

# **UNIVERSITY OF COLORADO FOUNDATION**

## **ENDOWMENT SPENDING POLICY**

### **Level 1**

#### **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 advancement assessment.

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, 2) a formula for the assessment on endowments for advancement support, and 3) rules relating to the suspension of distributions in certain situations when an endowment’s value declines.

#### **Spending Policy**

##### **1. Distribution to Support Purpose**

An annual distribution from an endowment fund shall be calculated using the following formula: an amount equal to four percent (4%) of an endowment’s trailing thirty-six (36) month average market value of the Long Term Investment Pool (“LTIP”) as of December 31 for the 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 December 31 for the year preceding the distribution. The trailing monthly average market value calculation shall begin on December 31 of the year an endowment fund is eligible to make a distribution.

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 distributions will be made.

##### **2. Assessment on Endowments for Advancement Support**

The principal account of an endowment fund shall be charged an annual assessment for advancement support equal to one and a half percent (1.5%), based on the fund’s LTIP balance as of December 31 for the year preceding the assessment.

If amounts held in an endowment fund’s distribution account are invested in the LTIP, an assessment of one and a half percent (1.5%) will also be applied to those funds.

### **3. 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 establishing an endowment has provisions that are different from the procedures for suspending distributions described above, the gift agreement terms will override this suspension policy.

The assessment on endowments for advancement support shall continue even in circumstances where distributions are suspended.

#### **Exceptions**

All endowments are generally required to adhere to the standards provided in this Policy because 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 support assessment amount will require the additional approval of the Foundation's Board of Directors.

Policy Owner: VP, CFO

BOD Approval: June 20, 2023

Effective: July 1, 2023