

Gift Acceptance and Administration Policy

Walden Family Services

A Foster Family & Adoption Agency

Adopted by the Foundation Board of Directors

May 16, 2013

I. Table of Contents

I.	INTRODUCTION.....	3
	a. Mission.....	3
	b. Purpose of Gift Acceptance and Administration Policy	3
	c. Administrative Responsibility	3
	d. Ethical Standards	3
	i. NCPG and AFP Guidelines	3
	ii. Independent Counsel	3
	iii. Confidentiality and Donor Disclosures	3
	iv. Public Disclosure.....	4
II.	GIFT ACCEPTANCE	4
	a. Types of Gifts	4
	b. Authority.....	4
	c. Gifts Requiring Board Approval.....	4
	d. Deferred and Split-Interest Gifts:.....	6
	e. Restricted Gifts	7
	f. Expense Reimbursement.....	7
III.	GIFT ADMINISTRATION	7
	a. Receipts.....	7
	b. Record Keeping	7
	c. Recognition	8
	d. Valuation Standards and Gift Counting Policies	8
	e. Allocation of Gift Resources	8
	f. Fund Management	9
	i. Endowment and Quasi-Endowment Assets Held by the Charity:	9
	ii. Assets Held at The San Diego Foundation or Other Community Foundation	9
	iii. Cash Reserves and Short-Term Pools.....	9
	g. Special Procedures	9
	i. Appraisals and Donor Reporting Requirements	9
	ii. Donee Reporting Requirements.....	10
	iii. Security Liquidation	10
	iv. Serving as Trustee	10
	v. Accounting and Reporting Standards	10

I. INTRODUCTION

Walden Family Services (hereinafter referred to as the Charity), a nonprofit organization organized under the laws of the State of California encourages the solicitation and acceptance of gifts for purposes that will help to further and fulfill its mission. The following policies and procedures govern solicitation, acceptance, and administration of gifts.

a. Mission

Walden’s mission is to support the lives of children and families through lasting relationships.

b. Purpose of Gift Acceptance and Administration Policy

These policies and procedures govern the solicitation, acceptance, and administration of gifts by the Charity and provide guidance to prospective donors and their advisors when making gifts. The provisions of these policies shall apply to all gifts received by the Charity for any of its programs or services.

c. Administrative Responsibility

The Governing Board of Directors of the Charity empowers the Executive Director/CEO to ensure appropriate compliance with this policy by all staff, consultants, and volunteers.

d. Ethical Standards

i. NCPG and AFP Guidelines

Every employee or person interacting with donors in the gift planning process on behalf of the Charity shall adhere to the “Model Standards of Practice of the Charitable Gift Planner” set forth by the National Committee on Planned Giving provided in Attachment I and the “Donor Bill of Rights” set forth in Attachment II, developed by the American Association of Fundraising Counsel (AAFRC), Association for Health Care Philanthropy (AHP), Council for Advancement and Support of Education (CASE), and Association of Fundraising Professionals (AFP).

ii. Independent Counsel

Donors are advised to secure the advice of independent counsel with regard to the legal, investment, estate, and tax consequences resulting from gifts to the Charity. It is the policy of the Charity that the donor’s attorney may not also represent the Charity on a specific gift. Additionally, donor advisors that serve on a governing or advisory board for the Charity must disclose any conflicts of interest and refrain from voting on gifts in which they serve as counsel to the donor.

iii. Confidentiality and Donor Disclosures

All information concerning donor’s or prospective donors’ gifts, including names of beneficiaries, gift amounts, and other personal information shall be kept confidential unless permission is obtained from the donor to release such information. The role and relationship of all parties involved in the gift planning process shall be fully disclosed to donors, including how and by who each is compensated, if applicable. Donors receiving advice, recommendations, and/or illustrations for deferred and other major gift arrangements from the Charity in contemplation of a gift transaction may be requested to sign the “Donor Disclosure” provided as Attachment III, which acknowledges that

neither the Charity nor any employee or agent is in the business of rendering legal, investment, or tax advice and that the donor has been advised to seek independent counsel on these matters.

iv. Public Disclosure

The Charity will comply with section 6104(d) of the Internal Revenue Section code as amended by the Tax and Trade Relief Extension Act of 1998 that became effective June 8, 1999, with regard to documents that must be made available for public inspection. These documents include application for tax exemption and annual information returns for the past three years including all schedules and attachments filed with the IRS except for parts of the return that identify names and addresses of contributors. These documents will be available for public inspection at the Charity’s principal office during normal business hours. Written requests will be honored within 30 days from the date the request is received.

