University of Wyoming Foundation

Spending Policy

Current weighting and percentages: Weighted average comprised of 60% of the prior year’s spending as adjusted for inflation (3%) and 40% of the amount fair market value of the fund as of December 31st times the spending rate of 4%.

**SAMPLE CALCULATION**

<table>
<thead>
<tr>
<th>Gift Value:</th>
<th>$1,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflation Rate:</td>
<td>3%</td>
</tr>
<tr>
<td>Prior Year Spending:</td>
<td>$43,000</td>
</tr>
<tr>
<td>Payout Rate</td>
<td>4%</td>
</tr>
<tr>
<td>Market Value as of December 31st:</td>
<td>$1,049,000</td>
</tr>
</tbody>
</table>

\[
.60 \times (1.03) \times 43,000 + 0.40 \times (0.04) \times 1,049,000 = \\
26,574 + 16,784 = \text{ }43,358
\]

There is a one year investment period where the earnings are returned to the fund before spending begins. This allows the budget authority time to plan and the fund time to have a solid base.

In the event an endowment falls underwater by greater than 20% of its historic dollar value (the aggregate value of all contributions to an endowment fund), the UW Foundation will perform an in-depth analysis of the fund in order to determine the viability of suspending spending distributions until the value of the fund goes back above the 20% level referred to above. This analysis will include, but not be limited to, the following factors:

- Level of impairment of the fund
- Discussions with the appropriate dean or department head
- The need of the affected fund for continued support
- Cash balance available for use by the affected fund
- Consultation with donor (if possible)
- Identification of any temporary alternative funding sources
University of Wyoming Foundation

Spending Policy Continued

UW Foundation Account Sweeping Policy

The University of Wyoming Foundation Board of Directors adopted a policy regarding unused balances in funds that have more than two years’ distributions accumulated. That policy is as follows:

The term “sweep” means all unencumbered monies held at the UW Foundation in expendable income related to endowments will be reviewed by the university for possible transfer of the overage into the corpus of the endowment. Exceptions will be allowed when a business plan is approved by the Office of Academic Affairs for accumulating and using a greater amount. This sweep will only involve prior years’ unspent earnings and will take place as of July 1st each year, the beginning of the new fiscal year. Please be aware that funds that are swept and reinvested are no longer available to spend.

The purpose of account sweeping is to encourage account holders to thoughtfully analyze their current needs and to reinvest as much income as possible in the endowment accounts, thereby encouraging growth in the base of the endowment, which in turn will enhance the future distributions as a curb against inflation and the loss of purchasing power over the years.