

FLORIDA A&M UNIVERSITY FOUNDATION, INC.
POLICY ON EXPENDITURES FROM ENDOWED FUNDS
(Spending Policy)

Adopted: April 25, 2014

I. Purpose of Policy

This is the *Policy on Expenditures from Endowed Funds* of the Florida A&M University Foundation, Inc. The purpose of this policy is to establish the procedure by which the Foundation will decide to annually allocate for expenditure amounts from endowed funds for the purposes for which the funds were established and for administrative costs related to investment and administration of the endowed funds.

II. Policy

The Foundation is committed to administering and investing endowed funds in compliance with all relevant Foundation by-laws, organizational concerns, industry standards, and federal and state laws and regulations, including without limitation the Florida Uniform Prudent Management of Institutional Funds Act (UPMIFA). No policy will supersede any provision of federal or state law or regulation.

The Foundation shall periodically review the application to endowed funds of its spending allocation and administrative fee described below and shall make a determination that such application is prudent. In making a determination to expend such amounts from endowed funds, the Foundation shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances and shall consider the following factors:

- a) The duration and preservation of endowed funds;
- b) The purposes of the Foundation and endowed funds;
- c) General economic conditions;
- d) The possible effect of inflation or deflation;
- e) The expected total return from income and the appreciation of investments;
- f) Other resources of the Foundation; and
- g) The investment policy of the Foundation.

The Foundation has a duty under UPMIFA to maintain the long-term purchasing power of each endowed fund and, in accordance with that duty, will record the historic dollar value of each endowed fund as a benchmark by which to measure each fund's performance relative to preservation of long-term purchasing power. The Foundation shall also institute such procedures as are reasonably calculated to identify any individual endowed fund, the long-term purchasing power of which has the potential to be significantly impaired by continued application of this policy and present a strategy for remedying such impairment to the Finance Committee of the Board of Directors of the Foundation.

The Foundation is aware that despite utilizing a well-diversified investment portfolio strategy and the best good faith efforts of its Board members there will be times when the fair market value of an endowment may fall below the endowment corpus value creating underwater endowments. In the event a fund falls underwater by 10%, the Foundation will reinvest the spending allocation back to net return and the fund will not receive a spending distribution or be charged any fess.

III. Calculation Method

Transfers from endowed funds for the spending allocation and the administrative fee shall be calculated as described below. Such transfers may be made regardless of whether an endowed fund has sufficient current period and/or accumulated net investment returns to support such allocation unless a determination has been made pursuant to Section II above to limit or withhold such payments with respect to a particular fund.

a) Spending Allocation

The amount allocated for spending will equal 3.0% of the rolling prior 12-quarter average market value of the pooled investment portfolio. The average market value calculation will commence with December 31st of the year immediately prior to the fiscal year in which spending will occur. To assist budget planning, endowed fund beneficiaries will be informed of their spending allocation for the upcoming fiscal year by the end of March directly preceding the fiscal year in which spending will occur. The spending allocation will be recorded in the endowed fund spending account in full at the start of each fiscal year.

b) Administrative Fee

The amount of funds allocated for expenditure for Foundation administrative expenses will equal one and one-half percent (1.5%) of average market value calculated as described in III. (a) above. The full endowment administrative fee will be recorded in the Foundation's operating fund in full at the start of each fiscal year.

Description	Rate
Spending Allocation	3.0%
Administrative Fee	1.5%
Total	4.5%

IV. Exceptions

The spending allocation and administrative fee will not be calculated as set forth above for endowed funds underwater by 10% or established pursuant to a gift instrument that specifies a different spending method or does not permit the assessment of such fees.

All other exceptions to this policy must be approved by the Finance Committee of the Board of Directors upon the recommendation of the Foundation Executive Director where

there is substantial potential for developing a long-term funding relationship with the donor and the gift's designated use is compatible with the Foundation's priorities.

V. Applicability

This Policy applies to all endowed funds administered, held, and invested at or by the Foundation.

VI. Enforcement and Interpretation

It is the responsibility of all employees to uphold this policy. Any violation of this policy may result in disciplinary action up to, and including, termination of employment. Questions regarding interpretation of this policy should be directed to the Foundation's Executive Director or Managing Director/CFO.

VII. Effective Date

This policy is effective for expenditures from endowed funds commencing with the fiscal year beginning July 1, 2016, and replaces and supersedes any preceding policy concerning this subject matter. This policy and its application shall be monitored by the Finance and Investment Committees of the Foundation Board of Directors, which shall make to the Board of Directors any necessary recommendations with respect to amendments to this policy.

VIII. Approval Date

This policy was approved by the FAMU Foundation, Inc. on April 25, 2014.

IX. Amendments

Amended on May 10, 2023.
Amended on November 19, 2016.
Amended on August 28, 2014.