

# Chanco Foundation

## Endowment Fund Payout Policy

### I. INTRODUCTION

The purpose of this statement is to define Chanco Foundation's policies for its endowed funds and for annual endowment fund distributions.

### II. DEFINITIONS

1. ***Permanently Restricted Endowed Funds.*** Permanently Restricted Endowed funds consist of gifts and contributions for which the donor has specified that the principal remains intact and not be invaded for any purpose. Permanently Restricted Endowed funds provide a permanent source of income to Chanco. Income derived from these funds may be unrestricted or may be temporarily restricted by the donor.
2. ***Term Endowed Funds.*** Term Endowed funds consist of gifts and contributions for which the donor has specified that after a specified time or event has occurred, the principal may be expended. Income derived from these funds may be unrestricted or may be temporarily restricted by the donor.
3. ***Board Designated Endowed Funds.*** Board Designated Endowed funds consist of unrestricted assets the Board of Trustees has designated as endowed. These funds are segregated from permanently or term endowed funds because at any time, the board could vote to expend these funds (principal and earnings).

### III. BACKGROUND

A primary purpose for an organization to develop and maintain endowed funds is for long-term financial stability and cash flow. Since endowed funds represent long-term assets, generally, endowed funds are invested in the financial markets with long-term objectives. However, market volatility often poses problems for organizations desiring and needing consistent distributions. As a result, a measured approach that maintains and builds principal, by limiting annual payout, is recommended. Building corpus provides a hedge against inflation and market volatility and provides consistent funds availability.

### IV. DISTRIBUTION POLICY

1. **Permanently Restricted Endowed Funds:** Not more than 5% of the average net asset value of the three immediate prior years as measured at December 31 of each year of Permanently Restricted Endowed funds will be distributed.
2. **Term Endowed Funds:** Generally, the distribution policy for Term Endowed funds will be set by the donor. However, if the donor does not specify how these funds will be used at the end of the term, or the donor specifications are unable to be fulfilled, the Board of Trustees will determine how these funds will be used.

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3. Board Designated Endowed Funds: Board Designated Endowed funds are specified by the Board of Trustees and the distribution shall remain subject to their discretion.

### V. RECOMMENDATIONS FOR REVISIONS TO THIS POLICY

Recommendations for revisions to this policy must be submitted to the Chanco Foundation Board of Trustees for approval.