



Friends of Saguaro National Park

Providing financial and volunteer support for Saguaro National Park



Endowment Fund Policy

Purpose

Friends of Saguaro National Park's endowment funds will be invested and maintained in perpetuity. The purpose of this Policy is to set forth the principles and guidelines for spending the endowment fund to achieve the following goals:

- Safeguard the fund(s) for future generations
- Specify the amount of spending that can be maintained over the long term
- Ensure that the fund withdrawals are as stable and enduring as possible
- Ensure that the stated wishes of donors are honored

Investment Policies

I. Asset Allocation

The allocation of endowment assets across broad investment categories with varying degrees of risk, return and return correlation will be the most significant determinant of long-term investment returns. While actual returns and volatility may vary from expectations over short periods of time, substantial changes to the asset allocation will be made only in the event of material changes to the Endowment, the spending policies or the capital markets and asset classes in which the portfolio is invested.

The portfolio will be composed of two major components: an equity portion (to maximize long-term growth) and a fixed income and cash portion (to generate income and provide more stability). The equity portion will be between 55% and 70% of the total value and the fixed income and cash portion will be between 45% and 30% of the total value.

II. Investment Vehicles and Diversification

Except for fixed income investments explicitly guaranteed by the U.S. government and cash held in high-quality money market funds, the portfolio will be invested in passively managed investment vehicles seeking to match the returns of a broadly diversified market index. These investment vehicles will be approved by the Finance Committee. The equity portion will include both US and non-US vehicles and the fixed income portion will be investment grade with only incidental exposure to investments that are below investment grade.

While the risk and volatility inherent to broad capital markets are both acceptable and expected, the Policy specifically prohibits investments that are considered speculative,

including the use of margin or short sales, the use of derivatives for speculation or leverage or investment strategies that would potentially amplify or distort the risk of loss beyond reasonable expectations.

III. Rebalancing

It is expected that the actual asset allocation will vary from its target asset allocation because of the varying periodic returns from different asset classes as well as from annual distributions. Any contributions will be invested according to the allocation and will be used to rebalance the portfolio. The portfolio will also be rebalanced annually, typically after a distribution is made, and to dampen volatility cash (as part of the fixed income and cash allocation) will be maintained in an amount that would reasonably be expected to be distributed in the following year.

Spending Objectives

I. Generational Neutrality

The fund is permanent, and its benefit to future generations should be equal to its benefit to the current generation. Accordingly, any amount spent annually should remain as close to constant as possible, when measured over time on an inflation-adjusted (“real”) return basis.

II. Maximum Sustainable Spending

At the discretion of the Board of Friends of Saguaro National Park, distributions from the endowment fund may be used, on generation-neutral basis, to help meet the needs of Friends of Saguaro National Park and fulfill its mission.

III. Minimize Volatility of Amount Available for Spending

The fund’s asset management policies and spending strategy are intended to minimize the year-to-year volatility of the amount available for spending. However, the fund will not take on undue risk solely to pursue a certain level of income or withdrawals.

IV. Donor-Imposed Restrictions

When the Friends of Saguaro National Park accepts endowment gifts that are restricted by the donor (either time restrictions or use restrictions), those restrictions will be honored to the extent permitted by law.

Spending Strategy

I. Total Return

Funds available for distribution will be determined by using a total return principal (return derived from dividends, interest, and realized/unrealized capital gains). The funds available for distribution during any one year will be limited to a percentage of the market value of the corpus that is based on a 3-year rolling average, with values taken at the end of each of the preceding three years-end. The market value for this purpose will be taken net of any fees for investment management.

II. Deferred Allocation

If the Board elects to not take a distribution from the fund in any year, those amounts will become part of the corpus of the fund and will not be taken as “catch-up” distributions in subsequent years.

III. Honoring Donor-Imposed Restrictions

To monitor ongoing adherence to donor-imposed restrictions, the Board of Friends of Saguaro National Park will periodically review a report of endowment values and disbursements, if any. This Policy recognizes that there may be cases where a restricted use becomes obsolete, over-fulfilled or becomes inconsistent with the organization’s needs or mission.

Revisions

I. Organizational Objectives

The Board of Friends of Saguaro National Park reserves the right to revisit and amend this policy in the future as necessary to ensure it remains consistent with the organization’s objectives.

(Adopted by the Board of Director’s on January 13, 2022)

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