University of Colorado
Foundation

Endowment Spending Policy
Level 1

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I. OVERVIEW

The purpose of the Endowment Spending Policy (the "Policy") of the University of Colorado Foundation (the "Foundation") is to set forth rules and guidelines for spending from the Foundation's endowments, including establishing the amount of the annual distribution from an endowment available to the University of Colorado (the "University") to support a donor's restricted purpose. The overall objective of the Policy is to achieve a proper balance between the University's present and future needs, i.e., balancing the needs of the current beneficiaries and the University's advancement operations, on the one hand, and preserving the purchasing power of an endowment to support future beneficiaries on the other. A primary objective of the Policy is to provide the University with a source of revenue that is perpetual, growing and consistent. The Policy also aims to preserve the purchasing power (real value) of an endowment, net of the annual distribution and fee.

The Foundation's Board of Directors is committed to investing and administering all endowment funds in compliance with the applicable federal and state laws and industry standards. The Board of Directors monitors, adjusts and approves the Policy on at least an annual basis.

The Policy is comprised of three components: 1) a distribution formula and timing, 2) an advancement fee formula, and 3) rules relating to the suspension of distributions in certain situations when an endowment's value declines.

II. SPENDING POLICY

A. Distribution Formula and Timing

An annual distribution from an endowment fund (the "Distribution") shall be calculated using the following formula: an amount equal to four percent (4%) of an endowment's trailing thirty-six (36) month average Long Term Investment Pool ("LTIP") market value as of December 31 for the fiscal year preceding the Distribution. Distributions from endowments that are less than three years old shall be calculated using the following adjusted formula: an amount equal to four percent (4%) of an endowment's trailing monthly average market value for the number of months the endowment has been invested in the LTIP as of the prior December 31.

The amounts available for distribution from all endowments will be made available to the University on the first business day of each fiscal year, and will be communicated to the University no later than March 1 of the calendar year in which the distribution will be made.

B. Advancement Fee Formula

The principal account of an endowment fund shall be charged an annual Advancement Fee, based on the fund's LTIP balance as of December 31 for the fiscal year preceding the Advancement Fee charge, according to the following formula: i) one point nine percent (1.9%) on the first $1,000,000 in an endowment fund, and ii) one percent (1%) on amounts in an endowment fund greater than $1,000,000, or iii) one percent (1%) on the entire amount in any endowment fund valued over $60 million. The annualized Advancement Fee will be drawn quarterly from an endowed fund on the first day of each quarter.

If amounts held in an endowment fund's distribution account are invested in the LTIP, an Advancement Fee of one point nine percent (1.9%) will also be assessed on those funds.

C. Suspension of Distributions

The Foundation shall suspend Distributions on any pure endowment if the endowment's fair market value is less than ninety percent (90%) of its "historic gift value." However, upon the request of a University fund administrator, the Foundation may consider continuing Distributions even when an endowment's fair market value is below ninety percent of historic gift value. A decision to continue Distributions in such circumstances may only be made by either the Foundation's President and CEO or its CFO. All decisions to continue Distributions in such circumstances will be reported to the Foundation's Finance/Operations Committee at the next following meeting of such committee.

If a gift agreement has provisions that are different from the procedures for suspending Distributions described above, the gift agreement terms will override this policy.

The Advancement Fee shall be assessed on endowments even in circumstances where Distributions are suspended.

IV. EXCEPTIONS

All endowments are generally required to adhere to the standards provided in this Policy, as deviations elevate the potential for non-adherence to donor stipulations, and may cause increased administrative cost for managing Distributions. Any deviations from the terms of this Policy must be approved by either the Foundation’s President and CEO or its CFO. Exceptions to the Advancement Fee will require the additional approval of the Foundation’s Board of Directors.

Policy Owner	Chief Financial Officer
Finance/Operations Committee Approval	October 27, 2016
BOD Approval	November 18, 2016
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