

Society of Cardiovascular Anesthesiologists Endowment

Spending Policy and Standard Operating Procedure

I. Rationale

A clear and consistently applied endowment spending policy supports the Society of Cardiovascular Anesthesiologists' (SCA) ability to fulfill its mission and ensure the long-term sustainability of its Endowment. This policy establishes a framework that promotes strategic financial stewardship, protects the endowment's principal, and enables reliable funding for programs that advance the Society's goals.

Specifically, this spending policy is designed to:

- **Preserve Financial Sustainability:** Protect the long-term value of the endowment by implementing disciplined, structured withdrawal practices that maintain the purchasing power of invested assets.
- **Support Strategic Priorities:** Ensure stable, predictable funding for key initiatives – including research grants, leadership development, and education programs – regardless of short-term market fluctuations.
- **Build Donor Confidence:** Promote transparency, consistency, and alignment with SCA's mission and objectives, thereby strengthening trust among donors and stakeholders.
- **Mitigate Market Volatility:** Incorporate a methodology to help smooth out the effects of market fluctuations and maintain consistent support for organizational priorities during periods of economic uncertainty.

II. Purpose

The purpose of this policy is to establish guidelines for the prudent management and spending of the Society of Cardiovascular Anesthesiologists' (SCA) Endowment funds. This policy sets out to ensure that the endowment supports SCA's mission while maintaining its long-term financial stability and growth.

This spending policy outlines a sustainable approach for managing withdrawals from the SCA Endowment. The policy aims to ensure the Society reaches a financial

"critical mass" before implementing a formulaic spending approach accounting for current market conditions.

III. Scope

This policy applies to all restricted and unrestricted endowment funds held by the SCA Endowment. It governs SCA Endowment funds available for annual spending decisions made by the SCA Board of Directors, SCA Finance Committee, and relevant staff responsible for financial oversight.

The following SCA Foundation Endowment Fund Policies and Procedures are in compliance with 1) The SCA Bylaws, 2) Initial SCA Foundation Deed of Gift, and 3) rules related to the Louisiana non-profit corporation exempt from Federal income tax under Section 501(c)(3) of the Code, and 4) Louisiana Uniform Prudent Management Institutional Funds Act (LUPMIF).

IV. Policy Statement

The SCA is committed to preserving the purchasing power of its Endowment while providing a sustainable funding source for organizational initiatives. Endowment annual available spending will be conducted in accordance with donor restrictions (if applicable), and best practices in nonprofit financial management.

V. Spending Guidelines

1. Financial Threshold

The SCA's Endowment Funds should reach a financial threshold of at least \$1,000,000 before instituting a formulaic spending approach. Until this threshold is met, all withdrawals must be based on specific project needs and require approval from the Endowment Committee and SCA Board of Directors.

2. Annual Spending Plan

Once the financial threshold is met, the Society may adopt a spending plan similar to the Yale Endowment model. This plan aims to balance current operational support with the preservation of the Endowment's value.

The key components of the plan are as follows:

- **Target Spending Rate:** Apply a target spending rate of 5% to the Endowment's value from two years ago.
- **Smoothing Rule:** Add 20% of the calculated amount to 80% of the previous year's spending.
- **Inflation Adjustment:** Adjust the total amount for inflation.
- **Spending Cap:** Apply a cap of 6.5%.

Example of Smoothing Rule:

- **Assumptions:**
 1. *Endowment balance 2 years prior = \$1,700,000*
 2. *Prior year spending from Endowment = \$50,000*
 3. *Inflation last 12 mos. = 3%*
- **Steps**
 1. **Target spending rate**
 - $\$1,700,000 \times 5\% = \$85,000$
 2. **Smoothing Rule**
 - $(\$85,000 \times 20\%) + (\$50,000 \times 80\%) = \$17,000 + \$40,000 = \$57,000$
 3. **Inflation Adjustment**
 - $\$57,000 \times (1 + .03) = \$58,710$
 - $\$58,710$ is calculated spending amount
 4. **Spending Cap**
 - $Cap = \$1,700,000 \times 6.5\% = \$110,500$

Outcome – The calculated spending amount of \$58,710 is below the calculated cap and is therefore appropriate for the current year.

3. Purpose of the Smoothing Rule

The smoothing rule is designed to protect the Endowment's value by adjusting spending based on short-term market fluctuations. This approach allows for greater spending when the Endowment's value is high and reduced spending when the value is low, thereby cushioning the impact of short-term market changes.

4. Goals of the Spending Plan

The spending plan aims to achieve the following goals:

1. Stable and Predictable Funding: Provide stable and predictable funding for SCA Endowment projects.
2. Inflation Protection: Protect the Endowment's value against inflation.
3. Preservation of Purchasing Power: Ensure the Endowment's purchasing power is preserved over time.
4. Substantial Current Support: Provide substantial support for current operations.

5. Use of Funds

Endowment distributions will be allocated to the SCA Board according to donor restrictions and board-approved priorities, such as research, leadership development, education, or general operations of the Endowment.

6. Reinvestment of Earnings

Any earnings above the approved spending rate and unused allocated funds will be reinvested to support the Endowment's growth.

7. Temporary Adjustments

In exceptional circumstances (e.g., economic downturns or urgent organizational needs), the SCA Board and SCA Endowment Council may temporarily adjust the spending rate for a finite term, subject to a two-thirds vote of the Board and Endowment Council.

Standard Operating Procedure

Step 1: Annual Review and Calculation

Each July, the SCA Finance Committee in coordination with SCA's financial advisors will calculate annual spending based on section V. 2 of this spending policy. Based on the calculated spending rate, the Endowment Council and Finance Committee will determine and recommend to the SCA Board of Directors the available amount of Endowment funds to be allocated, including the breakdown of funds available according to donor restrictions and organizational policies, for the upcoming fiscal budget year.

Step 2: Board Approval

The recommended spending allocation (e.g., from Step 1) will be presented to the SCA Board of Directors for approval. Any exceptions of adjustments beyond the set spending rate must be documented and require two-thirds Board and Endowment Council votes.

Step 3: Fund Allocation and Disbursement

Approved funds will be transferred from the SCA Endowment investment account(s) to the designated SCA operating accounts as per the Board-approved budget. The SCA Finance Committee will track all expenditures to ensure compliance with donor restrictions and organizational policies and provide reports back to the Endowment Council.

Step 4: Reinvestment of Unused Funds

On an annual basis, any allocated funds that remain unused (in accordance with donor restrictions and organizational policies) shall be reinvested in the endowment fund.

Step 5: Monitoring and Reporting

The SCA Finance Committee will provide quarterly reports on Endowment performance and spending. An annual endowment report will be prepared for the Board of Directors, including investment returns, fund usage, and compliance with spending policies.

Step 6: Adjustments and Policy Review

The SCA Endowment Council and SCA Board of Directors will review the spending policy every three years or as needed to ensure alignment with financial goals and external conditions. Any changes to the policy will be approved by a majority vote of the Board of Directors.