

USMF FOUNDATION

April 21, 2011

MEMORANDUM

To: Beneficiaries of USMF Endowment Funds

From: Pamela Purcell
Action Vice President for Finance and CFO

Re: FY 12 Spendable Income

The Spending Policy Committee met earlier this year to discuss the spending rate for FY 12. As always, the committee's charge is to balance intergenerational equity with the need for a predictable stream of income. After extensive deliberations the Committee recommended and the Full Board approved a spending rate of 4.5% for FY 12.

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) was adopted in Maryland in 2009. It provides that all expenditures from endowments should be prudent and gives guidelines with respect thereto. The Board of Directors has decided, as a matter of policy, that funds which are 'underwater' (funds whose market value is less than the original gift amount) should not generate spendable income unless a specific request is made, the donor is consulted, if possible, and justification, in light of UPMIFA, is shown. If you would like to request spendable income from an underwater fund, please call me to review the process. My direct line is (301) 445-2720 and my e-mail address is ppurcell@usmd.edu.

Most MOUs provide a minimum threshold for the endowment fund. No spendable income will be generated from an endowment fund until the fund has reached the threshold amount and has been invested for a full year as of July 1 after reaching the threshold amount. In addition, new funds will not generate spendable income until they have been invested at least one full year as of July 1.

The full Spending Policy can be found on our website at www.usmf.org.