II. GIFT ACCEPTANCE

a. Types of Gifts

The policy of the Charity shall be to encourage gifts of any type and description that are consistent with its charitable objectives. However, the Charity reserves the right to abstain from accepting any and all gifts that are not consistent with its purpose for any reason. Gifts that will be considered for acceptance include:

Cash	Bargain Sales	Retirement Plan Designations
Tangible Personal Property	Life Insurance	Bequests
Securities	Charitable Gift Annuities	Pooled Income Funds
Real Estate	Charitable Remainder Trusts	Ownership Interests
Remainder Interests in Property	Charitable Lead Trusts	Other Beneficiary Designations
Oil, Gas, and Mineral Rights	Patents/Royalties	Retained Life Estates

b. Authority

The Executive Director/CEO may accept any and all gifts, except for those listed in section “c.” below, requiring Board approval.

c. Gifts Requiring Board Approval

The following gifts require Board approval upon recommendation from the Finance Committee.

i. Tangible Personal Property

Requires Board approval if the gift requires ongoing costs to maintain; entails restrictions on the use, display, or sale; or is not readily marketable.

ii. Closely Held Securities and Interests in LLPs and LLCs or Other Ownership Forms

All gifts of these types shall be submitted to the Board for approval and will consider restrictions that would prevent or hamper liquidation, marketability issues, potential unrelated business income tax consequences, etc.

iii. Real Estate

All gifts of real estate require Board approval and will consider evaluation of the usefulness of the property for the organization's purposes, marketability, physical condition, zoning restrictions, appraised value, appreciation potential, management responsibilities, related expenses, environmental issues, and risk.

Donors contemplating a current gift of real estate must provide the following:

1. Qualified Appraisal
2. Phase I Environmental Audit as part of the "due diligence" to protect against liability exposure under Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). This requirement may be waived for residential properties used exclusively for residential purposes for a period of 30 years with no known indication of environmental contamination.
3. Disclosure of all restrictions, reservations, easements, mechanic liens, and encumbrances.
4. Carrying Costs, including but not limited to, taxes, insurance, maintenance, association dues, membership fees, and other expenses.
5. Phase II Environmental Impact Study and/or an "Agreement to Indemnify" if requested by the Board of Directors.

iv. **Retained Life Estates**

All retained life estates in residential property require Board approval and will consider the donor's life expectancy, age and condition of the property, appreciation potential, and area property information. Donors must enter into a "Life Estate Agreement" with the Charity that fully outlines the responsibilities of both parties.

v. **Bargain Sales**

All bargain sales (real estate, tangible personal property, inventory, artwork, etc.) require Board approval and will consider use of the property, marketability, debt, holding period costs, and other facts having effect on acceptance. Donors will be required to obtain a qualified appraisal prior to consideration for acceptance, and provide items #2-#5 listed in section iii if it is a bargain sale of real property. Generally, the Charity will obtain an independent appraisal substantiating the value of the property and will not enter into bargain sales in which the debt ratio exceeds 50% of the appraised market value.

vi. **Life Insurance**

The Charity must be named as both beneficiary and irrevocable owner of an insurance policy before it can be recorded as an outright gift. The gift value for income tax purposes is the lesser of the policy's value or the donor's basis. If the policy is paid in full, its value is generally equal to its replacement value (cost of identical policy given the donor's age and health). If the policy is not paid up, the policy's value will be based on the interpolated terminal reserve value (ITRV) plus any unearned premium. The insurance company provides the ITRV. Beneficiary designations do not require Board approval.

1. **Paid-up Policies:**

Although paid-up policies may be accepted without Board approval, the Board shall determine if the policy will be held, surrendered for cash value, or exchanged for another policy.

