

## Weed Science Foundation Endowment Fund Spending Policy

### **Objective**

The objective is to develop a spending plan designed to achieve an investment return that will protect the future purchasing power of the Fund. This is the point where spending levels remain within earnings and the rate of appreciation of principal is at least equal to the inflation rate on a 5 year average.

1. The Investment Policy is designed to complement the Spending Policy.
2. The Spending Policy establishes a reasonable and prudent spending plan for the Endowment Fund.

### **Spending Rules**

The Spending Policy sets a limit on the amount of expenditures from the Endowment Fund by requiring the calculation of a Spending Rate applied to the average fiscal year-end balance of the Fund Corpus. Dividends, interest, or capital gains earned along with gifts to the Fund can be used to fund the Spending Budget. The Spending Budget will be established at the beginning of each fiscal year and reported to the WSSA Board of Directors by the Finance Committee Chair. At the end of each fiscal year, the remaining Spending Budget will be allowed to roll over to the next fiscal year as defined below.

Estimates of the Spending Budget for the next fiscal year will be prepared based upon the Spending Rate. Those estimates will be available to the WSSA Board of Directors by the annual summer board meeting.

### **Definitions**

Spending Budget – represents the spendable balance for the Endowment Fund. It is funded by dividends, interest, and capital gains earned by the fund. Each year, a current Spending Budget will be determined as prescribed herein. At the end of each fiscal year, the remaining Spending Budget can be rolled over to the next fiscal year. The Spending Budget will be estimated in July for the next fiscal year and finalized in December of the new fiscal year. The Spending Budget can increase each year as a result of any or a combination of the following events: new gifts, market appreciation, and transfer of income to principal.

Spending Calculation – the result of applying the Spending Rate to the average principal balance of the Fund the preceding 24 months. Example: Fund 24 month average balance of \$300,000 x 4% Spending Rate = \$12,000 Spending Budget.

Spending Rate – the rate established each year by the Finance Committee and approved by the WSSA Board of Directors. This rate will be capped at a maximum of 5%. Any earned income or appreciation above the Spending Rate will be retained in the corpus of

the Fund. The Spending Rate for the next fiscal year will be established by October 15 of the current fiscal year.

Rollover Limit – represents the total of Spending Budgets for the three previous fiscal years. It is used as the ceiling in determining how much of the remaining Spending Budget can roll over to the next fiscal year. This determination will be made at the end of each fiscal year. Any amounts of the Spending Budget that exceed the Rollover Limit will expire and remain in the Fund. For example, if the three previous fiscal years Spending Budgets were \$12,000 each, then the Rollover Limit would be \$36,000.

### **Reporting**

Spending Budget Report – This annual report displays the total Spending Budget for the next fiscal year. The estimated rollover Spending Budget is calculated by taking the lesser of the remaining Spending Budget and the Rollover Limit. **Each December, an Opening Spending Budget report will be available and contain the following: Spending Budget for the newly begun fiscal year, any funds rolled over, Spending Rate for the newly begun fiscal year, and the Fund 24 month average balance used to determine the Spending Budget. A copy of this report will be provided to the Investment Manager.**

### **Funding Spending**

Once the Spending Budget is set at the beginning of a fiscal year, the Executive Director will determine the cash need on a quarterly basis. This will then be communicated with the current Investment Manager. Funds that have not been liquidated are still considered appropriate for spending. Liquidating to fund cash need should be reviewed on at least a quarterly basis and at the discretion of the Investment Manager.