



## **ENDOWMENT FUND POLICY**

Tucson Amateur Astronomy Association

The Board of Directors of Tucson Amateur Astronomy Association, an Arizona nonprofit organization, has created an Endowment Fund ("Fund") to support its ongoing operations and programs, to include the costs of maintaining its two TAAA dark sites. It recognizes that the management of the fund should have consistent application of a spending policy, in conjunction with its investment policy. These are essential to the long-term growth and success of the organization and the performance of its endowment funds.

**Governance:** TAAA adheres to the guidelines outlined by the Arizona "Management of Charitable Funds Act" ARS 10-11801 through 10-11806, which was passed to meet standards established by the national Uniform Prudent Management of Institutional Funds Act (UPMIFA). While the State of Arizona and UPMIFA do not require that a specified amount be set aside as principal, TAAA defines "principal" as the full amount of the original gift. TAAA intends to preserve "principal" by maintaining the purchasing power of amounts contributed and may spend "income" by making a distribution each year using a reasonable spending rate.

**Investments:** The board will appoint an investment committee of no less than three members, to include at least one TAAA officer, to oversee the endowment account, its investments and the distribution of assets from the account in accordance with this adopted policy. Among those members, the board will seek to appoint persons with skills in the area of investing. A person that has special skills or expertise, or that is selected in reliance on the person's representation that the person has special skills or expertise, has a duty to use those skills or that expertise in managing and investing TAAA's funds. The investment committee will meet to review the endowment portfolio no less than on a semiannual basis, and report the status of the portfolio, recommend the investments to the board and only follow the board's directions to execute the board's directives.

**Expenditures:** The board may appoint a spending committee which will make its recommendations for spending to the Board prior to the approval of the TAAA annual budget. The committee will make recommendations to the board for spending the income and/or capital appreciation of the endowment fund. TAAA's Board of Directors will then approve the spending from the endowment fund to be executed by members of the investment committee. The board will act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and shall consider, if relevant, the following factors:

- The purposes of TAAA and its endowment funds;
- The duration and preservation of the endowment funds;
- General economic conditions;
- The possible effect of inflation or deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of TAAA; and
- TAAA's Spending and Investment policy.

This spending policy is intended to establish reasonable and prudent spending, on an annual basis, to support TAAA's mission and purpose and may be amended from time to time as the Board of Directors deems appropriate.

**Asset Considerations:** TAAA will accept gifts of cash and marketable securities for the endowment. It will establish such accounts as will enable acceptance of marketable securities by direct transfer from the accounts of donors (enabling the attendant tax benefits for certain donors). TAAA will generally not accept gifts of land, except when the board determines such a gift will have immediate benefits to TAAA's ability to carry out its mission, or when the land is given with the knowledge that the gift will be converted to cash in due time to be invested in the fund.

In the event that a gift contains restrictions as to its use, the board may or may not accept the gift considering the burdens such restrictions may place on the management of the gift, burdens it may place on the administration of the gift or the conformance and appropriateness of the gift and instructions to the mission of TAAA.

**Investments:** Management and investment decisions about an individual asset shall not be made in isolation but shall be made in the context of TAAA Fund's portfolio of investments as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the Fund and to TAAA. TAAA may invest in any kind of property or type of investment consistent with these objectives.

TAAA shall diversify the investments of its Fund unless TAAA reasonably determines that, because of special circumstances, the purposes of the fund are better served without diversification.

Within a reasonable time after receiving gift property, TAAA shall make and carry out decisions concerning the retention or disposition of the property or to rebalance a portfolio in order to bring TAAA's fund into compliance with the purposes, terms and distribution requirements of TAAA as necessary to meet other circumstances of TAAA's objectives.

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**SPENDING AND INVESTMENT POLICY  
FOR TAAA ENDOWMENT FUND  
As of April 2021**

The Tucson Amateur Astronomy Association Board has determined the investment approach in the early stages of growing its endowment, shall be to invest in a low-cost diversified portfolio of large capitalized domestic and international common stocks or investment grade domestic bonds or certificate of deposits through index funds/ETF's, and further will invest the income earned. The portfolio of investments will be targeted at a balance of growth and income oriented investments.

Spending to fund the needs of TAAA from the endowment fund shall be limited until the cost basis of donor contributed funds has grown to over \$10,000 at which time the board may review the spending policy again. On an ongoing basis, the annual capital available from the portfolio that may be spent, shall not exceed 4%.

This current policy may be altered by the board from time to time as the growth of the endowment fund achieves a level able to significantly contribute to the funding needs of TAAA.