person who is not generally familiar with the type of property to ascertain that the property that was appraised is the property that was (or will be) contributed;
- In the case of tangible property, the physical condition of the property;
- The date (or expected date) of contribution to the Foundation;
- The terms of any agreement or understanding entered into (or expected to be entered into) by or on behalf of the Donor which relates to the use, sale or other disposition of the property contributed. This includes restrictions on the Foundation's right to use or dispose of the donated property, all provisions which confer on anyone, other than the Foundation, the right to income from the donated property or the right to possession of the property, including voting rights to securities, a right of purchase, or a right to designate the person to receive income, possession or right of purchase, or a provision which earmarks the donated property for a particular use. As an added precaution, all agreements between the Donor and the Foundation relating to the gift should be attached to the appraisal and incorporated into it by reference;
- The name, address and taxpayer identification number of the qualified appraiser and, if the qualified appraiser is a partner in a partnership, an employee of any person (whether an individual, corporation or partnership) or an independent contractor engaged by a person other than the Donor, the name, address and taxpayer identification number of the partnership or the person who employs or engages the qualified appraiser;
- The qualifications of the qualified appraiser;
- A statement that the appraisal was prepared for income tax purposes;
- The date or dates on which the property was valued;
- The appraised fair market value of the property on the date (or expected date) of contribution;
- The method of valuation used to determine the fair market value, such as the income approach, the market-data approach or the replacement-cost-less-depreciation approach;
- The specified basis for the valuation, if any, such as any specific comparable sales transactions;
- A description of the fee arrangement between the Donor and the appraiser.

The appraiser must sign the appraisal summary upon its presentation to the appraiser by the Donor. In this regard, no part of the fee arrangement for a qualified appraisal can be based, in effect, on a percentage (or set of percentages) of the appraised value of the property.

### ***Qualification of Appraiser***

To be a "qualified appraiser," the appraiser must sign and complete Internal Revenue Service Form 8283, Section B, denoted "Appraisal Summary." The Appraisal Summary includes declarations by the appraiser that:

- The individual holds himself or herself out to the public as an appraiser.
- Because of the appraiser's qualifications as described in the appraisal, the appraiser is qualified to make appraisals of the type of property being valued;

The appraiser is not:

- The Donor or the taxpayer who claims or reports the deduction under Section 170 for the contribution of the property being appraised;
- A party to the transaction in which the Donor acquired the property being appraised (i.e., the person who sold, exchanged or gave the property to the Donor or any person who acted as an agent for the transferor or for the Donor with respect to such sale, exchange or gift), unless the property is donated within twelve months of the date of acquisition and its appraised value does not exceed its acquisition price;
- The Donee of the property;
- Any person employed by any of the foregoing persons or related to any of the foregoing persons under Section 267(b) (e.g., if the Donor acquired a painting from an art dealer, neither the art dealer nor persons employed by the dealer can be qualified appraisers with respect to that painting);
- Any person whose relationship with any of the persons listed above would cause a reasonable person to question the independence of such appraiser. For example, an appraiser who is regularly used by any person described above and who does not perform a substantial number of appraisals for other persons has a relationship with such person that is similar to that of an employee and cannot be a qualified appraiser with respect to the property contributed.

The appraiser understands that a false or fraudulent overstatement of the value of the property described in the qualified appraisal or appraisal summary may subject the appraiser to a civil penalty under Section 6701 for aiding and abetting an understatement of tax liability, and, consequently, the appraiser may have appraisals disregarded pursuant to 31 U.S.C. Section 330(c).

### ***Appraisal Form***

The Donor must file a completed Form 8283, Section B, Appraisal Summary, signed by the qualified appraiser and the Foundation and should attach the form to the return upon which the Donor first claims his deduction. If the Donor fails to attach a properly completed Appraisal Summary, his or her deduction will not be lost if he files the Appraisal Summary within ninety days of an IRS request that he do so, provided that the Donor's failure to originally file the Appraisal Summary was a good-faith omission.

### ***Reporting***

Once the Foundation completes and signs Form 8283, Section B, Part II (the Appraisal Summary), it is obligated to file Form 8282 with the IRS and the Donor if it sells, exchanges or otherwise disposes of the "charitable deduction property" (property for which a Form 8283 was signed by the charity) within two years of the date of the gift. The Form 8282 must be filed within ninety days of the disposition of the "charitable deduction property."

### ***Exceptions***

A Form 8282 need not be filed if the Donor signed Part III of the Appraisal Summary indicating that a specific item given to the Foundation did not exceed \$500 in value. The exception applies only for items separately or so specified.

A Form 8282 need not be filed if the property is distributed by or consumed by the Foundation in a manner in furtherance of its exempt function.

### ***Costs of Appraisal***

The Foundation will not normally fund the Donor's cost of appraisal; however, the Foundation Board has the discretion to approve this expenditure provided:

- The subject property which has been or may be gifted to the organization is or would be approved under the gift acceptance criteria;
- The amount of the appraisal is reasonable and prudent;
- The proportion of the expense incurred is no greater than the proportion of the property which will be gifted to Group Health;
- The appraiser is qualified and willing to perform under the criteria set forth in this Manual;
- There is full disclosure to the Donor of the legal or tax implications of the Foundation's action.

## **Gift Development**

### **Major Gifts Committee**

A Committee is appointed by the Foundation Board for the purpose of overseeing the cultivation, solicitation and stewardship of major gifts to the Foundation. The Foundation, where permitted by this Manual, may either delegate authority to screen certain proposed gifts to appropriate officers of the Foundation, or submit its recommended actions to the Major Gift Committee of the Board. If no committee has been appointed, then any reference to a Major Gifts Committee shall be deemed to mean the Executive Committee of the Foundation Board.

The authority and responsibility of the Committee for specific proposed gifts and gift techniques is described above. Unless provided therein, all decisions shall be made by the Executive Committee of the Board, as indicated below.

The Committee is intended to expedite the gift acceptance procedure, in light of the size of the Board and frequency of its meetings. The Board shall issue such additional guidelines and instructions to enable the committee to properly carry out its functions.

