



ENDOWMENT SPENDING POLICY

The Foundation will seek to balance several objectives and subjective factors when determining its annual guidelines for calculating fund payout amounts that are appropriate, responsible and prudent given the circumstances at hand, so as to maintain consistency with the Foundation’s Mission and Vision for optimum Philanthropy, as follows:

The Foundation’s basic *endowment spending policy* shall be to annually distribute up to the maximum allowable percentage as stated in the original Fund agreement (typically 5% plus administrative fees) from each endowed Fund. To determine the distributable amount, the specified percentage will be applied to the Fund’s average value calculated over the prior twelve quarters beginning with the most recent June 30th quarter end (or fewer quarters where a Fund has not been in existence for a full twelve quarters).

Unless there is specific wording in the original fund agreement clearly stating that the distribution formula called for in the fund agreement shall apply irrespective of the Historic Gift Value of the fund (i.e. the cumulative total of all gifts), then the payout from an endowment fund may be limited per the following criteria if a Fund’s average value falls below the average Historic Gift Value for the same 12-quarter period:

- Reducing the distributable percentage from some or all Funds to something less than the permitted maximum(s) per the table below;
- Distributing amount(s) not to exceed the Fund(s) earnings from the prior four quarters;
- A temporary cessation of distributions from some or all Funds to protect the Historic Gift Value or principal of the Fund(s)

Average Fund Value as a Percent of HGV	Spending Rate
90 – 99%	75% of normal spending rate
80 – 89%	50% of normal spending rate
70 – 79%	25% of normal spending rate
< 70%	Suspend distributions

Although UPMIFA no longer requires that permanent endowments (absent donor advice) be maintained at historic gift value, it is generally accepted that UPMIFA contemplates that “endowed funds will be interpreted to be of permanent duration, and that investments and spending practices should be structured in such a way as to preserve their purchasing power over time”. With this understanding, the Foundation will use its best efforts to follow the standard of prudence set forth in UPMIFA and supported by the following considerations:

- a. The duration and preservation of the fund
- b. The purpose of the institution and the fund
- c. General economic conditions
- d. The possible effect of inflation and deflation
- e. The expected total return from income and appreciation
- f. Other resources of the institution, and
- g. The investment policy of the institution

This Endowment Spending Policy shall be reviewed annually. Changes made to the Endowment Spending Policy shall apply to all endowment funds, except those funds with a specific formula or method of distribution which shall continue to use the designated formula or method. Any change to the Endowment Spending Policy that would result in a payout greater than the amount set forth in Probate Code section 18504(d) shall require approval of not less than two-thirds (2/3) of the Board of Directors.