



Powerful, Permanent Investment in the Chesapeake

Endowment Policy

May 19, 2021

The Chesapeake Bay Trust ("Trust") has adopted the following policy governing its Endowment fund(s) that have been established to support its long-term grant making abilities.

1. 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 for a specific purpose.

B. Types of Endowment Funds

- General Endowment – Intended to be for the long-term support of the Trust. Distributions shall be unrestricted and used for any purpose to further the mission of the Trust, 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.

2. **Board Approval** – This policy was adopted by the Trust’s Board of Trustees. Future modification, if any, requires the approval of the Board of Trustees. Without further approval by the Board of Trustees, the Executive Director of the Trust is authorized to act on behalf of the Trust in establishing Endowments in accordance with the terms set forth in this policy.

3. **Operation of the Endowment** – Except as modified by the terms in this document, the Trust’s endowments will be managed and operated in accordance with the Uniform Prudent Management of Institutional Funds Act, hereinafter referred to as “UPMIFA”, as adopted and in effect in the State of Maryland from time to time. UPMIFA provides guidance on investment decisions and endowment expenditures for nonprofit and charitable organizations.

4. **Minimum** - There shall be no minimum amount necessary to establish the General Endowment or for additions to the General 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).

5. **Designation** – All contributions to the Trust’s Endowment are received as contributions to the General 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 Trust.

6. **Variance Power** - The Board of Trustees 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 Board of Trustees, such restriction or condition becomes illegal, unnecessary, uneconomical, impossible to perform, or inconsistent with the mission of the Trust, and such modification would more effectively serve the mission of the Trust 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 Trust will notify the Attorney General of the State of Maryland in accordance with UPMIFA guidelines.
7. **Distributions** - Distributions from any Endowment shall be made in accordance with the Trust's Allocation and Spending Policy which is part of the Investment Policy Statement.
8. **Approval of Distributions** – The Board of Trustees 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 Trust's Spending Policy and the relevant gift document.
9. **Investment of Endowment** – The Endowment funds will be invested in accordance with the Trust's Investment Policy Statement.
10. **Reporting** - The Trust 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).
11. **Fees** –
 - A. **Administrative** - In order to assist the Trust in funding the Endowment's administrative costs, the Trust 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.

Administrative fees will be calculated as of June 30 at the end of each fiscal year commencing with the fiscal year beginning July 1, 2023.
 - B. **Investment** - In addition to the amount transferred annually to the unrestricted fund of the Trust, each Endowment fund shall be charged for any out-of-pocket expenses (such as third-party investment management fees, or other handling fees) incurred directly by that Endowment fund.
 - C. **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.

12. **Trust Termination** - If the Trust 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 Trust and in accordance with any current federal, state and local laws as in effect at the time of distribution.