Approval by a majority of the appointed members is required for Committee action. Prior to any vote by the voting members, the recommendations of the Foundation President or his or her designee, and Foundation Counsel will be thoroughly considered.

### **Board Approval**

Unless otherwise indicated, all proposed gifts are subject to acceptance by the Foundation Board, acting in accordance with its Bylaws. If authorized, all decisions requiring Board approval may be approved by its Executive Committee.

The Board will consider the recommendations of the Major Gifts Committee as well as staff.

The Board shall not accept any gift in violation of the laws of the United States or the State of Washington, the Articles or Bylaws of the Foundation or this Manual.

### **Allocation of Expenses and Fees**

#### ***Legal Fees***

The Donor is obligated to pay the expenses of implementing a gift arrangement. However, the Board may agree to absorb some part or all of the fees and costs associated with the design, implementation and completion of a gift under the following conditions:

There is full disclosure to the Donor, including the legal or tax implications of the Foundation's action;

The proportion of the expense incurred is no greater than the proportion of the property which will be gifted to the Foundation without approval by the Foundation President.

#### ***Finder's Fees***

From time to time, the Foundation may be asked to pay a referral or finder's fee to an individual capable of securing a completed gift for the Foundation. It is the policy of the Foundation to deny such requests. Similarly, the Foundation will not enter into any contractual agreement with a firm or consultant if fees for fundraising service are based on a percentage of dollars raised.

### **Conflict of Interest and Disclosure**

All members of the Group Health Board, Group Health Foundation Board, officers, employees and staff of Group Health and the Foundation, collectively referred to as "Affiliated Persons," shall be subject to the rules and limitations set forth below. Any action by such individuals in violation of these requirements shall not be permitted unless the Board expressly approves.

## **Definitions**

**Family or Family Member:** parent, spouse, child or grandchild.

**Transaction:** any gift, agreement, contract or arrangement in which Group Health or the Foundation is a party or beneficiary.

**Related Entity:** company, corporation, partnership, sole proprietorship, trust or other association owned by the Affiliated Person or Family Member of which either has Material Financial Interest.

**Material Financial Interest:** 10 percent or more ownership or financial interest in the assets or profits of a company, corporation, partnership, sole proprietorship, trust or other association.

**Material Facts:** information, facts or data related to a pending Transaction or any of the assets, goods or services related to the Transaction which bear on the price or fair market value of the assets, goods or services or the economic benefit which may be conferred on or enjoyed by the Affiliated Person or Family Member.

## **Standard of Conduct**

The Affiliated Person must always, during the course of services for the Foundation, reflect the highest standards of morality, ethical behavior, integrity and public responsibility.

The Foundation recognizes the inherent right of the Affiliated Person to engage in outside interests and private enterprise, and the organization does not wish to impede these activities. However, to the extent that such outside interests may affect a Transaction in which the Foundation is involved, there is the potential for an actual or perceived conflict of interest. Since the Foundation has a public duty to avoid private inurement, self-dealing and misuse of public funds, it is the policy of this organization to avoid, whenever possible, all such actual or potential conflicts of interest. As examples only, and not inclusive or exclusive of the possible fact patterns that could arise, the following would fall within the scope of this rule:

- Sale to or purchase from an Affiliated Person or Related Entity except as provided below;
- Fee or commission paid to an Affiliated Person or Related Entity except in the normal course of employment;
- Access to the list of Donors or volunteers, for any purpose other than exclusively for the benefit of Group Health.
- Loans to an Affiliated Person or Related Entity, whether secured or unsecured.

The conflict of interest rule does not apply if the Transaction involves a bargain sale to the Foundation by an Affiliated Person, since by definition the sale is for less than fair market value and the excess value is a charitable gift to Group Health.

A Transaction between the Foundation and an Affiliated Person or Related Entity is acceptable provided that all Material Facts have been disclosed and, except in the case of a charitable gift or part gift/part sale, the terms, conditions and consideration involved are commercially fair and reasonable. Any proposed Transaction shall be presented to the Foundation President, or his or her designee, and approved, in advance, by the Board.

Notwithstanding the Paragraph immediately above, it is the policy of the Foundation that:

- Legal counsel, auditors and insurance shall be secured from independent, non-Affiliated Persons.
- Vendors and suppliers shall be independent, non-Affiliated Persons.

### **Gift Agreement**

In order to confirm the Donor's intent regarding the use of funds, recognition and public disclosure of the terms of the gift, major gifts should be accompanied by a written Gift Agreement. The form of such agreement may vary, depending upon the nature of the transaction and the Foundation's relationship with the Donor.

<b>Cash Handling System</b>	<b>Number: 16</b> <b>Adopted: 4/27/99</b> <b>Revised: 9/23/02, 12/18/06</b> <b>Reviewed: 10/19/09</b>
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## Policy

### Policy Statement

A standard system shall be implemented and maintained to control:

- a) All Foundation-related cash handling operations throughout the Cooperative.
- b) The necessary documentation and information flow resulting from cash operations.
- c) Handling and documentation of internal instruments (e.g., gift distribution reports) which result in the disbursement of cash gifts.

### Explanation

Cash is the most liquid and time sensitive asset belonging to the organization. Until it is deposited it cannot be used for the benefit of the organization. All Foundation employees and locations where cash is received and disbursed are subject to the requirements of this policy. The Foundation's President is responsible for implementing this policy.

### Definition

Cash includes coin, currency and negotiable instruments including but not limited to checks, money orders, bank drafts, U.S. Treasury checks, warrants, credit card transactions, electronic transactions, notes, bills bond, and travelers checks.

### Objectives:

The cash handling system has the following objectives:

- a) Protect the Foundation asset "cash" from loss.
- b) Provide for the separation of duties whenever possible.
- c) Provide protection to employees handling cash from unfounded suspicion.
- d) Assure deposit of cash the same day it is received.
- e) Assure the timely flow of information and documentation about cash transactions to areas of the Foundation which need to know.
- f) Standardize cash handling procedures throughout the Foundation.
- g) Provide documents to simplify training of new employees in cash handling activities.