2. **Other than Paid-up Policies:**

Insurance policies that are not paid-up require Board approval. If accepted the donor must provide a statement that the Charity did not select the policy donated and that the Charity has no liability and gives no guarantees as to the financial performance of the policy or underlying insurer. If the donor contributes future premium payments, the Charity will include the entire amount of the additional premium payment as a gift in the year that it is made. If the donor does not elect to continue to make gifts to cover premium payments on the life insurance policy, the Board shall determine whether it will continue to pay the premiums, convert or exchange the policy, or surrender the policy for cash value.

vii. **Oil, Gas, Mineral Interests and Conservation Easements**

Oil, gas, mineral interests and conservation easements require Board approval. Working interests are generally not acceptable. Surface rights must be free of extended liabilities, of substantial value, and generate a reasonable amount of annual income in royalties. Donors are required to provide a qualified appraisal and may be requested to provide environmental impact reports.

viii. **Patents**

All gifts of patents and royalties require Board approval.

d. Deferred and Split-Interest Gifts–Deferred and split-interest gifts not listed above may include the following and do not require board approval:

Bequests	Charitable Remainder Trusts	Pooled Income Funds
Beneficiary Designations	Charitable Lead Trusts	Charitable Gift Annuities

i. **Bequests, Beneficiary Designations, and Charitable Trusts**

The Charity may or may not be informed of its status as a beneficiary or remainder-man with regard to bequests, beneficiary designations, or charitable trusts. If informed, the Charity will provide guidance and appropriate language to the donor and/or donor’s counsel to assist in ensuring that the donor’s intentions are fulfilled. At gift maturity, all acceptance guidelines listed in sections II(b) and II(c) shall apply.

ii. **Pooled Income Funds**

The Charity does not operate a Pooled Income Fund but may refer donors interested in Pooled Income Funds to The San Diego Foundation. Agreements are between the donor and The San Diego Foundation and the Charity assumes no responsibility for fulfillment of agreement terms. Participation requirements are subject to policies of The San Diego Foundation.

iii. **Charitable Gift Annuities**

The Charity is not licensed as a grants and annuities society but may refer donors interested in charitable gift annuities as a planned giving option to The San Diego Foundation. Contracts are between the donor and The San Diego Foundation and the

Charity assumes no responsibility for fulfillment of contract terms. Participation requirements are subject to policies of The San Diego Foundation.

e. Restricted Gifts

Restricted gifts must be consistent with the Charity's mission and purpose. The following guidelines apply:

i. Temporarily Restricted Gifts

Principal and income is available for expenditure on gifts made for a specific purpose or in support of a specific program of the Charity.

ii. Permanently Restricted Gifts (Endowments)

1. Permanently restricted gifts are subject to appropriate investment and spending policies.
2. Gifts of any size are acceptable for addition to existing endowment funds.
3. New endowments require the following minimum contribution:
 - a. As determined by the Board of Directors upon recommendation by the Finance Committee.
 - b. As required by community foundation policy, if established through a community foundation for our benefit.
4. Donors will be requested to sign the Donor Disclosure Waiver allowing alternate use of a permanently restricted gift in such case that it becomes impractical to administer the fund or if the purpose for which the fund was established no longer exists.

iii. Quasi or Board-Established Endowments

The Charity maintains the following unrestricted Board-established funds that are invested and managed like endowments: The Board Designated Endowment Fund. Donors are advised that these are unrestricted funds and that a change of Board policy could result in the expenditure of the corpus.

f. Expense Reimbursement

Donors shall be responsible for all expenses related to making a gift, including but not limited to, attorney and other advisor fees, appraisal fees, and environmental surveys. Exceptions to this policy require Board approval.

III. GIFT ADMINISTRATION

a. Receipts

Gift receipts will be issued for all gifts within 30 days from the date received. Receipts will state the name of the donor, date received, restrictions if applicable, and a description of the gifted property. If the donor received something of value in exchange for the gift (quid pro quo), the receipt will state the value of the item received; otherwise, the receipt shall state: "No goods or services were received in exchange for this gift." Gifts of tangible personal property (including securities) shall not include a valuation of the asset, which is the responsibility of the donor.

b. Record Keeping

Gift records reflecting the name of the donor and details of the gift will be maintained in an electronic database and a hard copy of all gift receipts filed for reference. The Director of Fund Development and/or others as they may designate are responsible for maintaining gift records.

c. Recognition

It is the Charity's intent to communicate appreciation of gifts whenever it is acceptable to the donor and appropriate. Recognition of gifts will be guided by the Charity's current Recognition Program Policies.

d. Valuation Standards and Gift Counting Policies

The following valuation standards and gift counting policies govern gifts to the Charity:

