

SPENDING POLICY

Purpose

The purpose of the spending policy is 1) to provide programs with a stable and predictable stream of revenue, 2) to ensure the value (defined as purchasing power) of the revenue stream does not decline over the long term and 3) to ensure the real value of the endowment assets does not decline over the long term. The policy shall apply only to those funds that are defined by Board of Trustees policy as endowed funds.

Spending Principles

Newly-invested endowment funds must be invested for a minimum of twelve months prior to allowing investment returns to be considered for expenditure. In addition to interest and dividends, realized and unrealized, appreciation and/or depreciation in the market value shall accrue to each individual endowment fund. For newly-invested endowment funds, the actual investment returns after the first year, adjusted by the Gross Domestic Product Implicit Price Deflator, shall determine the amount of spending that may be allowed subject to the approval of the Investment Committee, and subject to spending caps.

For the first three full years of existence, if an individual endowment fund balance does not have sufficient earnings within a particular year to support an annual payment based upon the approved spending rate, either 1) no payment will be made, or 2) a reduced payment will be made based upon the amount of actual returns.

The board reserves the right to adjust the spending rate plan annually as circumstances may require in order to meet the purpose of this policy. Any amount of a fund's annual earnings not disbursed shall be retained by the fund for investment.

Spending Plan

The Investment Committee of the Board shall approve an annual spending rate by March for the coming fiscal year (July through June). Market values as of the preceding December 31st shall be the basis upon which the spending amount is determined. The target spending rate shall be 4% of the market value.

The actual annual amount available for expenditure for each endowment fund shall be determined according to the following:

There will be a cap on annual spending for each fund equal to a fixed percentage of average annual total return. Real returns shall be calculated, and defined, as the average rate of return on the endowment funds for the four years prior adjusted each year by administrative fees and by the Gross Domestic Product Implicit Price Deflator. The investment committee annually shall



establish a percentage payout of no more than 5% of any endowment fund. The annual payout will be no less than 80% of the prior year, unless such payment would violate the terms of the gift agreement or applicable law. Normally, this would prevent any invasion of the original principal.

All endowed funds shall be subject to an administrative fee equal to 90 basis points of the annual market value, which fee shall be deducted from the annual market value before calculating percentage returns for spending purposes.

FINANCIAL REPORTS

The Executive Director is responsible for the preparation and publication of all external financial reports. The reporting requirements are as follows:

- the preparation of monthly progress reports for revenue and expense of the general operations of The Foundation
- the preparation of internal audit assignments and control procedures to insure the integrity of the accounting system and financial statements.
- the preparation of all reports and documents required by the independent auditors.
- the preparation of other financial reports required to be submitted by the Foundation to external bodies.
- the preparation of special reports as requested by, the President of the Medical College of Georgia, the President of MCG Health, or the board.
- the preparation and publication of the Annual Financial Report.

ACCOUNT STATUS REPORTS

Financial reports on funds will be maintained by the Financial Services Office; it is the responsibility of fund representatives to access the reports necessary in managing their funds.