<b>Receipt of Cash – Mail</b>	<b>Number: 17</b> <b>Adopted: 4/27/99</b> <b>Revised: 12/18/06</b> <b>Reviewed: 10/19/09</b>
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## Policy

### Policy Statement

A single post office box number shall be established at the U.S. Postal Service facility servicing the main financial office of the Foundation for the receipt of all mail containing payments to the Foundation. All persons or organizations from whom payments are received shall be instructed to send payments to the post office box servicing the Foundation main financial office. Under no circumstances will individuals be instructed to mail payments directly to an employee or any location other than the Foundation main financial office.

### Explanation

Good business practices and internal control requirements dictate that mail receipt of cash be centralized and tightly controlled in order to minimize security problems and achieve same day deposit into the bank account. All Foundation employees are subject to the requirements of this policy. The Foundation President is responsible for implementing this policy.

### Definition

Cash includes coin, currency and negotiable instruments including but not limited to checks, money orders, bank drafts, U.S. Treasury checks, warrants, credit card transaction forms, notes, bills, bonds, and travelers checks.

### Guidelines

1. All mail received by any Foundation location shall be opened and examined for cash except mail addressed to Foundation staff which is marked 'personal / confidential'. Any cash payment found shall be immediately delivered to the Foundation financial office for further processing and deposit.
2. Checks received which are not drawn payable to the Foundation shall be handled as quickly as possible to
  - a) Return it to the sender if it is obviously received in error (phone bill, for example).
  - b) Identify the purpose of the payment, obtain the proper endorsement and deposit.
  - c) If the purpose cannot be identified Foundation staff shall call GHC Patient Financial Services and ask for their assistance in identifying and depositing the item.

3. Foundation staff members who have received mail marked 'personal / confidential' which contains cash shall immediately deliver that cash to the Foundation financial office with any documents showing the purpose of the payment.

<b>Receipt of Cash – In Person</b>	<b>Number: 18</b> <b>Adopted: 4/27/99</b> <b>Revised: 12/18/06</b> <b>Reviewed: 10/19/09</b>
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## Policy

### Policy Statement

Upon receipt of the cash the Foundation staff shall immediately deliver that cash to the nearest Foundation financial office with any documents showing the purpose of the donation.

If Foundation staff are not able to deliver the cash to the nearest Foundation financial office because their duties take them away from the facility then they shall immediately mail the cash to the established US Post Office box which services the main financial office of the Foundation and they shall include in the mail any documents showing the purpose of the donation.

### Explanation

There may be times when Foundation staff involved in fund raising receive a donation directly in person. Good business practices and internal control requirements dictate that receipt of cash be centralized and tightly controlled in order to minimize security problems and achieve same day or next day deposit into the bank account. All Foundation employees are subject to the requirements of this policy. The Foundation President is responsible for implementing this policy.

### Definition

Cash includes coin, currency and negotiable instruments including but not limited to checks, money orders, bank drafts, U.S. Treasury checks, warrants, credit card transaction forms, notes, bills bond, and travelers checks.

<b>Receipt of Cash – Via Credit Card</b>	<b>Number: 19</b> <b>Adopted: 4/27/99</b> <b>Revised: 12/18/06, 10/19/09</b>
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## Policy

### Policy Statement

Information contained on a donor’s credit card is to be protected and kept confidential at all times. The Foundation and its credit card processing vendors are required to meet Payment Card Industry standards when processing or storing cardholder data.

Upon receipt of the credit card information development staff shall immediately deliver that information to the nearest Foundation financial office with any documents showing the purpose of the donation. If Foundation staff is not able to deliver the information because their duties take them away from the facility then they shall immediately call the Foundation financial office with all the information necessary to process the charge.

### Explanation

There may be times when Foundation staff involved in fund raising receive a donation to be processed via credit card. Good business practices and internal control requirements dictate that receipt of any and all cash be centralized and tightly controlled in order to minimize security problems and achieve same day or next day deposit into the bank account.

All Foundation employees are subject to the requirements of this policy. The Foundation President is responsible for implementing this policy.

<b>Minimum Amount Required to Create a Named Endowed Fund</b>	<b>Number: 20</b> <b>Adopted: 4/27/99</b> <b>Revised: 11/3/08</b>
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## Policy

### Policy Statement

Contributions of \$50,000 or more to the Foundation endowment fund may create named endowments. These funds may be unrestricted or restricted by the donor(s) at the time the gift(s) is/are given.

### Explanation

In order to effectively and efficiently manage the funds within the Foundation a minimum amount shall be established to create a named endowed fund.

<b>Spending Policy for Endowed Funds</b>	<b>Number: 21</b> <b>Adopted: 4/27/99</b> <b>Revised: 03/01/01, 03/29/05, 12/18/06, 10/19/09,</b> <b>8/23/10</b>
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## Policy

### Policy Statement

The Group Health Foundation Endowment Fund should provide stable income for charitable purposes while maintaining its purchasing power over time. To achieve this aim, annual spending allocations will include both an inflation factor and a market value factor.

In light of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) of 2009, the following factors (to the extent that each is relevant) are to be considered in determining a prudent spending rate:

1. The duration and preservation of the endowment fund;
2. The purposes of the institution and the endowment fund;
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 institution; and
7. The investment policy of the institution.

Using figures from December 31 and based on available interest balances, each year the Finance and Audit Committee will recommend the maximum endowment allocation. From this allocation, the Committee may choose to allocate up to 1% of the total market value of the Endowment as a management fee for the year. Total spending, including management fee and spending allocations, cannot exceed 5%.

Newly received and named endowment funds will be invested for one year before disbursements are made.

Allocations are to be spent by December 31<sup>st</sup> of the current year. Allocations not spent by that date will remain invested in the Endowment fund. In special circumstances, the Foundation President may approve formal written requests to carry spending allocations forward for up to three years.

## **Procedure for calculating the annual endowment allocation**

The annual allocation will be derived by combining the results of two calculations: 1) “Spending Adjusted for Inflation,” based on the prior year’s actual expenditures multiplied by the change in Consumer Price Index, found at the US Department of Labor Bureau of Labor Statistics website and multiplied by 70%; and 2) “Long Term Spend Rate,” derived by calculating up to five percent of the endowment fund’s market value over a three-year moving average, multiplied by 30%.

