

## McCune Foundation Endowment Policy

The McCune Foundation takes seriously its obligations as a philanthropic organization in serving and being responsive to both the intentions of the donor and the needs of the community to ensure that resources are expended and accounted for in a prudent manner.

It is incumbent that endowment recipients preserve, maintain, and grow the asset, while exercising good management and discipline in restricting the use of endowment income to its originally intended purpose(s). This stewardship is particularly important as the endowment grant represents a transfer of principal assets from the Foundation for the long-term use of the organization. ***To this end, we expect to see prudent investment policies and practices proportionate to the endowment's size. This will be the focus (along with the programmatic aspects) of our evaluation of this grant. It is our expectation that we will see a proper balance between fiduciary oversight activities and investment fees and expenses. We hope to find that attention is given to returns net of all fees and expenses and that investment decisions are based on comparisons between net returns and benchmark indexes and, where appropriate, the employment of passive, low fee investment vehicles.***

Our endowment grant policy has five components:

1. The McCune Foundation endowment grant must be treated as a permanently restricted fund and evidenced as such in the recipient's financial statements. The endowment grant shall be treated as a fund subject to the restrictions set forth in 15 P.C.S. Section 5548 [c], regardless of the state of the incorporation or operation of the recipient organization. The endowment grant shall be segregated on the books and records of the recipient organization to the extent necessary to ensure that all conditions herein are satisfied.
2. Any recipient organization subject to Pennsylvania law must make the election under 15 P.C.S. Section 5548 [c] with respect to a total return investment policy and spending policy with respect to all of its restricted endowment funds. A copy of the resolution making such election and the recipient's investment policies shall be provided to the McCune Foundation as soon as possible after receipt of the funds.
3. The endowment grant provided by the McCune Foundation shall not, under any circumstances, be pledged as collateral for loans, bonds, or other debt instruments, and shall remain free from any and all liens and encumbrances.
4. The McCune Foundation imposes a separate spending policy on any endowment grant provided by the McCune Foundation. Notwithstanding the spending policy elected under 15 P.C.S. Section 5548 [c] with respect to other restricted funds of the recipient organization, the recipient organization may not expend, in any one year, more than 5 percent of the value, including any appreciation, of the endowment grant provided by the McCune Foundation, with the value to be determined by averaging the value of the endowment grant over a

three year period. The recipient organization must use the same averaging convention that it generally employs for purposes of 15 P.C.S. Section 5548 [c]. The recipient organization may also use the endowment grant funds to satisfy annual investment expenses with respect to the endowment grant, which investment expenses shall not exceed the lesser of the actual expenses incurred by the recipient organization, or one half of one percent of the value of the endowment grant, determined as set forth for the 5 percent limitation.

5. Reporting on these conditions shall be in effect for a period of up to **ten years** from the date of the Foundation's grant payment. If the recipient organization fails to comply with the above conditions, or if the recipient organization sells substantially all assets or ceases to exist, for whatever reason within such ten year period, then the Foundation may request the return of its endowment grant funds, including any appreciation thereon. The endowment grant is intended to be an endowment to fund the specific program activity described in the grant notification letter, and there is no intent to provide ongoing support to an organization other than the recipient organization. If the reporting period extends beyond 2029, McCune Foundation reserves the right to appoint a designee to receive the additional reports and, if necessary, exercise the Foundation's right to recall the grant if this policy has been violated.

Effective: February 2014

**§ 5548. Investment of trust funds.**

**(a) General rule.**--Unless otherwise specifically directed in the trust instrument, the board of directors or other body of a nonprofit corporation incorporated for charitable purposes shall have power to invest any assets vested in the corporation by such instrument or the proceeds thereof separately or together with other assets of the corporation, in the manner authorized for fiduciaries by 20 Pa.C.S. Ch. 72 (relating to prudent investor rule), and to retain any investments heretofore so made. Any such nonprofit corporation may, by appropriate action of its board of directors or other body, keep any investments or fractional interests in any investments, held by it or made by it, in the name of the corporation or in the name of a nominee of the corporation.

**(b) Use and management.**--Except as otherwise permitted under 20 Pa.C.S. Ch. 77 (relating to trusts), the board of directors or other body shall apply all assets thus received to the purposes specified in the trust instrument. The directors or other body shall keep accurate accounts of all trust funds, separate and apart from the accounts of other assets of the corporation.

**(c) Determination of income.**--

(1) Unless otherwise specifically directed in the trust instrument, the board of directors or other body may elect to be governed by this subsection with respect to assets thus received, including any participation in any common trust fund.

(2) To make an election under this subsection, the board of directors or other body shall adopt and follow an investment policy seeking a total return for the assets held by the corporation or in the name of a nominee of the corporation or by an institutional trustee pursuant to section 5549 (relating to transfer of trust or other assets to institutional trustee), whether the return is to be derived from capital appreciation, earnings or distributions with respect to the capital or both. The policy constituting the election shall be in writing, shall be maintained as part of the permanent records of the corporation and shall recite that it constitutes an election to be governed by this subsection.

(3) If an election is made to be governed by this subsection, the term "income" shall mean a percentage of the value of the assets so held by or for the corporation. The board of directors or other body shall in a writing maintained as part of the permanent records of the corporation annually select a percentage and determine that it is consistent with the long-term preservation of the real value of the assets, but in no event shall the percentage be less than 2% nor more than 7% per year.

(4) The board of directors or other body may revoke an election to be governed by this subsection if the revocation is made as part of an alternative investment policy seeking the long-term preservation of the real value of the assets thus received. The revocation and alternative investment policy shall be in writing and maintained as part of the permanent records of the corporation.

(5) For purposes of applying this subsection, the value of the assets of the corporation shall be the fair market value of the assets so held by or for the corporation, determined at least annually and averaged over a period of

three or more preceding years. However, if the assets have been held for less than three years, the average shall be determined over the period during which the assets have been held.

**(d) Scope of section.**--This section shall apply to assets hereafter received pursuant to section 5547 (relating to authority to take and hold trust property), to assets heretofore so received and held at the time when this article takes effect and to reinvestments of all such assets.

**(e) Definition.**--(Deleted by amendment).  
(Dec. 21, 1988, P.L.1444, No.177, eff. Oct. 1, 1989; Dec. 21, 1998, P.L.1067, No.141, eff. imd.; June 25, 1999, P.L.212, No.28, eff. 6 months; Oct. 27, 2010, P.L.837, No.85, eff. 60 days; July 9, 2013, P.L.476, No.67, eff. 60 days)

**2013 Amendment.** Act 67 amended subsec. (b).

**1999 Amendment.** Act 28 amended subsec. (a).

**1998 Amendment.** Act 141 amended subsecs. (b) and (c) and deleted subsec. (e). Section 4 of Act 141 provided that the amendment of subsecs. (b), (c) and (e) shall apply to all trusts, whether created before, on or after the effective date of Act 141.

**1988 Amendment.** Act 177 amended subsec. (d).

**Cross References.** Section 5548 is referred to in sections 5549, 5585 of this title.