- Publicly traded securities: Average of the high and low value (or bid and ask) on the date received into the Charity's brokerage account.
- Closely-held stock: If \$10,000 or less, the value of the per-share purchase price of the most recent transaction will be used; If over \$10,000-the certified appraisal value will be used.
- Life insurance: Policies are valued at interpolated terminal reserve value, or cash surrender value, upon receipt. Death benefits are credited to the donor's record less any previously reported cash surrender values.
- Pledges: Pledge payments are reported as gifts on the date received.
- Real property: Certified appraisal value.
- Tangible personal property (other than securities): Values of \$5,000 or less will result in a soft credit to donor's record using an estimate of value provided by the donor or other expertise; values of over \$5,000 will use the certified appraisal value.
- Vehicles, boats, airplanes: Gift credit will be equal to sale proceeds received by the Charity if vehicle is valued at over \$500, unless an approved IRS exception applies. The Charity will issue a 1098-C, required by the IRS, to all vehicle donors following the end of the year in which the gift was made.
- Deferred Gifts: No credit to the donor's record will be made unless the interest of the Charity is irrevocable. If the Charity's interest is irrevocable, the gift will be credited at the net-present value, based on life expectancy tables and discount values chosen by the Charity's Controller.

e. Allocation of Gift Resources

The following policies will govern the allocation of gift resources:

i. Endowment Policy

It is the intent of the Charity to maintain policies that support the growth of endowment funds for the long-term financial stability of the organization by allocating a portion of unrestricted gift resources toward this objective. The following policies govern the allocation of resources to endowment:

75% of all unrestricted realized deferred gifts (i.e., bequests, charitable trust distributions, gift annuities, etc.) will be allocated to endowment and 25% to the Charity's operating fund.

1. A minimum of 5% of capital campaign proceeds shall be earmarked for endowment and incorporated into campaign goals.

2. A minimum of 10% of fundraising revenues in excess of the approved budget will be allocated to endowment.

ii. Cash Reserves Policy

It is the policy of the Charity to keep 6 months of operating capital on hand at all times in cash reserves. The Controller, upon approval by the Finance Committee is responsible for ensuring that adequate cash reserves are maintained.

iii. Operating Overhead

It is the policy of the Charity to assess overhead costs against all restricted gift funds to support operating expenses. The appropriate percentage is determined annually by the Controller and assessed at the time of the gift or as may be consistent with the Charity's accounting procedures. Exceptions to this policy must be approved by the Executive Director/CEO

f. Fund Management

i. Endowment and Quasi-Endowment Assets Held by the Charity:

Written investment and spending policies shall be maintained for endowment and quasi-endowment assets and reviewed at least annually. In order to ensure appropriate fiduciary conduct, these policies will be in conformance with the standards of the Uniform Management of Institutional Funds Act and the Uniform Prudent Investor Act, and the process of managing these assets will include:

- a. Documentation of the process used to derive investment decisions.
- b. Diversification of portfolio assets with regard to specific risk/return objectives of the beneficiaries.
- c. The use of professional money managers and consultants (prudent experts) to assist with the investment decision process.
- d. Control and accounting for all investment expenses.
- e. Monitoring of all money manager and service provider activities.
- f. Avoidance of conflicts of interest.

ii. Assets Held at The San Diego Foundation or Other Community Foundation

The San Diego Foundation (or other community foundation) is responsible for maintaining investment and spending policies with regard to funds it is holding for the Charity's benefit.

iii. Cash Reserves and Short-Term Pools

The Controller, upon approval of the Finance Committee shall be responsible for decisions with regard to the investment of cash reserves and short-term assets.

g. Special Procedures

i. Appraisals and Donor Reporting Requirements

Donors are required to file Form 8283 for gifts of tangible personal property if the aggregate reported value of the property exceeds \$5,000 (or in the case of non-publicly traded stock - \$10,000) and obtain qualified appraisals as may be required. The Executive

Director/CEO will be responsible for signing on behalf of the Charity on Form 8283 when presented for signature by the donor.

ii. Donee Reporting Requirements

The Controller will be responsible for filing IRS Form 8282 within 125 days from the date of sale of any asset sold within three years of receipt by the Charity when the charitable deduction value of the item is more than \$5,000.

