
ECSU FOUNDATION, INC.

SPENDING POLICY

The two components of the Spending Policy are to preserve the purchasing power of the assets and to provide a predictable and steady support for aiding, supplementing, improving, and enlarging the educational, cultural and research facilities and activities of the Eastern Connecticut State University (University).

To achieve the above, the Finance Committee will review and recommend an annual effective spending rate to be approved by the Board of Directors by February for the coming fiscal year. December 31st values are used to calculate the effective spending rate.

The Effective Spending Rate (ESR) is calculated by taking 5% of the average of five years market values of the portfolio for the period ending March 31, the calculation for the ESR:

- From Endowed Funds: 5% of the five-year quarterly market value, inclusive of fees

Appreciation and/or depreciation in the market value will accrue to each individual endowment fund. There is a 6-month spending hold on new endowed funds before they may be calculated in the ESR.

An endowment spending allocation will be suspended from any endowed fund where the market value vs. historical gift value falls to 85% or below, or underwater by 20% or more.

In the event any of the endowed accounts are underwater, the Finance Committee will meet semi-annually and specifically approve any distribution. If the endowment agreement specifically prohibits distributions for any reason, including underwater situations, the endowment agreement shall prevail, and the distributions will be eliminated or reduced in accordance with the donor intent.

The Administrative Fee will be charged to each endowed fund. This fee is to be used to fund the Foundation's Operating budget for the following fiscal year commencing July 1 based on December 31st market values. The administrative fee will be reviewed and approved annually by the Board of Directors.

During a prolonged down market, the Finance Committee reserves the right to review the situation and make appropriate adjustments to the spending policy.

Temporarily restricted athletic, department or scholarship funds are to be held in their own respective money-market or checking account. Income earned from these temporary funds will be credited to their temporary fund account. All incoming temporary fund revenue, excluding grant revenue, will be accessed a 2% administrative fee that will be used for unrestricted purposes. All processing fees for electronic funds received will be charged to their respective fund.

Temporarily restricted athletic golf tournament funds will be reconciled within 90-days after the event has occurred. The net proceeds less donations for the event will be allocated to their respective Eastern Connecticut State University athletic team or fund designated for the event. Donation funds received will be maintained in the Foundation's Athletic account until such time the University requests reimbursement and provides invoices to substantiate the reimbursement.

Temporarily restricted endowed funds will be invested in a separate investment account. Disbursements from these funds are limited to the ESR.

Temporarily restricted funds that are underwater at year-end will be suspended from any disbursements during the next fiscal year.

The Board shall approve all scholarship funds based on the ESR and will provide the Financial Aid office the amount that may be awarded by March 1st of each year. Scholarship funds approved may not be used by the University as replacement money.