### Step 1: 70% Factor: “Spending Adjusted for Inflation”:

The Spending Adjusted for Inflation shall be calculated on the total spent from the endowed funds the prior year.

1. Calculate the total spent from all endowed funds during the prior year.
2. Find the Consumer Price Index Annual Average for All Items for the prior year found at the US Department of Labor Bureau of Labor Statistics website (<http://www.bls.gov/cpi/#tables>).
3. Divide the “percent change in CPI” by 100 (i.e. a 1% change will equal .01).
4. Multiply this number by the prior year’s total endowment spending.
5. Multiply the product by .7 to get the Spending Adjusted for Inflation.

### Step 2: 30% Factor: “Long Term Spend Rate”:

The Long Term Spend Rate shall be calculated on the consolidated endowed funds in aggregate.

1. Calculate the three-year average of the combined endowment market value.
2. Multiply that number by the percentage (up to 5%) to be allocated.
3. Multiply that number by .3 to get the Long Term Spend Rate.

### Step 3: Calculating each fund’s available allocation:

1. Add the Long Term Spend Rate plus the Spending Adjusted for Inflation to calculate the coming year’s total allocation.
2. Determine the percentage of the combined endowment each individual fund owns.
3. Multiply the two numbers to get the spending allocation amount for each individual fund.

<b>Soliciting Vendors</b>	<b>Number: 22</b> <b>Adopted: 9/24/01</b> <b>Revised: 12/10/07, 10/25/10</b>
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## Policy

### Policy Statement

All solicitation requests made to vendors of Group Health Cooperative, Group Health Permanente, and employer enrollee groups will be coordinated through the Group Health Foundation. This centralized strategy planning and approach will eliminate inappropriate requests or duplicate requests made from several sources.

Fundraising materials will clearly state fund raising purposes and examples of the types of the community health issues that will be supported by funds raised.

<b>Non-Discrimination Policy</b>	<b>Number: 23</b> <b>Adopted: 3/27/01</b> <b>Revised: 9/8/08</b>
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## **Policy**

### **Policy Statement**

It is the policy of Group Health Foundation that its funds shall be provided only to organizations and programs that do not deny services to clients or prospective clients on the basis of race, color, national origin, sex (including pregnancy), religion, age, disability, marital status, sexual orientation (including gender identity and expression), veteran status, or any other legally protected status.

Group Health Foundation does, however, support programs and services that assist selected persons or groups that have been subject to discrimination.

<b>Accepting or Soliciting Support from Group Health Vendors</b>	<b>Number: 24</b> <b>Adopted: 6/30/03</b> <b>Revised: 11/3/08</b>
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## Policy

### Policy Statement

Based on an overall strategy to follow practices that are clearly acceptable to regulators (on the conservative side of the compliance spectrum), the following guidelines are proposed.

- In no event is any request for, or acceptance of, a vendor contribution to be connected in any manner, implied or express, with the conduct of business with the vendor (i.e., receiving funds from a particular vendor does not equate to an incentive or implied obligation to purchase goods or services from that entity; likewise, refusal by a particular vendor to provide funds will not result in a refusal to purchase goods or services from the particular entity).
- The Group Health Foundation will not utilize Group Health Cooperative staff involved in purchasing processes for the purpose of soliciting grants or donations of funds from vendors. It is acceptable for Group Health Cooperative staff to provide the names and phone numbers of vendor contacts to Foundation staff or volunteers. However, while it is acceptable for Foundation solicitors to contact such vendors directly, they should ask to be directed to the vendor's grant-making area, where possible, to enhance the separation of the vendor's marketing and grant-making functions.
- The Group Health Foundation will continue to solicit support from a cross section of funding sources and will not concentrate efforts on current or prospective Group Health Cooperative vendors to a greater degree than efforts are concentrated on other donor populations.
- Grants or donations from vendors to the Group Health Foundation are not to be solicited or accepted if they are intended to be utilized to provide support to Group Health Cooperative activities to fund (or eliminate) an expense that Group Health Cooperative would have otherwise incurred.

<b>Gift Annuity Reserve</b>	<b>Number: 25</b> <b>Adopted: 6/30/03</b> <b>Revised: 12/10/07, 12/14/09</b>
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## Policy

### Policy Statement

#### I. INVESTMENT OBJECTIVES

**Definitions:** The following definitions shall apply throughout this document.

1. "Reserve Fund" shall mean the Group Health Foundation Gift Annuity Pool.
2. "Directors" shall mean the Board of Directors of the Group Health Foundation. "Finance Committee" shall refer to the entity established to administer the Reserve Fund on behalf of the Board of Directors. The Finance Committee shall monitor the Reserve Fund investments, recommend policy changes, and report to the Foundation quarterly in conjunction with the Investment Manager(s).
3. "Investment Manager" shall mean any individual or group of individuals, engaged to manage the investments of all or part of the Reserve Fund assets.
4. "Securities" shall refer to the marketable investment securities that are defined as acceptable in this statement.

#### General Objective

**The primary objective of the Reserve Fund is to balance long-term capital appreciation with growth of income through an equity allocation in the range of 50% to 70%.** The objective shall be accomplished utilizing a strategy of fixed income, equities and cash equivalents in a flexible mix which is conducive to participation in rising markets while allowing for adequate protection in falling markets. It is intended that the objective of the Reserve Fund will be achieved by each Investment Manager over a 5-year period, net of investment management fees and commissions. However, the Finance Committee reserves the right to evaluate and make any necessary changes regarding the Investment Managers over a shorter term using the criteria established in the "Evaluation of Investment Managers" section of this objectives and guidelines statement.

#### Spending Policy

The Finance Committee shall endeavor to balance the Reserve Fund long-term annuity distribution obligations with its goal to provide a reasonable return on the gift at maturity. Since expected dividend and interest yields from portfolios are not consistent and predictable, the Finance Committee may, in its discretion, adopt an investment strategy seeking higher long-term investment returns than would be the case if dividend and interest yields were their primary consideration. The Finance Committee has the option of reinvesting up to 5% of a matured gift back into the Reserve Fund as a hedge against declining Reserve Fund balances in poor economic conditions.

