GOSUMEC FOUNDATION USA

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Endowment Governance & Resilience Plan

Inflation-Indexed · Built for Perpetuity

$3.5M	$500K	175	2033
LEGACY CORPUS	COMMUNITY CORPUS	STUDENTS AT FULL FUNDING	POLICY ACTIVATION

Board Governance Document

Fremont, California · EIN 92-1826702 · gosumec.org

1 Overview

This plan defines the governance, policies, and resilience protocols for sustaining the GOSUMEC Foundation USA endowment. The endowment comprises two complementary sub-funds — one built for growth, one built for weathering storms.

PERPETUITY ENGINE · PERMANENT ENDOWMENT

Legacy Corpus

$3,500,000 principal, invested 70% in VOO (S&P 500 ETF) and 30% in SNSXX (Treasury money market). Serves as the long-term growth engine for perpetual scholarships. This corpus may grow as the number of donors increases.

RAINY DAY FUND · QUASI-ENDOWMENT

Community Corpus

Invested conservatively (100% SNSXX), rebalanced annually with liquidity prioritized. Serves as a resilience buffer to help maintain scholarship distributions during market stress. This corpus may grow as the number of donors increases.

Fund Classification: The Legacy Corpus is a donor-restricted permanent endowment; the Community Corpus is a board-designated quasi-endowment. This distinction governs how UPMIFA's prudence standards apply: the Legacy Corpus is held in perpetuity per donor intent, while the Community Corpus remains available for Board-directed use under the draw and replenishment rules in Section 4.

PRIMARY GOAL

Provide sustainable, inflation-protected scholarship funding of $1,000 annually per student, adjusted for inflation every 3 years. At current funding targets, this equals $175,000 annually to support 175 students. The number of students supported will grow as the number of donors increases.

Activation: Policies and guardrails take effect once the endowment is fully funded (Legacy = $3.5M, Community goal $500K), and no later than January 1, 2033. Allocations and student support will increase proportionally as the donor base grows.

2 Portfolio Allocation & Management

SUB-FUND	ALLOCATION	ROLE
Legacy Corpus	70% VOO / 30% SNSXX	Growth engine for perpetual funding
Community Corpus	100% SNSXX	Liquidity buffer for market stress

Rebalancing

- Annual rebalancing within each corpus to maintain target allocations.
- Prevents drift due to market fluctuations and preserves the intended risk profile.

Investment Goals

- Target blended nominal returns of 7–8% annually (based on long-term averages).
- Legacy Corpus provides growth; Community Corpus provides liquidity to sustain perpetual funding.

3 Withdrawal Policy

Base Withdrawal

- Annual scholarship target: $1,000 per student (real, inflation-adjusted).
- At full funding, this supports 175 students ($175,000 annually).
- Both the number of students and the total funding will increase as the number of donors increases.
- Spending Rate Note: The base draw (~5% of the Legacy Corpus, in real terms) sits at the higher end of endowment spending norms. The guardrail system, Community Corpus buffer, and replenishment discipline are the mechanisms intended to make this rate sustainable; the rate itself is revisited as part of periodic stress testing (Section 7).

Normal Years

- Entire annual amount funded from the Legacy Corpus.

GUARDRAIL TRIGGERS

Downturn Years

- Equity market declines of -20% in a single calendar year, OR
- -15% or more for two consecutive years.

AUTOMATIC RESPONSE

Actions in Trigger Years

- Total annual support reduced by 20%.
- Legacy Corpus draw reduced by 30%.
- Community Corpus covers the shortfall to maintain continuity.

> *When triggers cease, distributions return to the full $1,000 per student (inflation-adjusted), scaled by the number of students supported.*

4 Community Corpus Usage & Replenishment

Draw Limits

- Only amounts required to meet reduced obligations may be drawn. As a board-designated quasi-endowment, draws from the Community Corpus carry no repayment obligation; restoration is governed by the replenishment policy below.
- Usage capped at two consecutive years unless extended by Board resolution.

Community Corpus Floor

- Minimum balance target = 3 years of reduced total payouts (~$420,000 real, i.e., 3 × $140,000 at current targets).
- This floor is deliberately conservative: in trigger years the Community Corpus funds only the gap between reduced total support and the reduced Legacy draw, so a $420,000 balance provides coverage well beyond the two-year usage cap.
- If balance falls below this floor, replenishment becomes the first priority.

Replenishment Policy

- After market recovery, when Legacy Corpus returns exceed 8% net of withdrawals, 0.5–1% annually is allocated to rebuild the Community Corpus until the floor is restored.
- Excess growth during strong years (withdrawals <4% of corpus) is also swept into the Community Corpus.