iii. Security Liquidation

It is the policy of the Charity as a fiduciary to liquidate publicly traded securities as soon as possible after receipt to avoid unnecessary market fluctuation. Realized gains or losses on security sales shall be reported as such and do not have an effect on the amount credited to the donor's gift record.

iv. Serving as Trustee

To avoid potential conflicts of interest, the Charity will not generally serve in a trustee capacity on trusts established by donors, in which the Charity has a beneficial or remainder interest. Staff of the Charity is prohibited from serving in any fiduciary capacity for donors, other than for members of their immediate family.

v. Accounting and Reporting Standards

The Board of Directors of the Charity is responsible for setting the standards for financial accounting. These standards are derived from the Financial Accounting Standards Board (FASB), the American Institute of Certified Public Accountants (AICPA), and the U.S. Federal Office of Management and Budget (OMB).

THIS POLICY WAS APPROVED BY WALDEN'S FOUNDATION BOARD OF DIRECTORS ON
May 16, 2013

Secretary, Board of Directors

ATTACHMENT I
Model Standards of Practice of the Charitable Gift Planner

Preamble

The purpose of this statement is to encourage responsible charitable gift planning by urging the adoption of the following Standards of Practice by all who work in the charitable gift planning process, including charitable institutions and their gift planning officers, independent fundraising consultants, attorneys, accountants, financial planners and life insurance agents, collectively referred to hereafter as "Gift Planners."

This statement recognizes that the solicitation, planning, and administration of a charitable gift is a complex process involving philanthropic, personal, financial, and tax considerations, and often involves professionals from

various disciplines whose goals should include working together to structure a gift that achieves a fair and proper balance between the interests of the donor and the purposes of the charitable institution.

I. Primacy of Philanthropic Motivation

The principal basis for making a charitable gift should be a desire on the part of the donor to support the work of charitable institutions.

II. Explanation of Tax Implications

Congress has provided tax incentives for charitable giving, and the emphasis in this statement on philanthropic motivation in no way minimizes the necessity and appropriateness of a full and accurate explanation by the Gift Planner of those incentives and their implications.

III. Full Disclosure

It is essential to the gift planning process that the role and relationships of all parties involved, including how and by whom each is compensated, are fully disclosed to the donor. A Gift Planner shall not act or purport to act as a representative of any charity without the express knowledge and approval of the charity, and shall not, while employed by the charity, act or purport to act as a representative of the donor, without the express consent of both the charity and the donor.

IV. Compensation

Compensation paid to Gift Planners shall be reasonable and proportionate to the services provided. Payments of finder's fees, commissions, or other fees by a donee organization or an independent Gift Planner as a condition for the delivery of a gift are never appropriate. Such payments lead to abusive practices and may violate certain state and federal regulations. Likewise, commission-based compensation for Gift Planners who are employed by a charitable institution is never appropriate.

V. Competence and Professionalism

The Gift Planner should strive to achieve and maintain a high degree of competence in his or her chosen area, and shall advise donors only in areas in which he or she is professionally qualified. It is a hallmark of professionalism for Gift Planners that they realize when they have reached the limits of their knowledge and expertise, and as a result, should include other professionals in the process. Such relationships should be characterized by courtesy, tact and mutual respect.

VI. Consultation with Independent Advisers

A Gift Planner acting on behalf of a charity shall in all cases strongly encourage the donor to discuss the proposed gift with competent independent legal and tax advisers of the donor's choice.

VII. Consultation with Charities

Although Gift Planners frequently and properly counsel donors concerning specific charitable gifts without the prior knowledge or approval of the donee organization, the Gift Planners, in order to ensure that the gift will accomplish the donor's objectives, should encourage the donor early in the gift planning process to discuss the proposed gift with the charity to whom the gift is to be made. In cases where the donor desires anonymity, the Gift Planners shall endeavor, on behalf of the undisclosed donor, to obtain the charity's input in the gift planning process.

VIII. Explanation of the Gift

The Gift Planner shall make every effort, insofar as possible, to ensure that the donor receives a full and accurate explanation of all aspects of the proposed charitable gift.

IX. Full Compliance

A Gift Planner shall fully comply with and shall encourage other parties in the gift planning process to fully comply with both the letter and spirit of all applicable federal and state laws and regulations.

