

**POLICY FOR NONPROFIT ENDOWMENT FUNDS
OF
AMERICAN ASSOCIATION OF NEUROPATHOLOGISTS**

The American Association of Neuropathologists (“Association”) has adopted the following policy governing its Endowment fund that has been established to support its mission.

I. DEFINITION OF TERMS

- A. Endowment – An Endowment is an established fund of cash, securities or other assets set aside in perpetuity to provide long term funding.
- B. Types of Endowment Funds
- General Endowment – Intended to be for the long-term support of the Association. Distributions shall be unrestricted and used for any purpose to further the mission of the Association, including operating expenses.
 - Named Endowment (Unrestricted) – Part of the General Endowment, distributions from a Named Endowment (Unrestricted) shall be unrestricted and used for general purposes. Donors are provided with the opportunity to permanently name the fund.
 - Named Endowment (Restricted) – Distributions from a Named Endowment (Restricted) shall be restricted and used for specific purposes as outlined in the gift document. Donors are provided with the opportunity to permanently name the fund.

II. EXECUTIVE COUNCIL APPROVAL – This policy was accepted by the Association’s Executive Council. Future modification, if any, requires the approval of the Executive Council. Without further approval by Executive Council, the Executive Director is authorized to act on behalf of the Association in establishing Endowments in accordance with the terms set forth in this policy.

III. OPERATION OF THE ENDOWMENT – Except as modified by the terms in this document, the Association’s Endowments will be managed and operated in accordance with the Uniform Prudent Management of Institutional Funds Act, hereinafter referred to as “UPMIFA”. UPMIFA provides guidance on investment decisions and Endowment expenditures for nonprofit and charitable organizations.

IV. MINIMUM – There shall be no minimum amount necessary to establish the AANP Endowment or for additions to the AANP Endowment. The minimum amount to establish a Named Endowment (Unrestricted or Restricted) is \$100,000. This minimum amount can be accumulated over a period of up to three years, during which time the funds will be accounted for as a restricted contribution (unless the amount is pledged).

V. DESIGNATION – All contributions to the Association’s Endowment are received as contributions to the AANP Endowment unless otherwise specified by the donor. Contributions **MUST** be designated to the Endowment by the donor prior to the funds being added to the Endowment. Absence of a donor designation does not mean that the contribution can be directed to the Endowment. Otherwise unrestricted donor contributions cannot be restricted by the Association.

- VI. VARIANCE POWER** – The Executive Council shall have the power to modify any restriction or condition imposed by a donor on the investment or distribution of assets if, in the sole judgment of the Executive Council, such restriction or condition becomes illegal, unnecessary, uneconomical, impossible to perform, or inconsistent with the mission of the Association, and such modification would more effectively serve the mission of the Association taking into consideration the wishes of the donor. In the unlikely event that this becomes necessary, the donor(s) will be notified and provided with 30 days’ notice to object to any such modification. The absence of any explicit objection to such modification will be deemed approval on the date following 60 days from the date of notice. If a donor explicitly objects to the modification, the Association will notify the Attorney General of the State of Colorado in accordance with UPMIFA guidelines.
- VII. DISTRIBUTIONS** – Distributions from any Endowment shall be made in accordance with the Association’s Investment Policy Statement.
- VIII. APPROVAL OF DISTRIBUTIONS** – The Association will approve distributions of each Endowment fund on an annual basis as part of its annual budget process. Such distributions will be consistent with terms of this Endowment Policy, the Association’s Investment Policy, and the relevant gift document.
- IX. FEES** – In order to assist the Association in funding the Endowment’s administrative costs, the Association is authorized to annually transfer to its unrestricted fund 0.75% of the Named Endowment (Restricted) Fund and 0.50% of the General Endowment or Named Endowment (Unrestricted) Funds.
- X. INVESTMENT OF ENDOWMENT** – The Endowment funds will be invested in accordance with the Association’s Investment Policy Statement.
- XI. OTHER EXPENSES** – An Endowment fund may require additional professional services and administrative support from time to time which are over and above normal administrative costs. Each fund shall be charged for any out-of-pocket expenses incurred directly by that Endowment fund. Such additional costs may include consulting, legal, accounting, marketing and other fees for professional services incurred to support a specific Endowment fund, or the processing of an unusually large number of disbursements or gifts
- XII. REPORTING** – The Association shall produce and publish a financial statement for the Endowment(s) at least annually. These financial statements shall be presented in accordance with Generally Accepted Accounting Principles (GAAP).
- XIII. TERMINATION** – If the Association ceases to exist with no successor, or if the Trust ceases to qualify as a public charity as defined in Section 170(b)(1)(A) of the Internal Revenue Code, and such condition is not cured within 30 days, then the assets of each Endowment Fund shall be distributed to a public charity with a similar mission to that of the Association and in accordance with any current federal, state and local laws as in effect at the time of distribution.
- XIV. AGREEMENT** – All Nonprofit Endowment Funds shall be established pursuant to a written agreement between the Association and the donor, and all Nonprofit Endowment Funds shall be subject to the AANP’s bylaws and this policy, as amended from time to time.

