



SPENDING POLICY SUMMARY

The Faribault Foundation has adopted a long-term investment strategy and a method for distribution from permanent endowment funds that seeks to preserve the purchasing power of assets, and to maximize the amount available to meet the charitable needs of the community.

Our goal is to manage the assets to produce a relatively predictable and stable stream of funds for charitable purposes. Our spending policy defines our procedure for calculating the amount to be distributed each year for endowed funds.

Annual Distribution Calculation

The percentage to be distributed, or spending rate, from a fund is calculated using the spending policy, which is **5.0 percent** of the **twelve quarter*** rolling average of a fund's market value. Administrative fees** are deducted quarterly and separate from the annual distribution amount.

The amount to be distributed in the current year is calculated in the first quarter of the year with December 31 of the previous year as the last measurement point.

*Until a fund reaches twelve quarters with a balance, the actual number of quarters will be used.

**See Administrative Fee Schedule for current fees based on fund type and balance.

Nonprofit Endowment Fund Example:

Fund's Average Market Value of Last 12 Quarters \$100,000

Spending Policy Percentage: 5.0%

Gross Distribution: \$5,000

***Annual Distribution: \$5,000

Donor Advised Fund Example:

Fund's Average Market Value of Last 12 Quarters: \$100,000

Spending Policy Percentage: 5.0%

Gross Distribution: \$5,000

***Annual Distribution: \$5,000

***The annual distribution amount calculated above is for illustration purposes only.

Flexible Funds are not included and have an annual review of donor recommendations and board approval. The Board reviews annually the method used to determine the spending rate to be consistent with long-term net total return expectations for the Foundation.

Effective April 19th, 2023

BOD Updated February 13, 2024