

Old Westbury College Foundation, Inc.

Disbursement of Invested Funds Policy

Effective June 11, 2010

The objective of this policy is to allocate the total investment income of the Foundation between current spending and reinvestment for future earnings. This policy seeks to achieve a balance between providing support for the College's current programs while ensuring future endowment earnings. A secondary objective of this spending policy is to provide a relatively predictable, constant and stable stream of earnings for current use.

All endowed funds established through the Foundation will remain the property of the Foundation and invested under the approved investment policy of the Foundation Board. Donors should be advised that the Foundation will not manage or invest endowed funds for the benefit of external entities or donor(s) without the express approval of the Executive Committee of the Foundation. On the rare occasion that a special exception must be made to any endowment policy, the Executive Director will recommend and communicate the exception to the appropriate Board committee for approval.

Some endowments are subject to donor instructions that control how much investment income can be spent. These endowments are not governed by this spending policy.

SPENDING OF FUNDS HELD AS ENDOWMENT

Types of Endowment:

Endowments are classified as permanent, term or quasi endowments.

- a. **Permanent (True) Endowments:** Donor specifies principal is to be invested and maintained inviolate and in perpetuity; only the income distributions may be expended.
- b. **Term Endowments:** Similar to permanent endowment funds except after the expiration of a stated period of time or occurrence of a specified event, all or part of the principal may be expended depending on donor wishes.
- c. **Quasi Endowments:** Quasi endowment funds are funds functioning as an endowment that are established by the Foundation from either donor or institutional funds, and will be retained and invested rather than expended. The quasi endowment must retain the purpose and intent as specified by the donor or source of the original funds, and earnings may be expended only for those purposes. Since quasi endowments are established by the institution rather than by an external source, the principal and income may be expended as stipulated by the donor or at the discretion of the Foundation board.

Endowment accounts cannot be opened or named for unrealized bequests, revocable trusts or unrealized life insurance policy gifts. In the case of gifts of stock, real estate or other tangible assets, the Foundation must sell the assets prior to establishing the endowment. Under extraordinary circumstances, the Board of Trustees may, in its discretion, decide to hold tangible assets and use other liquid resources to fund an endowment.

Disbursement of Funds Held as Endowment

Once an endowment account is opened, no spending distributions may be made from the endowment until the end of the following fiscal year, however, investment performance will be credited to the endowment account. Investment performance will be credited based on actual investment return for that fiscal year minus any fees. Distributions are only posted annually.

Endowments above their corpus

A spending formula governs the portion of total return made available each year for use by endowment accounts with the objective of maintaining purchasing power relative to inflation. Under current policy, the Finance Committee of the Board of Trustees shall allocate annually no less than 2% and no more than 5% of the twelve quarter average of the carrying value of an endowed fund to be transferred to a spending account for each endowment until such a time that such action would invade the corpus of the fund.

The carrying value of an endowment account is equal to the endowment account's opening balance, increased or decreased by the annual portfolio appreciation or depreciation, less the annual management fee and less funds spent from the account in prior years.

Endowments below their corpus

For endowments that are below their historic dollar value or corpus ("underwater"), only realized earnings, i.e. interest and dividends, are available for spending in accordance with the terms of the New York State Uniform Management of Institutional Funds Act (UMIFA).

SPENDING OF UNRESTRICTED INVESTMENT PROCEEDS

In addition to endowed funds, the Foundation will invest a portion of temporarily restricted and unrestricted funds to generate additional income to support Foundation and College programs and priorities.

Via this policy, the Board of Trustees' approves an annual distribution from earnings not to exceed 5% of the carrying value of invested funds to help offset administrative costs and to fund programmatic priorities of the College.