



Endowment Spending Policy

1. No spending from underwater accounts.
 - a. In order to be awardable, the December 31 market value of a permanently restricted endowment must be equal to or greater than the endowment's historic gift value plus the current fiscal year's spending rate (total of distribution and administrative fees), otherwise it will be classified as underwater.
 - b. Unless formally agreed to by the donor, in writing, and the historical gift value is permanently reduced by the amount spent below the initial gift value.
 - c. The Foundation will proactively inform departments when they are in a negative balance and are unable to award scholarships.
 - d. A watermark will be established for unrestricted endowments in an effort to secure these funds in perpetuity. The watermark will be calculated as 80% of the December 31, 2013 market value. An unrestricted endowment will not distribute funds if the current fiscal year's spending rate (total distribution and administrative fees) causes the fund balance to drop below the watermark.
2. Fees are not charged if an account is underwater.
3. 5.5% max between fees and spending policy by FY17. The current annual distribution rate is 4% per year. The endowment administrative fees will be as follows:
 - a. 3.0% for Fiscal Year 2014
 - b. 2.5% for Fiscal Year 2015
 - c. 2.0% for Fiscal Year 2016
 - d. 1.5% for Fiscal Year 2017
4. Annual spending rate for the fiscal year to start the following July will be determined and approved by Foundation's Executive Committee at the October board meeting. The value of the overall endowment, upon which the total spending pool is based, shall be calculated by using the average of the preceding twelve quarters. Occasionally, major spikes or losses occur in our investable assets. When such an event occurs a more conservative spending should be used.
5. Under normal circumstances, funds will not be allowed to accumulate in an endowment's spending account.
 - a. No more than the current year's distributed dollars will be allowed to reside in the spending account as determined at July 1st.
 - b. This rule may be waived pending notification from the account signatory and as approved by Foundation leadership to allow the spending account to exceed one year's distribution for specific projects.
6. All spending accounts with deficit balances will be recorded effective June 30, 2013. These deficit balances will not prevent future distributions to be used by the University for scholarships and programs. The Foundation, in consultation with the signatory dean or vice president, will use a percentage of the annual distribution to offset the deficit or transfer available funds to the deficit spending account until the deficit balance is eliminated in each spending account by June 30, 2017.