



Endowment Policy

Revised policy approved by Board of Directors on Feb. 25, 2025

INTRODUCTION

Purpose: An Endowment helps secure the long-term success and financial stability of the Boulder Library Foundation. The purpose of the Endowment is to provide a reliable source of permanent, ongoing revenue to compliment annual fundraising efforts. An Endowment is to be understood as separate and distinct from a Board-Directed Reserve Fund (or 'quasi-endowment').

Definition: Endowment assets are defined as such by Donor designation. Assets accepted by the Boulder Library Foundation with this understanding (e.g. per Donor instruction) must be permanently restricted to the Endowment. Upon receipt, these Endowment assets become 'Institutional Funds,' subject to regulation by the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA).

Legal Context: As adopted by the State of Colorado, the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA) provides a regulatory framework for non-profit organizations in the management and stewardship of Institutional Funds. As brief summary:

- *UPMIFA provides guidance and authority to charitable organizations concerning the management and investment of funds held by those organizations, and UPMIFA imposes additional duties on those who manage and invest these charitable funds. These duties provide additional protections for charities and also protect the interests of donors who want to see their contributions used wisely.*
- *UPMIFA modernizes the rules governing expenditures from endowment funds, both to provide stricter guidelines on spending from endowment funds and to give institutions the ability to cope more easily with fluctuations in the value of the endowment.*
- *UPMIFA updates the provisions governing the release and modification of restrictions on charitable funds to permit more efficient management of these funds.*

The Boulder Library Foundation will adhere to UPMIFA guidelines (or successor legislation) when managing its Endowment.

MATTERS OF PRACTICE

Investment of Endowment Assets: Endowment assets will remain permanently invested to support the long-term success and financial stability of the Boulder Library Foundation.

Administrative and Investment Fees: All invested funds will be annually charged a 1% Administrative Fee and will be charged their proportional share of any investment fees incurred by the Foundation.

General (Unrestricted) Endowment – Spending Policy: The annual distribution from the General Endowment will be up to 5% of total assets, as determined by the Boulder Library Foundation's Board of Directors. The Board will consult with UPMIFA prior to deviating from this established distribution rate.

Named Endowed Fund: A Donor may also create a *Named Endowed Fund* with a donation of \$50,000 or more. The Donor and the Boulder Library Foundation will create an *Endowed Fund Agreement* to document the Fund's terms and purpose, including its spending policy. An Endowed Fund's purpose must be

consistent with the mission of the Boulder Library Foundation. The Board of Directors will ensure the terms and conditions of each *Named Endowed Fund* are honored in full.

Named Endowed Fund – Spending Policy: When establishing a *Named Endowed Fund*, the Boulder Library Foundation will encourage the Donor to allow an annual distribution of up to 5% of total Fund assets. However, the Boulder Library Foundation will anticipate situations in which a Donor may negotiate a different distribution/spending rate.

BOARD-DIRECTED RESERVE FUND

Sometimes called a “quasi-endowment,” the Boulder Library Foundation may establish a Board-Directed Reserve Fund that functions similarly to an Endowment. However, a Board-Directed Reserve Fund exists at the sole discretion of the Board and is **not** governed by UPMIFA. The intent of many “quasi-endowment” funds is to utilize investment earnings for specific or general purposes, while also retaining the right under pre-defined circumstances to invade the principal if/as needed.

For a Board-Directed Reserve Fund, the annual distribution will be up to 5% of the corpus, as valued on December 31st of the preceding year. Distributions above 5% are permitted, but only when a significant organizational need or opportunity arises. An excess distribution will require a 75% majority vote by the Board of Directors.

In all situations, a Donor’s instruction or reasonable expectation will determine whether a gift is designated as permanent Endowment, or if greater flexibility might be available. The Boulder Library Foundation’s auditors can be a helpful resource in resolving any uncertainty with respect to Endowment assets.

CLARIFYING DONOR INTENT

As helpful context, the Boulder Library Foundation recognizes that language promising/promoting “*legacy, permanence, endowment, perpetuity, future support*” (or similar language) is understood to be a direct or indirect solicitation for a permanent Endowment gift. Administering them as such will help ensure the Boulder Library Foundation adheres to the highest ethical and fiduciary standards, while simultaneously avoiding any appearance of using an estate gift in ways that could be deemed inconsistent with a Donor’s understanding or expectation.

Whenever possible, the Boulder Library Foundation will work with prospective Donors in advance to clarify donative intent regarding a Planned Gift. Whether in conversation or via a written gift agreement, clarifying a Donor’s wishes will help minimize any potential future uncertainty regarding the purpose of a gift. However, it is also acknowledged that some Donors will maintain anonymity when creating an estate gift, and the Boulder Library Foundation may not become aware of a gift until the donor’s estate is being settled.

Anticipating future situations where donative intent cannot be clarified in advance of a gift, the Boulder Library Foundation will utilize ‘good faith’ disclosure language when marketing Planned Gifts to potential donors. The following disclosure can provide guidance to a Donor considering a Planned Gift through his/her estate:

“In the absence of specific instruction, please know the Boulder Library Foundation will use your gift in the area of greatest need.”

In all cases, the Boulder Library Foundation’s audit team can be a helpful resource in resolving any uncertainty with respect to donor intent or a gift’s purpose.