

**United Way of Henry County & Martinsville  
Endowment Policies**

**Board Approval:** October 19, 2016

**Purpose:** An endowment is set up by investing money for the purpose of generating income from the principal. For United Way, funds contributed to **United Way's Endowment Fund will either be permanently donor-restricted or board-designated.** Board-designated are unrestricted funds.

**Endowment Investment Policy**

Unless gift restrictions indicate otherwise, the Board wants the assets of the endowment invested for long term growth. Endowment assets should be invested in a diversified portfolio of investment grade stocks and bonds or mutual funds of investment grade stocks and bonds.

Because of the time and expertise required to manage these assets, the Board shall engage a professional investment manager. As part of that engagement process, the Finance Committee should make a recommendation to the Board for approval.

Assets from the **board-designated endowment fund may not be distributed until the endowment reaches \$250,000.** In order to qualify as permanently donor-restricted endowed funds, the pledge must be \$25,000 or more and honored within five years. If not, the fund will become board-designated endowment funds.

**Endowment Spending Policy**

For board-designated endowment funds, the amount for distribution will be recommended by the Finance Committee to the Board. Prior to making this recommendation to the Board, the Finance Committee will adhere to the following spending guidelines:

Spending from the endowment is calculated on an annual basis based on the end of year market value of the endowment in each of the proceeding three years. The spending rate of five percent is applied to the three year average market value and is not expected to exceed five percent unless approved by the Board.

United Way recognizes that to retain and enhance the purchasing power of the endowment and to create a sustainable funding source , the endowment needs to focus on long term capital appreciation as well as inflation protections; therefore, the Board has set a spending rate of four percent to support its long term financial objectives. The Board has the discretion to adjust the spending rate between three to five percent.

A drawdown from the endowment shall occur only in a severe economic downturn with two-thirds of the Board of Directors duly elected.

**Board-designated endowment funds** shall only be distributed upon the endowment’s fund reaching \$250,000. For **permanently donor-restricted funds**, distribution of funds will be determined upon an agreement with donor and the Board.

**Uniform Prudent Management of Institutional Funds Act (UPMIFA) Compliance in Virginia**

On March 3, 2008, Virginia’s passed into law UPMIFA (HB 951) to govern endowment funds in the Commonwealth and provide standards of conduct for managing and investing these funds. The Board recognizes that UPMIFA requires that it manage and invest the endowment in good faith and with the care of a prudent person in a fiduciary capacity would exercise, and that United Way is required to diversify the endowment assets. Also, UPMIFA prudence standards are subject to the intent of the donor.

Furthermore, UPMIFA allows the Board to interpret its spending policy consistent with United Way’s needs. The seven factors identified by UPMIFA are covered in the aforementioned policies:

- The duration and preservation of the endowment funds
- 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 the appreciation of investments
- Other resources of the organization
- The investment policy of the organization

United Way’s Executive Director, with guidance from a retained Investment Manager, will monitor and adhere to any modifications of the Code of Virginia as it pertains to UPMIFA.

**Summary of Endowment Responsibilities and Frequency of Oversight**

United Way Board	United Way Finance Committee	United Way Executive with Retained Investment Manager
Strategic Policy  Disbursement Approval  Investment Manager Approval  Conflict of Interest Policy (as detailed in the Board of Directors Responsibilities and Expectations)	Investment Policy & Strategy Oversight  Investment Manager Selection  Quarterly Performance Monitoring	Investment Policy & Strategy Implementation  Investment Manager Evaluation  Performance Reporting
Annual 30 days after year-end	Quarterly or Semi Annual	Monthly or Quarterly