

## ENDOWMENT MANAGEMENT POLICY

The following document shall replace the May 8, 2004 Endowment Disbursement Policy.

The primary objective of the ENMU Foundation Endowment Management Policy is to manage endowment funds in compliance with the UPMIFA standards as adopted by the State of New Mexico which seeks to achieve a proper balance between present and future needs of the Foundation and comply with the objectives of the donor(s). In order to be good stewards and adhere to “Prudent Investor Standards” for ENMU Foundation Endowments, the Foundation has adopted this Management Policy:

In handling the investment of funds, the Foundation shall consider:

- 1) General economic conditions,
- 2) Effects of inflation and deflation,
- 3) Tax consequences,
- 4) The role of each investment in the overall portfolio,
- 5) Expected total return from income and appreciation,
- 6) The Foundation’s other resources, and
- 7) The needs of the Foundation and the fund to make distributions and preserve capital.

The Foundation may invest in any property/asset consistent with the standard of care employing a prudent investor standard.

Additionally:

- The minimum amount to establish an endowed account shall be \$5,000. A holding period of three years must be achieved before an endowment may make its first distribution of funds. Endowments may be established with less than \$5,000, but must total \$5,000 before the three year holding period will begin.
- The holding period of three years is the initial basis upon which an average fund balance is determined for calculation of a Spending Rate sum. Once the fund achieves a five year holding period, distributions will be determined by averaging the previous 20 quarters fair market value and applying the Spending Rate determined and approved by the Foundation Board of Directors.
- The Total Return (appreciation/depreciation, interest and dividends) of each endowment will be considered in arriving at the Fair Market Value.

Example: the amount of an annual scholarship award or departmental distribution will be determined using the following formula—Average Fair Market Value (FMV) for the past 20 quarters times the Spending Rate of 4.0%.

Should a specific donor instruction in an endowment agreement dictate a deviation from the description of Total Return provided herein then that directive shall apply.

- The maximum Spending Rate authorized by the Foundation Board is 7.0%,
- The Foundation will not make a distribution of funds from an “underwater” endowment when the distribution will cause the Fair Market Value of the Endowment to fall below the original endowment gift value and including all subsequent additions to the Endowment Fund. Should a distribution result in the afore mentioned “underwater” valuation, then the only distribution which may be made is the current year income (interest and dividends) and as much unrealized capital gain as necessary to maintain the aggregate of original gifted sums.
- The Foundation Board of Directors reserved the right to determine acceptance of any and all assets offered by a prospective donor intended to fund an endowment.
- The Foundation will determine whether to hold or sell any gifted asset in its investment pool.
- The Foundation Board reserves the right to implement an administrative fee not to exceed 1% for new Endowment Funds established with the Foundation at any time after January 1, 2013. A thorough examination of a fee policy must be undertaken and a written policy setting forth the fee must be adopted by a majority of the Foundation Board prior to implementation of any administrative fee. In any event all Endowment Funds held prior to an election to implement fees are exempt from any future administrative fees.
- In any event an Endowment can no longer provide a reasonable benefit for which it was created due to inflation, adverse market conditions, elimination or alteration of departmental mission for which it was created or any other causes the Foundation may seek to Release Restrictions of the Endowment Fund by the following means:
  - Release or modify with donor consent, and
  - Secure Court approval modifying purposes and/or restrictions.

Board Approved September 30, 2012