The goal of the Reserve Fund is to maintain a value no less than 125% of the amount required by the State of Washington as determined by actuarial calculation. If the Reserve Fund falls below this amount, Group Health Foundation will transfer assets from the operating fund to the Reserve Fund to increase the value to 125% of required reserve.

If an individual annuity falls below \$1.00, the Finance Committee, in its discretion, will transfer assets from the operating fund to that annuity line item providing the Reserve Fund assets are greater than 125% of the required Reserve.

### **Investment Strategy**

In order to meet its needs, the investment strategy of the Reserve Fund shall emphasize total return. In this context, the term “total return” means the aggregate return from capital appreciation, dividend and interest income. This emphasis on total return recognizes the potential for reduced volatility through diversification of investment styles, e.g., value, core, growth, large cap, small cap, international equity management, and fixed income management.

### **Performance Objectives**

1. The total return of the Reserve Fund shall be compared annually to the following indices: (1) the S & P 500 Composite; (2) a Barclays Aggregate;

## **II. ASSET ALLOCATION GUIDELINES**

### **Aggregate Reserve Fund Asset Allocation Guidelines (at market value)**

<b><u>Type of Security</u></b>	<b><u>Total Fund Range</u></b>	<b><u>Target</u></b>
Equities	50-70%	56.5%
US Large Cap	30-50%	34%
US Mid Cap	0-10%	5%
US Small Cap	0-10%	3.5%
Inter national Developed	5-15%	10%
Emerging Markets	0-10%	4%
Fixed Income	30-50%	31.5%
Real Estate Mutual Funds	0-8%	4.5%
Commodity Mutual Funds	0-8%	2.5%
Cash Equivalents	0-10%	5%

Guidelines for Investment Managers--Appendix A--contains specific guidelines for Investment Managers. This appendix shall be provided to all Investment Managers.

### **III. 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 Finance Committee shall review the investment policy statement at least annually and recommend continuation or revision to the Board of Directors. The Board of Directors must vote upon any recommended changes.

## **APPENDIX A**

### **GUIDELINES FOR INVESTMENT MANAGERS**

#### **Investment Management Policy**

1. Preservation of Capital - Consistent with their respective investment styles and philosophies, Investment Managers shall make reasonable efforts to preserve capital, understanding that losses may occur in individual securities as market conditions vary.
2. Risk Aversion - Understanding that risk is present in all types of securities and investment styles, Finance Committee members realize that some risk is necessary to produce long-term investment results that are sufficient to meet the Reserve Fund objectives. However, the Investment Managers shall make reasonable efforts to minimize risk and shall be evaluated quarterly to ensure that any risk assumed is commensurate with that manager's given investment style.
3. Adherence to Investment Discipline - Investment Managers are expected to adhere to the investment management styles for which they were engaged. Managers will be evaluated regularly for adherence to investment discipline.

#### **Volatility of Returns**

Finance Committee members understand that in order to achieve their objectives for Reserve Fund assets, the Reserve Fund will experience volatility of returns and fluctuations of market value. The Reserve Fund can tolerate losses equal to or less than an index appropriate for each management style; e.g., Fixed, Large Cap, Small Cap, Core, International, etc.

#### **Gifts to Reserve Fund**

All gifts of stock or other securities will be liquidated within a reasonable period and reinvested to the objective. The Investment Manager will aid in the valuation of the asset for tax and gift annuity calculation purposes.

#### **Investment Guidelines**

Unless prior written approval is obtained from the Finance Committee, the following guidelines shall apply:

Allowable Assets (traded on recognized exchanges)

1. Cash Equivalents
  - Treasury Bills
  - Money Market Funds
  - Certificates of Deposit
2. Fixed Income Securities

- U.S. Government and Agency Securities
  - Corporate Notes and Bonds
  - Mortgage Backed Bonds
3. Equity Securities
    - Common Stocks
    - Preferred Stocks
    - Convertible Notes and Bonds
    - Convertible Preferred Stocks
    - American Depository Receipts (ADRs) of Non-U.S. Companies
    - Stocks of Non-U.S. Companies (Ordinary Shares)
  4. Mutual Funds or Pooled Funds
    - Mutual Funds or Pooled Funds which invest in securities as allowed in this statement

### **Investment Manager Requirements**

#### **Unless prior written approval is obtained from the Finance Committee:**

1. Each Investment Manager shall have full investment discretion with regard to market timing and security selection.
2. Securities transactions shall be entered into on the basis of best execution.
3. The Investment Managers shall meet with the Finance Committee as requested.
4. Cash investments shall consider safety of principal, liquidity and generation of income as primary objectives.
5. There shall be no investments in non-marketable securities, short selling, securities lending, options trading, futures trading, margin purchases, or other specialized investment activity, unless specifically authorized in writing by the Finance Committee.
6. No Investment Manager shall invest assets such that any one issuer exceeds ten percent (10%) of the manager's equity portfolio, at market value, or ten percent (10%) of the manager's fixed income portfolio, with the exception of securities issued by the United States Government and its agencies.
7. The majority of the fixed income portfolio will maintain credit quality ratings of investment grade Baa/BBB or better. A smaller allocation of high yield, non-investment grade bonds (no more than 5% of the portfolio) may be made using diversified mutual funds or common trust funds. The Investment Manager is reminded that the fixed income portfolio's main purpose is to produce income and to reduce overall portfolio volatility.
8. Any commercial paper purchased must have a rating of A1/P1.
9. Not more than the maximum amount insured under current FDIC policy shall be invested in certificates of deposit of any single issuer.

10. The Investment Managers shall maintain compliance with the Asset Allocation Guidelines as noted above.
11. The Investment Managers shall request guidance or clarification from the Finance Committee as needed.
12. Each Investment Manager shall report quarterly and annual investment performance results.
13. The Investment Managers shall communicate any major changes related to economic outlook, investment strategy, or any other factors that affect implementation of the investment process, or progress toward meeting the investment objectives as outlined by the Finance Committee.
14. The Investment Managers shall inform the Finance Committee regarding any qualitative change to the investment management organization. Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.
15. The Investment Managers shall vote proxies on behalf of the Reserve Fund, and communicate such voting records to the Finance Committee on a timely basis.