X. Public Trust

Gift Planners shall, in all dealings with donors, institutions, and other professionals, act with fairness, honesty, integrity, and openness. Except for compensation received for services, the terms of which have been disclosed to the donor, they shall have no vested interest that could result in personal gain.

Developed by the National Committee on Planned Giving

ATTACHMENT II
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 assure that philanthropy merits the respect and trust of the general public, and that donors and prospective donors can have full confidence in the not-for-profit organizations and causes they are asked to support, we declare that all donors have these rights:

1. 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 intended purposes.
2. 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.
3. To have access to the organization's most recent financial statements.
4. To be assured that their gifts will be used for the purposes for which they were given.
5. To receive appropriate acknowledgment and recognition.
6. To be assured that information about their donations is handled with respect and with confidentiality to the extent provided by law.
7. To expect that all relationships with individuals representing organizations of interest to the donor will be professional in nature.
8. To be informed whether those seeking donations are volunteers, employees of the organization, or hired solicitors.
9. To have the opportunity for their names to be deleted from mailing lists that an organization may intend to share.
10. To feel free to ask questions when making a donation and to receive prompt, truthful, and forthright answers.

Developed by the American Association of Fundraising Counsel (AAFRC), Association for Health Care Philanthropy (AHP), Council for Advancement and Support of Education (CASE), and Association of Financial Professionals (AFP).

ATTACHMENT III
Donor Disclosure and Waiver

Privacy Notice

All information you supply to us is considered confidential and will not be disseminated to others except as required by law.

Consent to Use Personal Information

We are grateful for the support we have received from you and other donors. One of the ways our appreciation is expressed may be through the listing of your name in publications. Should you wish that your name not appear as a donor, please let us know.

Independent Counsel

Our policy requires that we advise you to consult with your own independent counsel to review any gift transaction prior to completion. The undersigned acknowledges that neither the Charity nor its representatives render legal, investment, or tax advice.

Fiduciary Responsibility

Walden Family Services is a California nonprofit, public-benefit corporation with the responsibility for governance vested in its Board of Directors.

Recovery of Operating Costs from Private Gifts

It is the general policy of the Charity to set-aside a percentage of restricted gifts into the Operations Fund to support overhead expenses of the Charity. Currently that percentage is ten percent.

I have read and understand the above disclosures.

Donor Name (Print)

Signature of Donor

Date

Signature of Charity Representative

Date

WAIVER

Should the purpose designated for my gift no longer exist or become impractical in the opinion of the Charity's Board of Directors, I direct that the Board elect an alternate use for the gift and make every effort to apply the proceeds of my gift to a related purpose or purposes, which in the Directors' opinion will most nearly accomplish my wishes while meeting the needs of the Charity.

Signature of Donor

Date

**ATTACHMENT IV
SAMPLE LANGUAGE FOR CHARITABLE BEQUESTS**

GIFT OF A PERCENTAGE OF THE ESTATE

“I give, devise, and bequeath to Walden Family Services a public benefit corporation, with offices currently at 6150 Mission Gorge Rd. Ste. 210 San Diego, CA 92120, _____% of the residue of my estate for its unrestricted use **(OR INSERT SPECIFIC PURPOSE)** in carrying out its benevolent purposes.

GIFT OF A SPECIFIC DOLLAR AMOUNT

“I give, devise, and bequeath to Walden Family Services, a public benefit corporation, with offices currently at 6150 Mission Gorge Rd. Ste. 210 San Diego, CA 92120 the cash sum of \$_____ for its unrestricted use **(OR INSERT SPECIFIC PURPOSE)** in carrying out its benevolent purposes.

GIFT OF SPECIFIC PROPERTY

“I give and devise to Walden Family Services, a public benefit corporation, with offices currently at 6150 Mission Gorge Rd. Ste. 210 San Diego, CA 92120 the following real property (here describe the premises with exactness and particularity) with power to lease, mortgage, or sell the same at its discretion, for its unrestricted use **(OR INSERT SPECIFIC PURPOSE)** in carrying out its benevolent purposes.

GIFT OF THE RESIDUE OF AN ESTATE

“I give the residue of my estate, including all failed and lapsed gifts, to Walden Family Services, a public benefit corporation, with offices currently at 6150 Mission Gorge Rd. Ste. 210 San Diego, CA 92120 for its unrestricted use **(OR INSERT SPECIFIC PURPOSES)** in carrying out its benevolent purposes.

