Los Angeles Philharmonic Association
Endowment Fund Spending Policy
Adopted September 25, 2009

Effective January 2009, the State of California adopted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") which applies to charities organized as nonprofit corporations. The Association has given careful consideration to its obligations under UPMIFA, including but not limited to its investment policy, the expected total return from income and the appreciation of assets, preservation of the endowment fund, the development of a prudent spending policy and any restrictions required by a donor.

Accordingly, effective with the Association's 2010 fiscal year, the spending policy of the Association is amended to draw an amount each fiscal year from its endowment funds, in total, at the lower of the following two rates:

a) 5% of the trailing twenty quarter average of the market value of the endowment, net of investment management costs, ***OR***
b) 5% of the market value of the endowment fund.

The annual draw for a given fiscal year shall be based on the preceding June 30th endowment valuation.

More Detailed Application Process (only for Finance Committee Approval)

The Los Angeles Philharmonic Association receives a draw from three endowment sources for the purpose of supporting its exempt activities. Those funds are as follows:

- LAPA 1 – this was the LA Phil's former endowment fund and beneficial interest in it was given to the Music Center Foundation (the "MCF") in 1984. Also included in LAPA 1 are any gifts to the Association prior to the inception of LAPA 2 as well as any gifts so directed to LAPA 1 by the donor.
- General Fund – the beneficial interest in this fund are gifts that have been given to the MCF and the donors have specified that the income from their gifts will inure to the Association in perpetuity.
- LAPA 2 – this endowment fund was established in 1994 by the Association and is managed by the MCF. LAPA 2 also includes the Association's unrestricted Board Designated Quasi-endowment funds.

The MCF dictates the draw policies of LAPA 1 and the General Fund as follows:

- LAPA 1 draw policy is set at 5% of market value of the fund at the beginning of the MCF fiscal year plus dividends and interest received during the year but subject to a maximum of 7% of the fair market value at that time.
- General Fund draw policy is set at 5% of a rolling 12 quarter market value average marked at the end of the MCF's preceding fiscal year end but subject to a maximum of 7% of the fair market value at that time.

The Association's draw for LAPA 2 is an amount which when added to the above LAPA 1 and the General Fund draws results in the Association's meeting its overall draw policy equal to the lower of: a) 5% of a trailing 20 quarter market value average or b) 5% of the market value of the fund.

After receiving the resulting endowment draw, should the Association have a surplus from operations in any year, that surplus will be directed by the Finance and Investment Committee to either:

1) Remain in the operating fund as working capital and thereby reduce the accumulated deficit; or
2) Transfer an amount of the surplus to the LAPA 2 fund as Unrestricted Board Designated Quasi-endowment.