<b>Pre-Award Grant/Contract Spending</b>	<b>Number: 26</b> <b>Adopted: 12/18/06</b> <b>Revised: 12/14/09</b>
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## Policy

### Policy Statement

Expenditure of funds on a grant or contract-funded project prior to the receipt of official award documentation must be approved in advance by the Foundation President. Pre-award grant/contract spending is limited to \$10,000 and pre-award expenses are to be tracked separately within the GHC and Foundation's accounting systems.

Approval by the Foundation President will be informed by the following considerations: amount of grant/contract; duration of grant/contract; and Foundation history with the funding organization.

If a situation arises in which pre-award expenses are ultimately not funded by the granting agency, the Foundation President is responsible for determining an appropriate source or sources of funding to cover those expenditures. Sources of these funds may include, but are not limited to, unrestricted donations, unrestricted interest, or an unrestricted endowment allocation.

<b>Document Retention and Destruction</b>	<b>Number: 27</b> <b>Adopted: 12/18/06</b> <b>Reviewed: 10/19/09</b>
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## Policy

### Policy Statement

It is the policy of Group Health Foundation that documents are to be retained based on the below-listed record retention schedule. Destruction of documents is allowable after the minimum retention period is achieved.

	<b>Minimum Retention Period</b>
Accounts payable ledgers and schedules	7 years
Accounts receivable ledgers and schedules	7 years
Audit reports (external)	Permanently
Reconciliation reports	2 years
Contracts – expired mortgages, notes and leases	7 years
Contracts – active mortgages, notes and leases	Permanently
Correspondence – contributions	7 years
Correspondence – legal and important matters	Permanently
Deeds, mortgages and bills of sale	Permanently
Determination letter	Permanently
Deposit documentation	7 years
Employee applications	3 years
Expense analyses/expense distribution schedules	7 years
Financial statements – year end	Permanently
Grant records and contracts – includes documentation of all revenue and expenses and supersedes other listed retention periods (for deposits, receipts, report, and expense documentation)	10 years
Insurance policies – expired	3 years
Insurance policies and records – current	Permanently
Internal audit reports	7 years
Invoices	7 years
Meeting minutes – Board of Directors, bylaws, articles and exempt application form	Permanently

Patents and related papers	Permanently
Payroll records and summaries	7 years
Personnel files – terminated	7 years
Purchase orders	7 years
Receipt documentation	7 years
Tax returns and worksheets	Permanently
Time logs for hourly staff (as applicable)	7 years
Trademark registration and copyrights	Permanently
Training and Procedure manuals	Permanently

<b>Conflict of Interest—Group Health Foundation Board of Directors and Officers</b>	<b>Number: 28</b> <b>Adopted: 12/10/08</b> <b>Reviewed:</b>
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## Policy

### Policy Statement

Group Health Foundation (“GHF”) directors and officers have responsibility for administering the affairs of GHF honestly and prudently, and for exercising their best care, skill, and judgment in performing their duties on behalf of GHF. Each individual covered by this Policy must exercise the utmost good faith in all transactions involved in his/her duties, and must not use his/her positions with GHF or knowledge gained from his/her positions for personal benefit or to benefit an organization or charitable objective in which the individual has a relationship or interest.

A conflict of interest could exist whenever a personal interest influences or appears to influence the ability of a director or officer to exercise objectivity to meet their responsibilities to GHF. It is important for GHF directors and officers to be aware of the circumstances that may cause an actual or apparent conflict of interest and to follow this Policy when any such actual or apparent conflict of interest arises.

### Explanation:

GHF is a non-profit, tax-exempt organization regulated by the Internal Revenue Service and state regulatory and tax officials, who scrutinize its operations. Maintenance of its tax-exempt status is important both for its continued financial stability and for public support. Group Health is the sole member of the GHF. A conflict of interest, or even the appearance of one, can cause embarrassment to GHF and Group Health, may jeopardize the credibility of both organizations, and possibly endanger the tax-exempt status of GHF.

This Policy assures GHF of the good faith and integrity of its directors and officers. These procedures are intended to provide individual directors and officers with a systematic and ongoing method of disclosing and resolving potential conflicts of interest.

### Applicability:

This Policy applies to all GHF officers and directors.

## Scope:

This Policy defines conflict of interest, contains certain prohibitions applicable to persons covered by the Policy, and governs the evaluation and management of potentially problematic relations of GHF directors and officers with certain third parties. The kinds of relationships that may be of concern under this Policy include, but are not limited to, those between GHF directors and officers, or their Relatives, and:

- Persons and firms supplying goods and services to Group Health or GHF.
- Persons and firms from whom Group Health or GHF leases property and equipment.
- Persons and firms with whom Group Health or GHF is dealing or planning to deal with in connection with the gift, purchase, or sale of real estate, securities, or other property.
- Persons and firms whose interests or dealings are adverse to the interests of Group Health or GHF.
- Competing organizations.
- Donors and others supporting Group Health or GHF.
- Agencies, organizations, and associations which affect the operations of Group Health or GHF.
- Organizations or governmental entities to which GHF provides grants, donations or support.

In addition, the following circumstances may be of concern – a director, officer, or Relative who:

- Owns significant amounts of stock or holds debt or other significant proprietary interests in any third party dealing with Group Health or GHF.
- Holds office, serves on the board, participates in management, or is otherwise employed (or formerly employed within two years) with any third party dealing with Group Health or GHF.
- Receives promotional or sample items, gifts, reimbursements or any other item of value from a manufacturer or vendor because of the individual's role with Group Health or GHF.
- Receives remuneration for services with respect to individual transactions involving Group Health or GHF.
- Has a business or employment relationship with, or supports through service or charitable giving, a charitable or governmental organization, which GHF supports or is considering supporting.

## Definitions:

**Arrangement:** Any relationship between GHF and another entity or person that is not included in the definition of "transaction," including grants and donations provided by GHF or Group Health.

