1. The Annual Spending Distribution for endowments will decrease to 4%.

2. The Annual Administrative Fee for endowments will increase to 1.25% per year.

3. The Administrative Fee on New Gifts will increase to 5%. The maximum fee on a new gift is $25,000. When the gift is part of a multi-year pledge the $25,000 maximum will be applied to the whole pledge amount. There will be no fee on gifts to annually funded scholarships, grants that prohibit overhead and gifts to the UNC Distinguished Professorship program.

4. Threshold for Spending Distribution: The fair market value of an endowment must reach 104% of its corpus value before the endowment may make a spendable distribution. Also, any time an endowment’s fair market value falls below 100% of its corpus value the spending distribution will be suspended, unless specifically authorized within the fund agreement. If there is money in the endowment’s spendable fund some of it may be returned to the restricted earning fund (see #5) and the remainder may be spent for the purpose of the endowment. Fair market value is defined as the corpus value plus the restricted earnings fund.

5. Endowment Management Flexibility: In cases where an endowment’s restricted earnings fund has a negative balance, the foundation may utilize monies in the endowment’s expendable fund in excess of any prior multi-year commitments to return the restricted earnings fund to a zero balance. The fund manager of the endowment will be notified of the situation and the corrective measure to be taken. If there are no multi-year scholarship or contractual commitments for the spendable funds, all or part of the funds may be transferred back to the restricted earnings fund to restore it.

6. Annual Approval and Notification: The endowment policy will be reviewed and approved annually by the foundation board of directors. Deans and Fund Managers will be notified so they may incorporate the policy into their scholarship and program plans for the next fiscal year.

7. Calculation of Spending Distribution and Administrative Fee: The Annual Spending Distribution will be calculated based on the previous June 30th balances, and posted to the endowment’s spendable fund in July, the start of the next fiscal year. The calculation will be based on the combined average balance in the Corpus and Restricted Earnings Funds for the 12 fiscal months prior to June 30th. The official spending distribution amount will be communicated to all fund managers by December so they can incorporate that amount in their plans for the coming academic year. The Annual Administrative Fee on endowments also will be calculated as of June 30th and posted in July. The rules for thresholds and underwater endowments will be applied based on the balances as of June 30th (including all investment returns through that date).
8. **Board Interpretation of UPMIFA:** The Foundation Board of Directors interpret the North Carolina Uniform Prudent Management of Institutional Funds Act (UPMIFA) to require that “subject to the intent of the donor expressed in the gift instrument, when making a determination to appropriate or accumulate donor-restricted endowment funds, the Board shall act in good faith and with the care an ordinarily prudent person, in a like position, would exercise under similar circumstances. In so doing, they shall consider: the duration and preservation of the endowment fund; the purposes of the institution and the endowment fund; the general economic conditions; the possible effect of inflation or deflation; the expected total return from income and the appreciation of investments; other resources of the institution; and the investment policy of the institution.” Absent explicit donor stipulations to the contrary, for financial statement purposes, the Foundation Board of Directors shall classify as permanently restricted net assets the original value of the gifts donated to the permanent endowment. This classification does not limit the expenditures only to earnings. The portion of the fund’s value spendable annually for the donor-designated purpose is to be determined by the Foundation’s Board of Directors.

9. **Spending from Underwater Endowments – UPMIFA:** (A.) Under the prudent management flexibility of UPMIFA, previously made multi-year scholarship or contractual commitments will be honored and may continue to be paid from an underwater endowment if no other funds are available. (B.) Also, with approval of the Foundation’s Board of Directors there may be a limited expenditure from an underwater endowment if it has a significant impact on the missions of the university and foundation and can be done prudently without significantly impeding the endowment’s recovery. After consideration of the factors referenced in item 8 of this policy, the Foundation’s Board of Directors will exercise its fiduciary duty when determining whether spending is allowed from an underwater endowment.

10. **Underfunded Endowments:** When an endowment is being funded by a multi-year pledge, it is not eligible for a spending distribution until the corpus has been fully funded by the donor. If the endowment management system calculates a spendable distribution while the endowment is still underfunded, the spendable distribution will be reversed. For endowments started after July 1, 2013, if, for any reason, the endowment is not fully funded by cash contributions within the 5 year time-frame, the funds contributed to the endowment and any accumulated investment earnings on the endowment may, at the discretion of the Board, be moved to a temporarily restricted fund with a similar intent, at which time the full amount may be spent.

11. **Effective Dates:** This policy will be effective July 1, 2016.