

**FLORIDA A&M UNIVERSITY FOUNDATION, INC.**  
**POLICY ON EXPENDITURES FROM ENDOWED FUNDS**  
**(Spending Policy)**

**Adopted: April 25, 2016**

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## **I. Purpose of Policy**

This is the *Policy on Expenditures from Endowed Funds* of the Florida A&M University Foundation, Inc. The purpose of this policy is to establish the procedure by which the Foundation will decide to annually allocate for expenditure amounts from endowed funds for the purposes for which the funds were established and for administrative costs related to investment and administration of the endowed funds.

## **II. Policy**

The Foundation is committed to administering and investing endowed funds in compliance with all relevant Foundation by-laws, organizational concerns, industry standards, and federal and state laws and regulations, including without limitation the Florida Uniform Prudent Management of Institutional Funds Act (UPMIFA). No policy will supersede any provision of federal or state law or regulation.

The Foundation shall periodically review the application to endowed funds of its spending allocation and administrative fee described below, and shall make a determination that such application is prudent. In making a determination to expend such amounts from endowed funds, the Foundation shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances and shall consider the following factors:

- a) The duration and preservation of endowed funds;
- b) The purposes of the Foundation and endowed funds;
- c) General economic conditions;
- d) The possible effect of inflation or deflation;
- e) The expected total return from income and the appreciation of investments;
- f) Other resources of the Foundation; and
- g) The investment policy of the Foundation.

The Foundation has a duty under UPMIFA to maintain the long term purchasing power of each endowed fund and, in accordance with that duty, will record the historic dollar value of each endowed fund as a benchmark by which to measure each fund's performance relative to preservation of long term purchasing power. The Foundation shall also institute such procedures as are reasonably calculated to identify any individual endowed fund, the long-term purchasing power of which has the potential to be significantly impaired by continued application of this policy, and present a strategy for remedying such impairment to the Finance Committee of the Board of Directors of the Foundation.

The Foundation may decide to spend from endowed funds, even to the extent of expending a portion of the fund which constitutes historic dollar value, in accordance its

expenditure policies; provided, such spending is part of a purposeful, prudent and documented strategy to maintain the long-term purchasing power of such funds.

The Foundation will in good faith make information available to donors and potential donors concerning its expenditure policies.

**III. Calculation Method**

Transfers from endowed funds for the spending allocation and the administrative fee shall be calculated as described below. Such transfers may be made regardless of whether an endowed fund has sufficient current period and/or accumulated net investment returns to support such allocation, unless a determination has been made pursuant to Section II above to limit or withhold such payments with respect to a particular fund.

**a) Spending Allocation**

The amount allocated for spending will equal 3.0% of the rolling prior 12-quarter average market value of the pooled investment portfolio. The average market value calculation will commence with December 31<sup>st</sup> of the year immediately prior to the fiscal year in which spending will occur. To assist budget planning, endowed fund beneficiaries will be informed of their spending allocation for the upcoming fiscal year by the end of March directly preceding the fiscal year in which spending will occur. The spending allocation will be recorded in the endowed fund spending account in full at the start of each fiscal year.

**b) Administrative Fee**

The amount of funds allocated for expenditure for Foundation administrative expenses will equal one and one-half percent (1.5%) of average market value calculated as described in III. (a) above. The full endowment administrative fee will be recorded in the Foundation’s operating fund in full at the start of each fiscal year.

<b>Description</b>	<b>Rate</b>
Spending Allocation	3.0%
Administrative Fee	1.5%
<b>Total</b>	<b>4.5%</b>

**IV. Exceptions**

The spending allocation and administrative fee will not be calculated as set forth above for endowed funds established pursuant to a gift instrument that specifies a different spending method or does not permit the assessment of such fees.

All other exceptions to this policy must be approved by the Finance Committee of the Board of Directors upon the recommendation of the Foundation Executive Director where

there is substantial potential for developing a long-term funding relationship with the donor and the gift's designated use is compatible with the Foundation's priorities.

## **V. Applicability**

This Policy applies to all endowed funds administered, held, and invested at or by the Foundation.

## **VI. Enforcement and Interpretation**

It is the responsibility of all employees to uphold this policy. Any violation of this policy may result in disciplinary action up to, and including, termination of employment. Questions regarding interpretation of this policy should be directed to the Foundation's Executive Director or Managing Director/CFO.

## **VII. Effective Date**

This policy is effective for expenditures from endowed funds commencing with the fiscal year beginning July 1, 2016 and replaces and supersedes any preceding policy concerning this subject matter. This policy and its application shall be monitored by the Finance and Investment Committees of the Foundation Board of Directors, which shall make to the Board of Directors any necessary recommendations with respect to amendments to this policy.

## **VIII. Approval Date**

This policy was approved by the FAMU Foundation, Inc. on April 25, 2014.

## **IV. Amendments**

Amended on November 19, 2016.

Amended on August 28, 2014.