Winthrop University Foundation
Endowment Spending Policy

Purpose
The Winthrop University Foundation, Inc. (the "Foundation") will endeavor to ensure, to the degree reasonably possible, that the endowment funds with which it is entrusted, grow and keep pace with inflation so that the original purpose of the donor in establishing the endowment fund can be met in perpetuity. Toward that end, the Foundation has adopted the following spending policy, which will apply to all endowed funds.

Definitions
Contributed corpus: The contributed corpus of an endowment is the total of the funds gifted or donated, either in one lump sum or over time, excluding market appreciation, interest or dividends

Fully eligible endowment: An endowment is fully eligible when: 1) the contributed corpus reaches the minimum level required for a designated purpose; 2) the market value includes accumulated earnings sufficient to payout the endowment purpose (currently 4%) and the management fee (currently 1.5%). and 3) it has a market history of at least one year.

Partially eligible endowment: An endowment is partially eligible when: 1) the market value includes accumulated earnings in excess of the contributed corpus, but not sufficient to payout the endowment purpose and the management fee at the prescribed percentages (currently 4% and 1.5% respectively); 2) it is not currently impaired; 3) it has a market history of at least one year.

Impaired endowment: An endowment is Impaired when the market value falls below 100% of the contributed corpus (underwater.)

Accumulated earnings: Accumulated earnings include interest, dividends and both unrealized and realized market appreciation

Rationale
In adopting this policy, the Foundation seeks an appropriate balance among these goals:

- Maintain the purchasing power of the endowment
- Achieve a reasonable degree of stability and predictability in income available for recipients
- Achieve a proper balance between present and future needs of the University
- Be relatively simple to understand and calculate for the recipients as well as the donors

The utilization of a moving average has been the most common approach to determine endowment spending according to the NACUBO–TIAA Study of Endowments.

The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") eliminated the requirement that historical dollar value always be maintained on an endowment, which, in turn allows flexibility in determining appropriation of funds from both impaired and unimpaired endowments. The Foundation has the ability to determine a payout, if otherwise deemed prudent, while considering the following factors: 1) duration and preservation of the endowment fund; 2) the purpose of the fund; 3) general economic conditions; 4) the possible effect of inflation or deflation; 5) expected total return; 6) other resources of the institution; and 7) investment policy.

Spending for Endowment Purpose

The Foundation's endowment spending policy for the endowment purpose is calculated by applying a payout rate (currently 4%) to a five-year moving average market value (the prior five years' market value as of December 31). Distributions from endowments that are less than five years old shall be calculated by applying the same payout rate (currently 4%) of an endowment's trailing market value average for the number of years the endowment has been invested.

The payout rate is influenced by the expectation of future portfolio returns. A balance averaging process is used to help provide stability and predictability in actual payout and to provide a smoothing effect in both rising and falling markets. The base upon which the payout rate is applied is intended to reduce the volatility of distributions.

The Investment Committee maintains oversight for the spending policy for the endowment purpose. The policy is reviewed annually.

Spending for Management Fee

Because of the long-range nature of the invested assets of the endowments, the Foundation assesses a management fee on the market value of all endowments. This fee is used for overseeing the endowment's share of the invested assets and for the operations of the Foundation.

A management fee of one and one-half percent (1.5%) of a three-year average of the endowment market value will be assessed annually on all endowments, with the exception of those that have not yet reached their corpus (as in a multi-year pledge.)

The Operations Committee of the Foundation Board has oversight for the spending policy for management fee. The policy is reviewed annually.

Implementation

For endowments with a fully eligible market history of five years or more, authorized expenditures for the endowment's purpose shall be limited to four percent (4.0%) of the average annual total market value of the endowment over a trailing five-year period ending December 31 of the current fiscal year. In making such distributions, the Foundation is authorized to use both net income and net capital appreciation (defined as realized and unrealized appreciation in the fair market value of the investments) in excess of the fund's corpus in accordance with UPMIFA.

If the endowment has been fully eligible for less than five years, the authorized expenditure will be four percent (4.0%) of the average annual total market value as of December 31 since it became fully eligible.

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

For partially eligible endowments, the Foundation may instead distribute to the extent of accumulated earnings until the endowment becomes fully eligible.

For impaired endowments, no expenditures for the endowment purpose shall be authorized; however, the management fee will be assessed.

Exceptions to or changes to this spending policy shall be made only upon the approval of the Foundation Board based on recommendations from the Investment Committee and the Operations Committee.