



POLICY NUMBER Finance and Accounting – 1	EFFECTIVE DATE 11/9/2022
SUBJECT Spending Policy on Endowment Funds	HISTORY Replaces Policy #16 – 4/19/2018; 6/24/2013; Replaces Policy #18 – 5/25/2006

PURPOSE

The FAU Foundation is responsible for receiving and administering private support given for the benefit of FAU. Endowment funds are established when donors stipulate that the principal of their gifts is to be maintained and invested by the Foundation for the long-term support of FAU. Endowment funds may be permanent endowments or term (i.e., set period of time) endowments. Endowment funds are invested by the Foundation through its Endowed Pool, as described in the Foundation’s Investment Policy, with the investment income distributed annually for the purposes and uses specified in each endowment fund’s gift instrument.

This policy describes the management of the Foundation’s endowment funds.

APPLICABILITY

This policy applies to all endowment funds and endowment spending accounts except to the extent a donor’s gift instrument specifically provides express written direction to the contrary. Exceptions to this policy related to the spending rate or endowment management fee are rarely permitted and only if approved by both Foundation’s CEO and the Chair of the Foundation’s Board of Directors.

POLICY

Endowment Fund Eligibility for Spending Distribution

For an endowment fund to be eligible for a spending distribution, the following criteria must be met:

- The principal total of the endowment fund must be a minimum of \$25,000;
- The principal total of the endowment fund must have been invested in the Endowed Pool (i.e., hibernate) for at least one year prior to June 30 of the applicable year (if the principal is

pledged over time to reach \$25,000, the principal total must have been invested by the Foundation in the Endowed Pool for at least one year (i.e., hibernate) prior to June 30 of the applicable year); and

- The endowment fund must have appropriate criteria outlining the donor's intent of the use and purpose of the spending.

Spending Rate

The current spending rate and endowment management fee for endowment funds approved by the Foundation's Board of Directors are:

- Spending Rate: 3.9%
- Endowment Management Fee: 2.75%

In accordance with the Foundation's Investment Policy, at least annually, the Foundation's Investment Committee reviews the expected Total Return (as defined in the Investment Policy) against the endowment actual returns and may recommend changes to the spending rate and /or endowment management fee to the Executive Committee.

Spending Distribution Calculation

To determine the annual spending distribution, the spending rate is multiplied by the average of the previous 20 quarter market values of the total Endowed Pool as of June 30. A rate per unit is calculated and applied to each endowment fund.

Spending Distribution Exceptions

A. Unused Spending Distributions / Carry Forward Limit

Any endowment spending account with a cash balance on June 30 greater than or equal to two (2) years of spending distributions will receive no spending distribution for the next fiscal year. Any endowment spending account having less than two (2) years of spending distributions will receive the lesser of one (1) year's spending distribution or the spending distribution needed to reach the carry forward limit (i.e., the maximum cash permitted to accumulate in an endowed spending account); any remainder will be added to the endowment fund's corpus and reinvested in the Endowed Pool.

B. No Spending Distribution

If the value of an endowment fund on June 30 is less than the original principal of the endowment fund, the endowment fund will not receive a spending distribution and will not be charged the Endowment Management Fee. If the value of an endowment fund on June 30 is more than the original principal of the endowment fund but insufficient to pay the full spending distribution and Endowment Management Fee, the available funds will be allocated first to the spending distribution and then to the Endowment Management Fee.

C. Waiver Requests

Deans and University Vice Presidents may request waivers to this spending distribution policy in cases of hardship or where special circumstances should be taken into account. Waiver requests are approved by the CEO of the Foundation in consultation with the Foundation's CFO.

Requests for waivers should be submitted to the Foundation's CFO as soon as the need is realized and should include the following information: (1) description of the gift, (2) the gift ID, (3) amount needed, including specific details such as budgets or cash flows, and (4) description of the hardship or special circumstance.

RESPONSIBLE AUTHORITY

Questions about this policy should be directed to the CFO of the Foundation.

FAU FOUNDATION

For signature of the Foundation's secretary

Approved by the Board of Directors on the 9th day of November 2022.

DocuSigned by:

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Secretary, Florida Atlantic University Foundation, Inc.