

**Sustainable Responsible Impact Fund
North Carolina State University Foundation, Inc.
Endowment Spending and Distribution Policy Statement**

OBJECTIVE

The objective of a spending and distribution policy statement is to establish spending rates and methodology which: 1) will result in a stable spending amount from year to year, 2) can be maintained over the long term, and 3) will preserve the real value of the endowment over the long term to help provide for intergenerational support.

To achieve these objectives, the Sustainable Responsible Impact Fund (SRI Fund) has a total return spending policy. Total return spending allows spending budgets and assessments to be funded from interest and dividend income, realized gains, and unrealized appreciation, more commonly known as spending reserves. Spending reserves are determined at the individual endowment level and are computed annually at fiscal year end.

In addition, unless the gift instrument specifies otherwise, up to 15% of the corpus (historic gift value) of an endowment may be expended if spending reserves are not sufficient, subject to the guidelines provided in NCGS Chapter 36E, Uniform Prudent Management of Institutional Funds Act. (See Attachment A – UPMIFA).

POLICY

1. **Programmatic Spending:** Programmatic spending will be 4.0% of the average market value per unit of the pool computed over the previous twenty quarters, which results in a spending rate per unit. The spending rate per unit is then multiplied by the number of units owned by each endowment as of the prior fiscal year end.
2. **Assessments:** Assessments for supporting the cost of fundraising and other administrative expenses may be charged annually to each endowment. The assessment amount will be computed following the same methodology used for programmatic spending. In the event that reserves are insufficient, priority will be given to the programmatic spending budget.
3. **Stability / Longevity Measure:** To provide stability during periods of market volatility and to ensure spending levels can be maintained over time, the programmatic spending rate per unit will be measured as of the prior fiscal year end to ensure that, when multiplied by total investment pool units, the resulting spending amount falls within a band of 3% to 5% of the ending pooled market value. Any year in which the pooled spending measurement falls outside of the established band, the policy spending rate (see #1 above) will be adjusted as necessary to fall within this band.
4. **Schedule for Programmatic Spending Computations and Notifications:** Programmatic spending budgets for the next fiscal year will be determined each fall for fully funded endowments as of the prior fiscal year end, and the Foundation will be notified of these budgets prior to the December holiday break. (See Attachment B – Endowment Spending Budgets Time Line and Fiscal Year Cycle.) Spending budgets for new endowments that are UPMIFA compliant and are established during the current fiscal year will be computed and communicated to campus by fiscal year end.
5. **Evaluation:** This policy statement will be formally reviewed and evaluated by the University Treasurer periodically and recommendations for changes, if any, will be brought to the Foundation Board for its consideration.
6. **Donor requirements** included in executed endowment agreements will take precedence over this policy statement.
7. **Exceptions:** Exceptions to this policy statement for individual endowments must be jointly approved by the President and Treasurer or Assistant Treasurer.

EXCERPT FROM NCGS Chapter 36E. Uniform Prudent Management of Institutional Funds Act (UPMIFA)

§ 36E-4. Appropriation for expenditure or accumulation of endowment fund; rules of construction.

(a) Subject to the intent of a donor expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the institution. In making a determination to appropriate or accumulate, the institution 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, if relevant, the following factors:

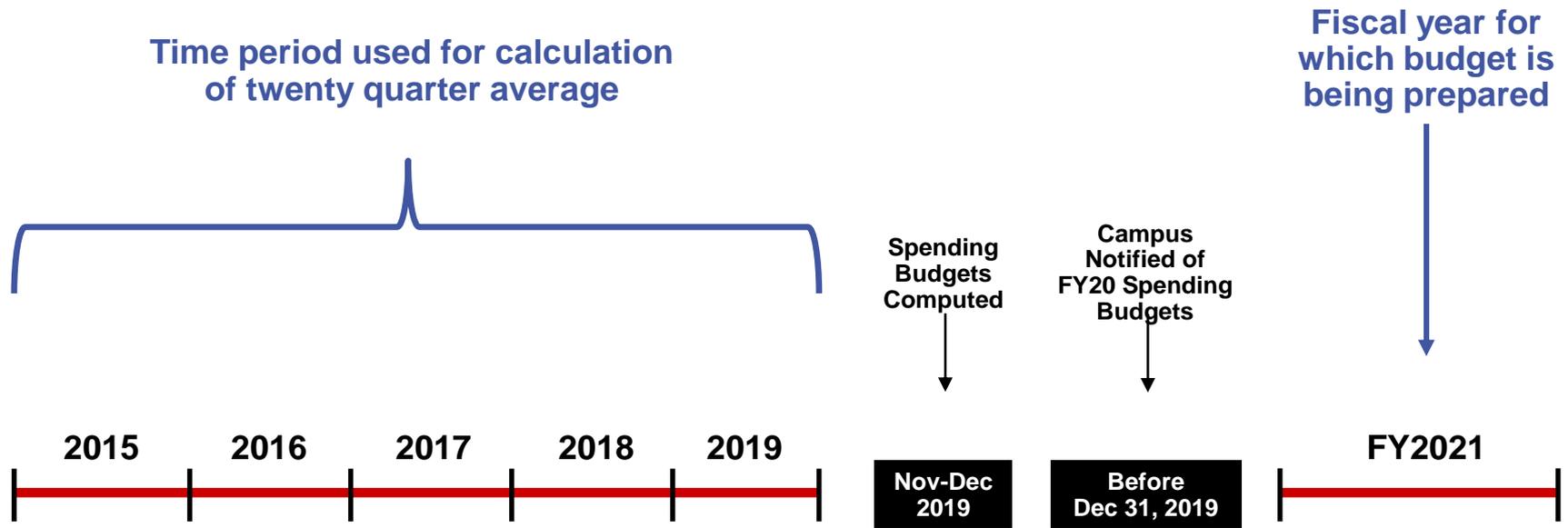
- (1) The duration and preservation of the endowment fund;
- (2) The purposes of the institution and the endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation or deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the institution; and
- (7) The investment policy of the institution.