**Conflict of interest:** The term "conflict of interest" refers to situations in which financial or other personal interests directly and significantly influence, or appear to influence, professional judgment and responsibilities. No Policy can specifically address every type of conflict of interest, just as no list of rules or guidelines can provide direction for all the varied circumstances that arise. However, some potential examples of conflicts of interest are listed above and generally include situations where the actions or activities of an officer or director may result in a personal gain or advantage to

that individual, or to that individual's Relative, or to another organization in which the individual or his/her Relative has a significant actual or beneficial ownership interest.

**Domestic partner:** The relationship of couples who are not legally married, but otherwise jointly committed to a long-term relationship.

**Relative:** For the purposes of this Policy, a Relative includes any person who has a legal, blood, or any other relationship with an individual covered under this Policy such that the relationship has the potential to influence or appear to influence the judgment of the covered individual in performing his/her duties on behalf of Group Health. Examples of Relatives include, but are not limited to, current spouse, domestic partner, parent, child, grandchild, sibling, aunt, uncle, in-laws, the spouse's immediate Relatives, a close friend, and any person living in the household of an individual covered by this Policy.

**Interested Person:** The director or officer with a conflict of interest.

**Significant actual or beneficial ownership interest:** Where, directly or through the ownership of stock, one enjoys a personal practical economic gain from the business operations of a business or other organization. "Significant" is intended to eliminate as a conflict mere stock ownership of a level insufficient to influence the business decisions of the business organization engaging in business with GHF or Group Health.

**Transaction:** Any contract, sale, lease, purchase, or other agreement that may be made by, through, or under the supervision of GHF or Group Health, in whole or in part, directly or indirectly.

### **Responsibilities:**

The GHF Board of Directors is responsible for the development and approval of this Policy and for assigning responsibility and delegating authority for the implementation and administration of the Policy.

The Board of Directors has made the following assignments and delegation of authority related to this Policy:

The Executive Committee of the Board of Directors is responsible for approving compliance procedures related to this Policy for GHF directors and officers and is delegated necessary authority to approve such procedures. These procedures include:

### **Director and Officer written conflict of interest disclosure**

- GHF directors and officers shall provide a written declaration of any actual or potential conflicts of interest or attest that no such conflicts exist on an annual basis using forms and procedures developed by the Chief Compliance Officer of Group Health. The Chief Compliance Officer, or his/her designee, will review the annual disclosures for compliance with this Policy. Any apparent conflicts of interest or instances of noncompliance with this Policy will be referred by the Chief Compliance Officer to the Chair of the GHF for resolution as described below.

- During the year, directors and officers shall report material additions or changes to the information provided on annual conflict of interest declarations. These additions or changes to the declarations will be submitted and assessed by the Chief Compliance Officer and forwarded to the Executive Committee, as necessary, following the process used for annual declarations.
- The Chair of the GHF shall counsel any director or officer about actual or potential conflicts of interest and other instances of noncompliance with this Policy, including apparent undisclosed conflicts of interest and, if not resolved to his/her satisfaction, shall place the matter on the agenda of an executive session. The Chief Compliance Officer will support the Chair in fulfilling this responsibility.

### **Director disclosure of actual or potential conflict of interests in advance of Board action**

- Each director is obligated to disclose any actual or potential conflict of interest when such an interest becomes a matter for Board action. After disclosure of a potential conflict of interest, including all material facts, and after discussion with the interested person, he/she shall leave the Board or committee meeting while the remaining members discuss and vote on whether a conflict of interest exists.
- If there is a conflict of interest, the interested person may provide a presentation to the Board or committee regarding the transaction and answer any questions regarding the proposed transaction. The interested person must then leave the meeting during any discussion of and the vote on the transaction or arrangement that resulted in a conflict of interest.
- After the interested person has left the Board or committee meeting, the remaining members shall first discuss whether it is appropriate to appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement. An example of a circumstance where it may not be appropriate to investigate alternatives would be conflicts arising in the GHF's grant making and awarding process. The purpose of such investigation shall be whether the GHF can obtain a more advantageous transaction or arrangement with reasonable efforts from a person or entity that would not give rise to a conflict of interest. If a more advantageous transaction or arrangement that would not give rise to a conflict of interest is not reasonably attainable under the circumstances, the disinterested members of the Board or committee shall vote on the transaction or arrangement considering whether it is in the best interest of GHF and fair and reasonable to GHF.

### **Officer disclosure of actual or potential conflict of interest**

- GHF officers shall disclose an actual or potential conflict of interest when such an interest is relevant to a matter in which they have a role, either directly or through subordinates acting at their direction. Any GHF officer having an actual conflict of interest related to a matter at issue should not participate in the matter or use his/her personal or professional influence on the matter. Any GHF officer who may have a potential conflict of interest is expected to abstain from participation or stating his/her position in the matter, or may ask his/her direct supervisor to determine if he/she feels the potential conflict of interest is significant enough to make it appropriate for the individual to abstain from participation in the matter. Consultation with the

Chief Compliance Officer is recommended when it is difficult to determine whether the circumstances constitute a conflict of interest.

### **Group Health Office of Compliance & Ethics**

The Group Health Office of Compliance & Ethics is responsible for developing compliance procedures for administering this Policy, developing procedures for the disclosure statements to be completed by GHF directors and officers, and for providing general guidance regarding compliance with this Policy. The Group Health Office of Compliance & Ethics will consult with the GHF President and GHF Director of Operations to ensure support for the implementation and administration of this Policy. As requested, the Chief Compliance Officer will provide reports to the GHF Executive Committee on the implementation and administration of this Policy.

### **Reporting Violations of the Conflict Of Interest Policy:**

If any person has reasonable cause to believe that an individual to whom this Policy applies has participated in or influenced a GHF decision when an actual conflict of interest or the appearance of a conflict of interest existed he or she is required to inform Group Health's Chief Compliance Officer or Executive Vice President and General Counsel. Similarly, if any person has reasonable cause to believe that an individual covered by this Policy has failed to avoid or disclose a personal interest that could constitute an actual or potential conflict of interest he or she is required to inform Group Health's Chief Compliance Officer or Executive Vice President and General Counsel. Alternatively the person may call the Group Health compliance hotline at 1-800-741-7817.

