



COMMUNITY FOUNDATION OF SOUTHERN INDIANA, INC. SPENDING POLICY

The Investment Policy Statement includes the following financial objectives:

- Follow a spending policy based on total return,
- Maintain the purchasing power of the long-term investment pool,
- Apply a smoothing rule to mitigate the effects of short-term market volatility on spending, and
- Maintain a constant funding support ratio.

To reduce the likelihood of underperformance of the investment of the long-term pool, a high/moderate investment strategy is employed.

The maximum allowable spending rate for the Foundation shall be reviewed and set periodically by the Board of Directors of the Foundation. In setting the spending rate, the Board of Directors shall take into consideration general economic conditions, the possible effects of inflation or deflation, the expected total return from income and the appreciation of investments, other resources of the Foundation, and the investment policy of the Foundation.

As of July 1, 2014, the maximum spending rate available for grants, as set by the Board of Directors, is 4% of the twelve quarter average of the fair market value of a given endowment fund as of June 30 each year. The formula shall be applied on each July 1 to the twelve quarters ending the prior June 30, and withdrawals shall be made no earlier than August 1 following each July 1 calculation. Additional amounts are expended from funds annually for administrative fees. The administrative fee schedule for endowed funds is outlined in the Foundation's Administrative Fee Policy, which is periodically reviewed by the Board of Directors. The spending rates for grants and administrative fees will be reviewed and set by the Board of Directors no less than annually.

A contribution of \$15,000 is the minimum amount required to create an endowment fund. New endowment funds may make grants, commitments, or disbursements beginning on August 1 following the June 30 at which the fair market value of a given fund can be averaged over at least four calendar quarters. For endowment funds invested with the Foundation for more than four calendar quarters but less than twelve calendar quarters as of June 30 each year, the spending rate shall be applied to the average fair market value over the number of calendar quarters the fund has been invested with the Foundation. Once the fund has been invested with the Foundation for more than twelve calendar quarters the spending rate is applied to the twelve quarter average of the fund's fair market value as of June 30 each year.

Any unspent distributable amounts remaining at the end of the fiscal year which have not been granted or distributed will be available for expenditure in the following fiscal year unless a specific written request from the Fund Representative is received by June 1 requesting that all or part of the unspent distributable amount be added to the principal (corpus) of the fund.

For new endowment funds with a minimum fund balance of \$500,000.00 created after the effective date of August 15, 2013, a donor may recommend an alternative spending rate either greater or lower than the Foundation's stated spending rate in a given year. The Foundation has the sole discretion to approve such recommendation. A donor's written recommendation for an alternative spending rate must be received by the Foundation and approved by the Board of Directors in advance of the execution of the written agreement governing the Fund and the receipt by the Foundation of the contribution establishing the Fund.

Adopted by the Board of Directors on August 21, 2014