
ECSU FOUNDATION, INC.

POLICY ON UNDERWATER ENDOWMENT FUNDS

The ECSU Foundation, Inc. strives to balance the donor's request to fund current program, faculty, and scholarship needs with the commitment to preserve the Historic Dollar Value of endowments. The Historic Dollar Value is the aggregate value of all contributions to an endowment fund at the time they were made.

The Foundation's responsibility is to provide prudent fiduciary management and oversight of the endowments, between generations in accordance with Foundation's policy and the State of Connecticut Uniform Prudent Management of Institutional Funds Act.

The Foundation's Investment Policy Spending Guidelines provides guidance on determining the amount of distributions that may be used with an approved budget.

In conjunction with the review of the annual effective spending rate, the Finance Committee will evaluate the impact of any market losses on the Endowed Funds and will report to the Board of Directors. Losses resulting in the underwater position of an Endowed Fund by 15% of its Historic Dollar Value, the Board may determine that future spending distributions, and the assessment of advancement fees, should be suspended until the funds equals or exceeds 85% of its Historic Dollar Value.

In the event an endowment is underwater, an analysis of the fund will be undertaken to make a determination on future spending distributions. The analysis will include the following factors:

- Duration and preservation of the endowment fund
- Purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- Possible effect of inflation or deflation
- Expected total return from income and the appreciation of investments
- Investment policy of the Foundation

In addition, the following factors will be considered during the analysis of each fund that is underwater:

- Level of impairment of the fund
- Discussions with the Foundation's Business Manager and University department heads
- Cash balance available for the use by the affected underwater account(s)
- The need for continued support from the affected underwater account(s)
- When possible, consultation with the donor
- Identification of any temporary alternative funding sources

If the endowment agreement specifically prohibits distributions for any reason, including underwater situations, the endowment agreement shall prevail, and the distributions will be eliminated or reduced in accordance with the donor intent.

The intent of this policy is to appropriate for expenditure or accumulate so much of an endowment fund as the Foundation determines to be prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. In doing so, the Foundation will balance the need to make spending distributions to support the scholarships, programs, and faculty as designated by the donor, and in accordance with Connecticut laws. The desire is to preserve the long-term purchasing power of the endowment.