

THE NORTHERN MICHIGAN UNIVERSITY FOUNDATION

ENDOWMENT DISTRIBUTION POLICY

Purpose of Policy

The purpose of this policy is to provide a disciplined approach for the Northern Michigan University Foundation (Foundation) to distribute funds from its endowment. The approach is designed to fulfill donor intentions on a timely, predictable, and consistent basis and to preserve intergenerational equity.

The Foundation is committed to administering and investing endowment funds in compliance with all relevant Foundation bylaws, organizational concerns, industry standards, and federal and state laws and regulations, including the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Definitions

Annual valuation date – June 30th

Fiscal year – July 1st to June 30th

Historic gift value (HGV) – The total contributions by a donor or donors to a fund

Market value (MV) – The value of a fund on a stated date

Endowed status – A fund will be deemed to have reached endowed status when total contributions to the fund reach the thresholds listed below. These thresholds apply to commitments on or after January 1, 2024. Previous commitments will be subject to the thresholds in effect at the time of the commitment.

Endowed Discretionary Fund	\$25,000.00
Endowed Scholarship Fund	\$100,000.00
Endowed Professorship Fund*	\$500,000.00

**Requires a total commitment of \$1,000,000. One-half the total commitment (\$500,000) may be a bequest or trust commitment.*

Endowment Distribution Calculation

The annual amount distributed from an endowment fund will be 3.85% of the 20-quarter average of the fund's market value (MV), but only if the MV of the fund is greater than or equal to 95% of the historic gift value (HGV) of the fund on the annual valuation date. If the MV of the fund is greater than or equal to 85% but less than 95% of the HGV of the fund on the annual valuation date, then the annual amount distributed from the fund will be 2.00% of the 20-quarter average of the fund's MV. No distribution will be made from a fund with a MV less than 85% of the HGV of the fund on the annual valuation date.

The initial distribution from an endowment fund will be calculated at the end of the fiscal year immediately following the fiscal year in which the fund reached endowed status.

For purposes of calculating the 20-quarter average of the fund's MV, the quarter ending on the annual valuation date and the 19 immediately preceding quarters will be used. All quarters preceding the quarter in which the initial gift was received will be deemed to have a MV of zero.

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Approved By: NMU Foundation Board of Trustees

Oversight Unit: Foundation Finance