5 Sustainability & Longevity

$1,000	Guardrails	Perpetuity
PER STUDENT, ADJUSTED EVERY 3 YEARS (CPI-U OR EQUIVALENT)	AUTOMATIC SPENDING REDUCTIONS IN SEVERE MARKET DOWNTURNS	SUPPORTED BY GUARDRAILS, REBALANCING & REPLENISHMENT DISCIPLINE

- Longevity Evaluation: The endowment's long-term sustainability is evaluated through periodic scenario modeling and stress testing (Section 7), conducted with the Financial Advisor. Modeling assumptions and results are reported to the Board, and the spending rate is adjusted if evidence indicates the corpus is at risk. Projections are estimates under stated assumptions, not guarantees.
- Inflation Protection: Scholarship support ($1,000 per student) adjusted every 3 years (CPI-U or equivalent).
- Governance Discipline: Strict adherence to guardrails, rebalancing, and replenishment rules supports the endowment's design goal of perpetuity.

6 Governance & Oversight

STEWARDSHIP

Investment Committee

Including the Financial Advisor — oversees allocations, withdrawal discipline, and Community Corpus health; conducts annual reviews and stress testing; and provides recommendations to the Board.

FIDUCIARY DUTY

Board of Trustees

Retains fiduciary responsibility, approves Investment Committee recommendations, ensures UPMIFA compliance — including administration of the Legacy Corpus as a donor-restricted permanent endowment and the Community Corpus as a board-designated quasi-endowment — and provides donor accountability.

Review & Reporting

This document is reviewed annually by the Investment Committee and submitted to the Board. Annual stakeholder reports include:

- Portfolio performance
- Withdrawals and funding sources (Legacy vs. Community)
- Guardrail activations and Community Corpus usage
- Long-term projections and stress-testing results

Amendments: Require majority Board approval following Investment Committee recommendation.

Continuity: Protocols, account access, and SOPs are maintained in secure governance files to ensure smooth succession and institutional memory.

7 Risk Management & Contingency

- Stress Testing: Multi-year bear markets, inflation shocks, and stagflation are tested at least every 5 years (or sooner in high volatility).
- Community Corpus Integrity: Replenishment protocols are designed to protect against long-term erosion.
- Communication: Donors and beneficiaries are regularly informed of the Community Corpus' role as a "safety net," reinforcing transparency and trust.

8 Implementation Timeline

BEFORE FULL FUNDING **Prudent stewardship**	Funds managed prudently but without formalized withdrawal/guardrail policies. Allocations may be more conservative until thresholds are achieved.
ACTIVATION DATE **Policies commence**	Once Legacy = $3.5M and Community goal $500K, or by January 1, 2033 (whichever comes first). Proportions may increase as the donor base grows.
AFTER ACTIVATION **Full enforcement**	All provisions — allocations, guardrails, replenishment, reporting — are fully enforced in support of the endowment's design goal of perpetuity.

9 Design Features vs. Common Practice

The table below compares this plan's design features against practices commonly observed across endowment size segments, per the sources in Section 10. It is a factual feature comparison, not a performance ranking.

DESIGN FEATURE	TYPICAL <$10M	TYPICAL <$50M	TYPICAL $50M+	THIS PLAN
Written spending policy / IPS	—	✓	✓	✓
Downturn guardrails with defined triggers	—	—	✓	✓
Dedicated rainy-day buffer with floor	—	—	—	✓
Formal replenishment rules	—	—	✓	✓
Explicit inflation indexation of payouts	—	—	✓	✓
Periodic scenario modeling & stress testing	—	—	✓	✓
Annual stakeholder transparency reporting	—	—	✓	✓

"Typical" reflects general patterns described in the referenced literature (Section 10); individual organizations vary. Larger endowments often add smoothing formulas, professional staff, and hedging that this plan intentionally omits in favor of donor clarity and simplicity.

10 References

- Uniform Prudent Management of Institutional Funds Act (UPMIFA), 2006.
- Council on Foundations. Endowments for Nonprofits: Building, Maintaining, and Spending Prudently, 2019.
- NACUBO–Commonfund Study of Endowments (NCSE), 2023 (<$50M segmentation).
- Yale University Investments Office. Spending Policy for Endowment.
- Princeton University, Office of Finance & Treasury. Endowment Spending Rule.
- Commonfund Institute. Principles of Endowment Management for Smaller Nonprofits, 2019.
- Cambridge Associates. Guardrails for Nonprofit Endowments: Best Practices for Spending Discipline, 2022.

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