For further information or assistance, contact:
Walden Family Services
6150 Mission Gorge Rd. Ste. 210
San Diego, CA 92124
(619) 584-5777

**Walden Family Services
A Foster Care and Adoption Agency
Endowment Fund Investment Policies
Adopted by the Foundation Board of Directors
May 16, 2013**

Preamble

The Walden Legacy Endowment Fund (the Endowment Fund) is created by resolution of the Board of Directors (the Board) of Walden Family Services (the Organization). Contributions directed to the Endowment Fund shall comprise an unrestricted fund of the Organization. The aggregate of contributions to the Endowment Fund shall be referred to in this document as the “original contributions”. The Board shall be responsible for holding and managing the original contributions according to the Investment Policies (the Policies) set out in this document. The Board shall also be responsible for distributing any income and gain produced by the Endowment Fund in accordance with the Policies, with the purpose of benefitting the Organization and furthering the Organization’s mission and purposes. The board will also accept endowment contributions with restrictions on earnings as stated in the Gift Acceptance Policy.

Delegation

The Board delegates supervisory authority over the Endowment Fund to the Finance Committee of the Board. The Finance Committee is responsible for regularly reporting on the Endowment Fund’s investments to the Board. In carrying out its responsibilities, the Finance Committee and its agents will act in accordance with the Policies and all applicable laws and regulations. The Board reserves to itself the exclusive right to revise the Policies.

The Board and its Finance Committee are authorized to retain one or more Investment Managers (the Manager) to assume the management of funds and assets comprising the Endowment Fund. In discharging this authority, the Finance Committee can act in the place and stead of the Board and may receive reports from, pay compensation to, and enter into and terminate agreements with the Manager. The Board and its Finance Committee shall designate an employee of the Organization as liaison to the Manager.

Investment Objective

The primary investment objective of the Endowment Fund is to produce a rate of total return which will permit maximum support for the General Operating Fund of the Organization to the extent that is consistent with the following: prudent management of investments, preservation of principal, potential for long-term asset growth, and socially responsible investment practices.

Investment Guidelines

Permissible Investments

Endowment Fund assets may be invested in publicly-traded common and preferred stocks, convertible bonds and preferred stocks, bank common funds, mutual funds and fixed income securities (including corporate bonds and money market instruments), whether interest-bearing or discount instruments, subject to any restrictions hereinafter specified. No other securities are permissible investments without the specific approval of the Board.

Investments and Transactions That Are Not Permitted

Equity Investments – The following are **not** permissible investments: common stock in non-public corporations, letter or restricted stock, derivative instruments, initial public offerings, buying or selling on margin.

Fixed-Income Investments – The following are **not** permissible investments: tax-exempt bonds; bonds, notes or other indebtedness for which there is no public market (private placements); direct placement of mortgages on real property.

Options and Futures – Transactions are not permitted in futures contracts nor in options contracts of any kind.

Socially Responsible Investing

In keeping with the mission and goals of the Organization, the assets of the Endowment Fund shall be invested in a socially responsible manner. The portion of Endowment Fund assets invested in publicly-traded common and preferred stocks, convertible bonds and preferred stocks, and corporate bonds shall be invested in companies listed in at least one of the Domini Social Index 400, the Calvert Social Index, the Citizens Index 300 or among the holdings of a mutual fund generally recognized as screening for socially responsible investments including, but not limited to, those offered by Calvert Group, Domini Social Investments, Citizens Funds, Green Century Funds, New Alternatives Fund, Parnassus Fund, and Pax World Fund Family. Any portion of the Endowment Fund assets invested in mutual funds shall be invested in mutual funds which are generally recognized for socially responsible investing including, but not limited to, those listed above.

Asset Mix

The investment objective of the Endowment Fund implies a balanced approach. The Investment Manager is authorized to utilize portfolios of equity securities (common stocks, preferred stocks, and convertible securities), fixed-income securities (debt instruments), and short-term investments (cash equivalents), or mutual funds comprised of these security types, according to the following asset allocation guidelines. These asset allocation guidelines may be modified from time to time by the Finance Committee.

	<u>Long-Term Target</u>	<u>Allowable Range</u>
EQUITY	60%	30% to 70%
FIXED INCOME	40%	30% to 70%
SHORT-TERM	0%	0% to 20%

Start Up Thresholds

The Manager may deviate from the above guidelines concerning Asset Mix until such time as the total market value of the Endowment Fund reaches a point where this level of asset mix is reasonable.

