



## 5B. Underutilized Funds Procedure

**Proposed Action: The Board discusses and approves the following policy to be implemented immediately.**

### 1. Purpose.

Underutilized donor funds pose an organizational risk by exposing operational inefficiencies, violating donor agreements, and eroding donor trust. Respecting donor intent is not just a matter of good practice; it allows donors to feel confident in their support of LPS, builds trust between donors and the Foundation, and ultimately maximizes the positive impact of their giving.

This procedure document outlines the processes that exist for the identification of ongoing resolution of underutilized Foundation for Lincoln Public Schools (FLPS) donor funds. The following procedures will support the Foundation's efforts to steward donor funds while addressing the financial needs of LPS partners.

### 2. Definitions.

The Foundation for Lincoln Public Schools defines underutilized funds as those that have reached either of the following statuses:

- a. A pass-through fund that has had no expenses or transfers, and a balance during the previous 24-month period, or
- b. A permanently or temporarily restricted fund that has a spendable balance that is 2x or greater than the estimated annual income for the fund.

The following funds are not considered underutilized:

- a. Operating,
- b. Funds Pending Designation, and
- c. Planned Gift.

A fund is considered utilized if it has adequate expenditures to remove it from underutilized status.

### 3. Procedures.

The following procedures will be used to notify LPS of underutilized fund status:

- a. Underutilized Fund Procedures are included in Fund Administrator Handbook
- b. Indication of a fund's underutilized status is on quarterly reports to fund administrators.
- c. Quarterly report follow-up underutilized fund email notification sent to fund administrators, providing guidance and support in addressing underutilized funds.
- d. Mid-year and year-end notifications of underutilized funds, to include

unawarded scholarship funds, sorted by last expense date and spendable balance, shared with FLPS leadership.

The following procedures will be used to facilitate fund utilization:

- a. Implementation of a Nominal Funds policy.
    - i. Pass-Through Funds with a balance of One Hundred Dollars (\$100) or less that have had no activity (gifts, expenses, or transfers) for the preceding two years or more and no additional gifts to the Fund are expected, are reviewed and a determination is made as to whether or not to recommend to the fund administrator(s) transferring the balance to a like fund and closing the nominal fund is appropriate.
    - ii. Permanently or Temporarily Restricted Funds with an Invested Value of less than One Thousand Dollars (\$1,000) with no additional gifts to the Fund expected, are reviewed to determine if the funds can be unrestricted, reallocated, or have the spendable balance reduced.
  - b. Reviewing funds that do not have a fund administrator assigned to them to ensure the correct LPS partners have access to funds within their areas.
  - c. Reviewing funds that do not have fund agreements and encourage foundation staff to re-engage donors to complete fund agreements.
4. Board notification and approval of changes in funds due to underutilization

The following procedures will be used to notify the Board of underutilized fund status:

- a. Staff will notify the Board of changes to funds identified as underutilized prior to changes being implemented..
  - b. Staff, the Development Committee, or Executive Committee may bring changes to funds identified as underutilized to the Board for approval prior to changes being implemented.
5. Review of Procedure.

This policy will be reviewed by the Board of Directors every three years at a minimum, or sooner if warranted by internal or external events or changes.

Reference:

- Nominal Funds Policy

