

**SOLANO COMMUNITY COLLEGE EDUCATIONAL FOUNDATION
ENDOWMENT EXPENDITURE POLICY**

Guidance under UPMIFA.

Subject to donor intent expressed in a gift instrument, UPMIFA permits an institution to appropriate for expenditure or to accumulate as much of an endowed fund as the board deems prudent. Factors that the board must consider in deciding payout include:

- The duration and preservation of the endowment fund
- The purposes of the institution and the endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and capital appreciation
- Other resources of the institution
- The investment policy of the institution

The strong implication of UPMIFA is that spending should be moderated during times of rising markets in order to preserve the ability to sustain support during times when markets are falling, thus limiting budget volatility and increasing the likelihood of achieving intergenerational equity. Consistent with UPMIFA, the Solano Community College Educational Foundation (the “Foundation”) has structured our endowment expenditure policy to respect our donors’ intent as specified in the letter of gift, contemplate that the endowed funds are of permanent duration, and provide for intergenerational equity.

This Endowment Expenditure Policy shall be implemented in conjunction with the Foundation’s Investment and Spending Policy Statement, which establishes the investment objectives, asset allocation, and overall management of the Foundation’s assets.

Endowment Spending Policy.

The Board has adopted a spending policy that protects long-term asset value while allowing for more consistent annual distributions. The aim of the annual endowment payout rate is 5.0% of market value, though the actual payout rate can vary each year based on endowment returns. The current spending policy shall be expressed as the percentage of a 36-month moving average of the market value of the Endowment Fund to a maximum of 5%. The Finance Committee shall annually recommend a spending rate, which shall be subject to Board approval.

Such a policy will allow for greater predictability of spendable income for budgeting purposes and for gradual, steady growth in investable assets to support operations. Any income received in excess of the 36-month average shall be reinvested in that year. Should the yield (interest and dividends) be less than what is needed, realized gains or unrestricted scholarship funds may be used to make up for the deficiency, subject to donor intent and Board approval.

In the event that an endowment fund's market value falls below the original gift amount (an "underwater endowment"), the Foundation shall consider whether a reduced or suspended distribution is prudent, taking into account the factors outlined under UPMIFA and the intent of the donor.

Endowment Expenditure Procedure

1. **Valuation:** The Foundation board determines the market value, typically at the end of the fiscal year.
2. **Calculation:** The spending formula is applied to the calculated value to determine the available payout.
3. **Approval & Distribution:** The Board of Directors approves the payout, usually for the upcoming budget year.
4. **Reinvestment:** Any returns exceeding the payout rate are reinvested to grow the principal and offset inflation.

Approved at the Executive Committee meeting on April 14, 2026

Approved by the Board of Directors on April 28, 2026