

Policy on Expenditures from Endowed Funds

I. PURPOSE OF POLICY

This is the Policy on Expenditures from Endowed Funds (“Policy”) of The University of South Carolina Upstate Foundation, Inc. (“Foundation”). 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 (as described herein) for the purposes for which the funds were established (“Spending Allocation”) and for administrative costs related to investment and administration of the Endowed Funds (“Endowment Administrative Fee”).

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 South Carolina Uniform Prudent Management of Institutional Funds Act (the “Act”). No policy will supersede any provision of federal or state law or regulation.

The Foundation shall periodically review the application of the Spending Allocation and an Endowment Administrative Fee described below to Endowed Funds and shall make a determination that such application to the Endowed Funds 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 the Endowed Funds;
- b) The purposes of the Foundation and the Endowed Funds;
- c) General economic conditions;
- d) The possible effect of inflation or deflation;
- e) The expected total return from income and appreciation of investments;
- f) Other resources of the Foundation; and
- g) The investment policy of the Foundation.

The Foundation shall document its consideration of the above factors in its review. The Foundation has a duty under the Act to maintain the long-term purchasing power of each Endowed Fund and in accordance with that duty will record the historic corpus of each Endowed Fund as a benchmark by which to measure each fund’s performance. 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 “Board”).

The Foundation may decide to spend from Endowed Funds, even to the extent of expending a portion of the fund which constitutes the corpus, in accordance with its expenditure policies; provided, such spending is part of a purposeful, prudent, and documented strategy to maintain the long-term purchasing power of such funds. The Foundation will in good faith make information available to donors and potential donors concerning its expenditure policies.

III. CALCULATION METHOD

Expenditures from Endowed Funds for the Spending Allocation and the Endowment Administrative Fee shall be calculated as described below. Such expenditures 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 of funds allocated for expenditure for the purposes for which an Endowed Fund was established ("Spending Allocation") will be reviewed annually and based on the prior 12-quarter rolling average Unitized Market Value of the primary managed investment multiplied by the number of units held by each Endowed Fund on the Calculation Date which shall be December 31. The Spending Allocation will be transferred to the Endowed Fund spending account once annually after the start of the next fiscal year, which is July 1. The spending allocation rate is a range between 3%-5% and are not required to distribute equally

b) Endowment Administrative Fee

The amount of funds allocated for expenditure for Foundation administrative expenses ("Endowment Administrative Fee") which shall be reviewed annually will equal one and one-quarter percent (1.25%) and calculated based on the prior twelve (12) quarter rolling average of the Unitized Market Value of the primary managed investment portfolio multiplied by the number of units held by each Endowed Fund on the Calculation Date which shall be December 31. The Endowment Administrative Fee, as calculated, will be transferred to the Foundation's operating funds after the start of the next fiscal year, which is July 1.

IV. EXCEPTIONS

The Spending Allocation will not be calculated as set forth above for existing Endowed Funds established pursuant to a Gift Instrument which by its terms specifies a different spending method.

The Endowment Administrative Fee will not be assessed as set forth above for existing Endowed Funds established pursuant to a Gift Instrument which by its terms does not permit the assessment of such fees; and for new gifts from large Private Foundation (as defined herein) the governing boards of which prohibit the assessment of fees as an established organization policy which can be documented in writing.

The Spending Allocation and Endowment Administrative Fee will not be distributed until the Endowed Fund has participated in the long-term pooled investment portfolio for two (2) quarters. Neither the Spending Allocation nor the Endowment Administrative Fee will be distributed from Endowed Funds that are "underwater" by greater than 15% at the end of any quarter during the fiscal year.

All other exceptions to this Policy must be approved by the Finance Committee of the Board upon the recommendation of the 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 University's organizational priorities. Exceptions to the Policy should be granted in only the rarest of circumstances.

V. APPLICABILITY

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

VI. DEFINITIONS

“Endowed Fund” means a Foundation fund or any part thereof not wholly expendable by the Foundation on a current basis under the terms of a gift instrument. Except as provided herein, the term does not include assets of the Foundation designated as an endowment fund for its own use (typically referred to as quasi-endowment funds).

“Gift Instrument” means a record or records, including a solicitation, under which property is granted to, transferred to or held by the Foundation as a Foundation fund.

“Corpus” means the value of the donor’s original gift to an Endowed Fund and any subsequent donations thereto.

“Unitized Market Value” means fair value of the investment assets within the long-term pooled investment portfolio divided by the number of units in such pool.

“Private Foundation” means a private philanthropic organization characterized by large staffs, a corporate management structure, large asset base, multiple branch offices, elaborate funding guidelines, the issuance of “requests for proposals,” broad-based philanthropic giving, and issue-focused philanthropic giving.

VII. ENFORCEMENT AND INTERPRETATION

It is the responsibility of all employees and board members to uphold this Policy. Questions regarding interpretation of the Policy should be directed to the Foundation’s President or Executive Director.

Approved by Foundation Board of Directors, January 1, 2011
Revision approved by Foundation Board of Directors, August 26, 2021
Revision approved by Foundation Board of Directors, August 25, 2022

RESPONSIBLE COMMITTEE: Finance