



5A. Nominal Funds Policy

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

1. Purpose.

The purpose of this policy is to provide guidance regarding how to administer Funds effectively when a Fund's balance is too small (a "Nominal Fund" as defined below), with no additional gifts to the Fund expected, and cannot be effectively used as intended per the Fund Agreement (defined below).

2. Definitions.

- a. *Fund*. A fiscal and accounting entity segregated for the purposes of carrying on specific activities in accordance with specific legal or purpose restrictions.
- b. *Fund Agreement*. The document stating the purpose of the Fund. This may be an executed agreement between the donor and FLPS, an excerpt from the donor's will, trust or other estate planning document, other documentation signed by a donor (such as a letter), or an internal memo or other FLPS document describing the purpose.
- c. *Nominal Pass Through Funds*. 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.
- d. *Nominal Restricted Funds*. Permanently or Temporarily Restricted Funds with an Invested Value of less than One Thousand Dollars (\$1,000), no additional gifts to the Fund are expected, and the Fund is either (i) defined by FLPS as underutilized or (ii) there have been no expenses paid from the Fund for two years or more. (As of the date of this Policy, an Underutilized Restricted Fund is defined as a permanently restricted or temporarily restricted Fund with a spendable balance that is more than two times the estimated annual income.)
- e. *Nominal Funds*. Collective term referring to funds satisfying the Nominal Pass Through Funds and Nominal Restricted Funds definitions.

3. Review of Nominal Funds.

The Foundation for Lincoln Public Schools will determine what action, if any, can be taken to address Nominal Funds so they can be utilized by Lincoln Public Schools (LPS) based on the following:

- a. Nominal Pass-Through Funds will be matched with a like Fund with a substantially similar purpose for the Nominal Pass-Through Fund balance to be transferred to and expended.
- b. Nominal Restricted Funds will be evaluated on a case-by-case basis to determine what action, if any, may be taken to address the low balance investment. Except in circumstances requiring Board approval to use a restricted Fund for an alternative

purpose, approval by the Foundation's Board of Directors will not be required for actions taken to address Nominal Restricted Funds.

Under no circumstances will any changes to identified nominal funds be contrary to the Nebraska Uniform Prudent Management of Institutional Funds Act, Neb. Rev. Stat. §§ 58-610, et seq., or other state or federal law.

4. **Exceptions.** In some circumstances it may not be possible to address a Nominal Fund in a way that is consistent with Donor intent and complies with the Nebraska Uniform Prudent Management of Institutional Funds Act, as well as other state and federal laws. In such circumstances, the Foundation will work with LPS to facilitate expenditure of these Funds under the terms of the fund agreement, if possible. Additionally, the Foundation will regularly review these Funds to determine whether additional opportunities become available to address the Fund at a later date. If no fund with a substantially similar purpose is available, the nominal fund may remain active or will be recommended to the Foundation's Board of Directors for amendment via Board resolution, if permitted by the fund agreement. Due to the expense involved, seeking judicial reformation of the purpose to expend a Nominal Fund will generally not be prudent.
5. **Reactivation of Nominal Funds.** Funds that have been inactivated will not be activated to receive a new gift unless the amount of the gift totals One Hundred Dollars (\$100.00) or more. In instances where a gift is made to an inactive fund, the gift will be placed in a fund with a substantially similar purpose upon direction by the Foundation's President. In all circumstances, it may be appropriate to contact the donor, if living, to request additional guidance as to what alternative fund should be used.
6. **Review of Policy.** 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.