<b>Measuring Effectiveness</b>	<b>Number: 29</b> <b>Adopted: 10/19/09</b>
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## Policy

### Policy Statement

The Group Health Foundation Board of Directors is responsible for evaluating the success and impact of its programs in fulfilling its organizational goals and objectives.

### Explanation:

1. At least once every two years, the Foundation will assess the impact of its programs.
2. These assessments will be conducted under the authority of the Impact Committee of the Board. The responsibility of the Impact Committee is to recommend to the Board a comprehensive program to establish impact standards, to measure impact, and to report the findings to the Board.
3. The Foundation Board will receive a written report of this assessment for its major grant programs.
4. The Impact Committee will make recommendations to the Board about the goals, values and effectiveness of its grants for the Foundation.

<b>Disclosure of Misconduct (Whistleblowing)</b>	<b>Number: 30 Adopted: 10/19/09</b>
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## Policy

### Policy Statement

It is Group Health Foundation's intention to foster an environment in which Foundation staff, volunteers, and directors can report suspected improper or unethical activities or business practices within the organization without fear of retaliation. In support of this intention, the Foundation hereby adopts the Group Health Cooperative Operational Policy F-02-033 Disclosure of Misconduct (Whistleblowing) and its corresponding Operational Policy Implementation (collectively, "Policy").

All Foundation staff, volunteers, and directors who are employees of Group Health Cooperative are already covered by the Policy as employees of Group Health Cooperative.

Any volunteer or director of the Foundation who is not a Group Health Cooperative employee may report suspected improper or unethical activities or business practices to the Chair of the Foundation Board. If the individual is not comfortable doing this, he or she may report the suspected activity to Group Health Cooperative's Chief Compliance Officer or may call the Group Health Compliance Hotline at 1-800-741-7817.



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# Operational Policy

<b>Disclosure of Misconduct (Whistleblowing)</b>	<b>Policy Number:</b>	F-02-033
	<b>Adopted:</b>	01/29/2002
	<b>Last Revised:</b>	01/29/2002
	<b>Last Reviewed:</b>	

## POLICY

**Note:** *This policy's corresponding Implementation provisions are a key component of the policy and essential to its proper administration.*

It is Group Health's intention to foster an environment in which employees can report suspected improper or unethical activities or business practices within the organization without fear of retaliation. Group Health managers and supervisors shall not take any retaliatory personnel action against an employee or applicant for making a good faith report under this policy.

Examples of improper or unethical activities and business practices include but are not limited to: violations of applicable laws or regulations, gross misconduct, violations of GHC policy, and conditions that may endanger public health or safety.

This policy is intended to protect individuals who report suspected improper or unethical activities or business practices in good faith and are not themselves involved in any alleged wrongful conduct. This policy does not apply to disclosures that are prohibited by law and does not prohibit a personnel action that would have been taken regardless of a disclosure.

**Related Policies, Documents and References:**

**Documents which refer to this document:**

Code of Conduct

**Referenced Documents**

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## Operational Policy Implementation

<b>Disclosure of Misconduct (Whistleblowing)</b>	<b>Implementation Provisions for:</b>	F-02-033
	<b>Adopted:</b>	01/29/2002
	<b>Last Revised:</b>	01/29/2002
	<b>Last Reviewed:</b>	

## IMPLEMENTATION

**Note:** *The following provisions support Policy F-02-033, but are administered by the authorized Vice President for that policy.*

*The authorized Vice President retains discretion in implementing these provisions and can change them at any time, with or without notice.*

### EXPLANATION:

This policy protects employees and applicants from retaliation in the form of an adverse personnel action for disclosing what the employee or applicant believes to be improper, unethical, unlawful, or dangerous activities or business practices within Group Health.

### APPLICABILITY:

This policy applies to all Group Health Cooperative employees.

### RESPONSIBILITIES:

The Compliance Office and Human Resources are responsible for this policy.

### DEFINITIONS:

A retaliatory personnel action means any of the following actions taken as a direct result of an employee's or applicant's reporting of suspected improper or unethical activities or business practices: progressive discipline, decision not to promote, decision not to hire, termination, involuntary demotion, unsatisfactory performance evaluation, involuntary reassignment to a position with demonstrably less responsibility or status, or unfavorable change in the general terms and conditions of employment. The above actions do not constitute retaliatory personnel action under this policy when taken for reasons unrelated to an employee's or applicant's reporting of suspected improper activities.

### OPERATIONAL REQUIREMENTS:

#### Reporting

If an employee suspects improper or unethical activities or business practices he or she should:

1. Report the suspected activity to his or her immediate supervisor. If the employee is not comfortable doing this, he or she should go to the next step.
2. Report the suspected activity to a higher-level manager. If the employee is not comfortable doing this, he or she should go to the next step.
3. Report the suspected activity to another Group Health Cooperative representative such as a Human Resources Consultant or manager or GHC's Chief Compliance Officer. He or she may also call the Group Health Compliance Hotline at 1-800-741-7817.

**Confidentiality**

Group Health will treat all such disclosures as sensitively as possible. The Cooperative will attempt to keep the identity of the individual making the allegation confidential so long as this does not hinder or frustrate any subsequent investigation. However, the investigation process may reveal the source of the information and the individual making the disclosure may need to provide a statement as part of the evidence required.

**Anonymous Allegations**

This policy encourages individuals to put their name to any disclosures they make. Concerns expressed anonymously are less persuasive, but Group Health will consider them as appropriate.

**Complaint of Retaliation**

If an employee reasonably believes that he or she has been retaliated against for disclosing information under this policy, he or she may contact an appropriate manager or supervisor, a Human Resources representative, or GHC's Chief Compliance Officer to lodge a complaint and request a remedy.

Managers or supervisors found to have retaliated against employees or applicants for raising good faith concerns about improper or unethical activities or business practices shall be subject to discipline up to and including termination.

Please see "Group Health Cooperative Code of Conduct: A Guide to Personal Accountability in the Workplace."

**Related Policies, Documents and References:****Documents which refer to this document:**

**Authorized Vice President:** Cindy Johnson, VP, HR (06/30/2009)

**Designated Content Expert:** Burroughs, Sheila

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