(b) To limit the authority to appropriate for expenditure or accumulate under subsection (a) of this section, a gift instrument must specifically state the limitation.

(c) Terms in a gift instrument designating a gift as an endowment, or a direction or authorization in the gift instrument to use only "income," "interest," "dividends," or "rents, issues, or profits," or "to preserve the principal intact," or words of similar import:

- (1) Create an endowment fund of permanent duration unless other language in the gift instrument limits the duration or purpose of the fund; and
- (2) Do not otherwise limit the authority to appropriate for expenditure or accumulate under subsection (a) of this section.

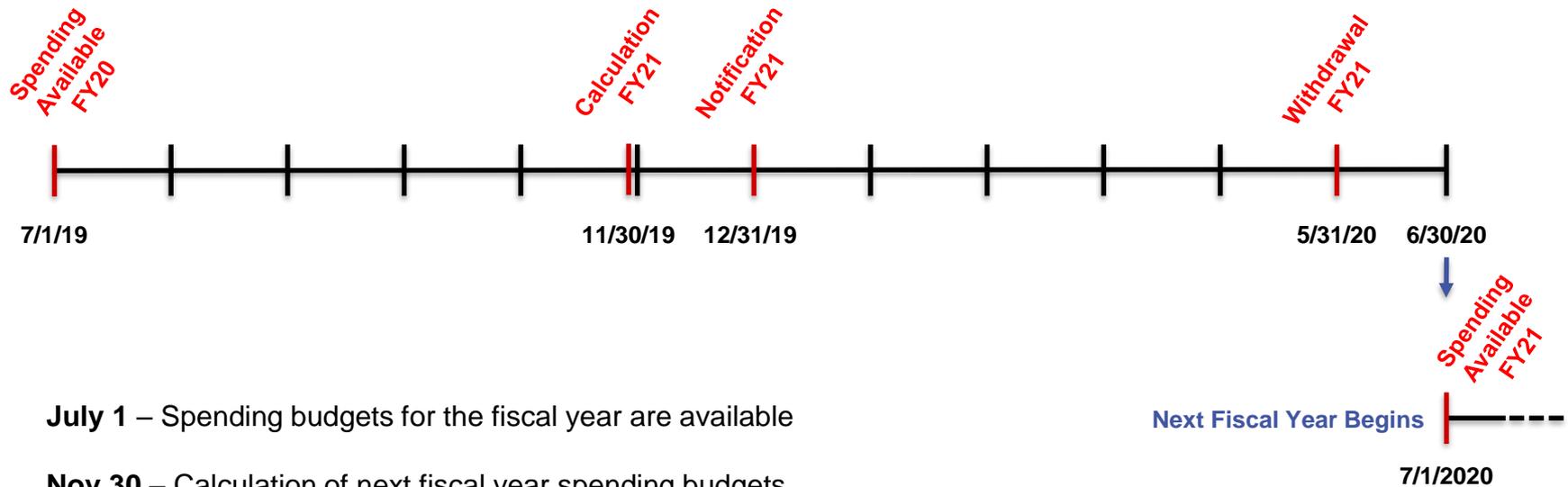
Endowment Spending Budgets Time Line



To spend in FY2021, endowments must have adequate spending reserves at June 30, 2019 OR an UPMIFA compliant agreement and a market value greater than 85% of corpus.

Endowment Spending Budgets Fiscal Year Cycle

20-Quarters used for FY21
Spending Budget Calculation:
FY2015-FY2019



July 1 – Spending budgets for the fiscal year are available

Nov 30 – Calculation of next fiscal year spending budgets

No later than Dec 31 – Campus notified of next fiscal year spending budgets

Early June – Spending budgets for next fiscal year are withdrawn from the long-term pool

July 1 – Spending budgets for the fiscal year are available. Annual endowment spending cycle begins again.