Asset Diversification and Quality

The asset quality standards outlined below apply at the time of initial purchase. The Manager and Finance Committee shall review the status of any holding whose quality drops below these standards and determine at that time whether the security should be retained.

Equity Securities – No more than 10% of the market value of any equity portfolio may be invested in the securities of any one issuer. The Manager shall also maintain reasonable sector allocations such that no more than 20% of any equity portfolio may be invested in the securities of any one market sector. A level of diversification by market capitalization appropriate to prevailing market conditions is also required. In developing the equity portfolio, the Manager may use mutual funds, pooled funds, convertible preferred stocks and bonds as equity investments.

Fixed-income securities – The fixed-income securities of a single issue or issuer are limited to no more than 20% of the market value of the fixed-income portfolio. These diversification requirements shall not apply to U.S. Treasury obligations, which may be held in unlimited amounts within the fixed-income portfolio. The quality rating of bonds and notes must be A or better, as rated by Standard & Poor's or Moody's. The

portfolio may consist of only traditional principal and interest obligations (no derivatives) with maturities of no greater than 10 years. Average maturity of the portfolio should not exceed 7 years.

Short-term investments – The quality rating of commercial paper must be at least A-1 as rated by Standard & Poor's, or P-1 as rated by Moody's. Any money market funds utilized must comply with the quality provisions for fixed-income securities or short-term investments.

Foreign Securities – The total value of investments in securities whose issuers are foreign corporations and investments in mutual funds comprised primarily of foreign securities shall be limited to 10% of the assets of the Endowment Fund.

Distribution of Unrestricted Income and Gain

The income and/or gain earned by the Endowment Fund is considered unrestricted revenue and may be distributed to the Organization as general support revenue for its programs. On at least an annual basis the Finance Committee of the Board shall recommend to the Board an amount to be transferred from the unrestricted income and/or gain of the Endowment Fund to the General Operating Fund of the Organization. At no time shall the permanently-restricted original contributions to the Endowment Fund be invaded. As a matter of prudence, no distribution of income and/or gain shall decrease the total market value of the Endowment Fund below 110% of the permanently-restricted original contributions balance. At the same time, an amount no greater than 10% of the total market value of the Endowment Fund may be distributed in a given calendar year.

Review Procedures

Review and Modification of the Investment Policies

The Finance Committee of the Board shall review these Investment Policies at least once a year to determine if modifications are necessary or desirable. Any proposed modifications must be approved by the Board and if adopted must be communicated promptly to the Investment Manager and other interested persons.

Meetings with the Investment Manager

The Investment Manager is expected to consult with the Finance Committee of the Board at least annually to review the Endowment Fund portfolio and investment results in the context of these Investment Policies. If cost or schedule prohibits a meeting, a telephone conference is an acceptable substitute for an in-person meeting.

Reporting Requirements

The Investment Manager is expected to provide the Finance Committee of the Board with the following reports.

Monthly – A written statement of all pertinent transaction details for each separately managed portfolio for the preceding month, including 1) the name and quantity of each security purchased or sold, with price and transaction date; 2) an analysis for each security of its description, percentage of total portfolio, purchase date, quantity, average cost basis, current market value, unrealized gain or loss, and indicated income and yield (%) at market; and 3) an analysis for the entire portfolio of the current asset allocation by investment category (equity, fixed-income, short-term investments).

Semi-Annually – A semi-annual summary of all transactions to date in the fiscal year, together with a report of investment performance for the portfolio to date.

Performance Measurement

The Finance Committee of the Board shall review at least annually the performance of the Endowment Fund portfolio relative to the objectives and guidelines described in the Investment Policies. The Finance Committee shall present its review to the Board at least annually as well.

Performance Benchmarks

The Investment Manager is expected to achieve total returns competitive with performance benchmarks appropriate to each asset class, as measured over a fair market cycle of three to five years. The specific indices used as benchmarks must be agreed upon by the Finance Committee and the Investment Manager. In the equity asset class, indices specific to the socially-responsible investment field should be considered.

THIS POLICY WAS APPROVED BY THE WALDEN'S FOUNDATION BOARD OF DIRECTORS ON

May 16, 2013

Secretary, Board of Directors