

## UNIVERSITY OF MAINE FOUNDATION GENERAL ENDOWMENT SPENDING POLICY

“Endowed Fund” means a Foundation fund or any part thereof in the General Endowment which is not wholly expendable by the Foundation on a current basis under the terms of a gift instrument. The purpose of this Policy is to establish the procedure by which the Foundation will annually allocate for expenditure amounts from Endowed Funds for the purposes for which the funds were established (“Endowment Distribution”) and related administrative costs related to fundraising, investment, and stewardship of the Endowed Funds (“Endowment Administrative Fee”).

In managing the General Endowment, the Foundation keeps two primary goals in mind: providing a significant and stable flow of funds to support the purpose of the endowed fund, and maintaining the long-term purchasing power of an endowed fund. The Foundation’s spending policy is designed to be in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA requires the institution to ensure the duration and preservation of the endowment fund by appropriating a prudent amount for expenditure from endowment funds within the restrictions of any gift agreements with consideration to the following factors:

- Duration and preservation of the endowed funds
- Purpose of the Foundation and the endowment fund
- General economic conditions
- Possible effect of inflation or deflation
- Expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policy of the Foundation

### Spending Policy

In consideration of factors prescribed by UPMIFA, the Foundation has set a target spending amount of 4.5% of the market value of an endowment. The target spending amount is comprised of 3.25% for endowment distribution and 1.25% endowment administration fee. Annual spending is calculated by applying a % to the trailing twelve quarter average market unit value of the General Endowment as of September 30 to determine a spending rate to be applied to each endowment.

Example: Effective spending rate calculated at 4.5% of trailing twelve quarter average market unit value of the General Endowment Pool as of September 30 - 4.48%

|                              |                            |       |
|------------------------------|----------------------------|-------|
| Endowment Distribution       | $(3.25/4.5 \times 4.48\%)$ | 3.24% |
| Endowment Administrative Fee | $(1.25/4.5 \times 4.48\%)$ | 1.24% |

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### **Endowment Distribution**

Endowment distribution is based on the above spending policy and budgeted for expenditure in the next fiscal year beginning July 1.

Exceptions: The endowment distribution will not be calculated as set forth above for endowed funds established pursuant to a gift instrument whereby its terms specifies a different spending method.

The endowment distribution will not be calculated as set forth above for endowed funds that are underwater (market value falls below principal/historic gift value) and pursuant to a gift instrument a distribution from principal is prohibited.

In the case of underwater funds (current value below principal value) in which the gift instrument permits a prudent expenditure of principal, a reduced endowment distribution rate may be applied.

Transition rule: Initial year valuation date will be December 31. Endowment distribution may be the greater of the prior year endowment distribution or calculated distribution per the spending policy.

### **Endowment Administration Fee**

The endowment administration fee is based on the above spending policy and budgeted for expenditure in the next fiscal year beginning July 1. The fee will be distributed in equal monthly installments to the Foundation's operating account beginning July 1 and assessed proportionately to all funds invested in the General Endowment.

### **Effective Date**

This spending policy is effective for endowment expenditures beginning July 1, 2017. The policy shall be reviewed by the Investment Committee of the Board, which shall make any necessary recommendations with respect to amendments to this policy to the Board, not less than annually.