PROCEDURES

In accordance with the bylaws, the Executive Council has appointed, the Finance and Investment Committee to oversee the management of any Endowment or Restricted Funds accepted by the Association.

The Association will establish and maintain an “AANP Endowment Fund” account into which restricted funds received by the Association will be placed and invested for the benefit and mission of the AANP.

The Executive Council may create an advisory committee or committees to make recommendations on the disbursement of the funds. The Executive Council will carefully consider all such recommendations and the final decision will remain with the Executive Council in accordance with the law.

The Executive Council will periodically determine the proper allocation of income as well as comingled (for investment) of restricted funds, any suitable allocation of expenses to such fund, the investment of such fund, and all other accounting and legal matters regarding such restricted funds.

The Endowment Policy of the AANP has the authority to accept gifts of cash, stock, bonds, and other securities, including certain private and restricted stock.

The AANP reserves the right to solicit funds for the restricted accounts at their sole discretion.

This policy does not affect the right and responsibility of the Executive Council to decline or accept any restricted fund or gift, in the best interests of the Association, at its sole discretion.

MANAGEMENT AND INVESTMENT OF THE ENDOWMENT

Endowment funds are intended to supply consistent sources of income for AANP programs. The investments are managed to maximize the return of principal while adhering to prudent fiscal guidelines.

A. Investment objectives for Endowments are as follows:

1. Providing a steady and reliable flow of income for ongoing operations and programs.
2. Growth and appreciation of the Endowment for AANP over time as well as protection from inflation erosion of Endowment principal.

B. The management of the Endowment will be guided by the following:

1. The AANP to implement specific investment procedures that will include asset allocations, prohibited securities, performance measurement, etc.
2. A long-term investing approach will be adopted; high-risk securities will be avoided.
3. To balance the effects of inflation as well as continue building Endowment principal, less than 3-5% of the total market value of Endowment principal will be expended annually. The original principal balance will be preserved.

Spending Policy And How The Investment Objectives Relate To Spending Policy

With respect to the General Endowment, the Association has adopted a policy of appropriating for distribution 3 to 5 percent of its Endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned; provided that in no event shall any such distribution be made if, taking into account such distribution, the remaining Endowment fund value would not equal or exceed an amount equal to (i) the aggregate initial principal amount of all donations made or designated to such Endowment fund, plus (ii) an aggregate assumed annual interest rate of 3% (commencing January 1, 2018, it will be 1% over the Consumer Price Index), compounded annually, on such principal amounts calculated from the respective dates of donation or designation. In establishing this policy, the Association considered the long-term expected return on its Endowment. Accordingly, over the long term, the Association expects the current spending policy to allow its Endowment to grow at an average of 1 percent over the Consumer Price Index annually. This is consistent with the Association's objective to maintain the purchasing power of the Endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return. Appropriations may be distributed pursuant to the Association's current-year expenditure budget on an annual basis. Alternatively, amounts appropriated in a given year may be accumulated with funds appropriated in subsequent years to fund larger planned program initiatives in accordance with the Association's charitable purposes. The original corpus and the earnings not available under the spending policy are reflected as long term investments.

4. In managing Endowment principal and income, AANP will consider its near and long-term financial needs and will not be solely driven by short-term spending needs.

CONFIDENTIALITY

The needs and concerns of the Donor will be considered

- A. **Protection of Donor's Interests**: The AANP and staff representatives will always consider the interests of its donors as the priority in the gift planning process. This will include, but not be limited to, the donor's financial situation, as well as any tax or other legal matters discovered by our representatives prior to acceptance of a gift.
- B. **Confidentiality**: Information learned by any representative of the AANP about a donor or the donor's assets will be held in strict confidence.

REVISION AND/OR DONOR AMENDMENT OF ENDOWMENT POLICIES

These policies are subject to periodic review by the Executive Council and may be amended from time to time by majority vote of the Executive Council.