Clayton State University Foundation
General Endowment Spending Policy

Purpose
Clayton State University Foundation, Inc. (the "Foundation") will endeavor to ensure, to the degree reasonably possible, that the endowment funds with which it is entrusted grow and keep pace with inflation so that the original purpose of the donor in establishing the endowment fund can be met in perpetuity. Toward that end, the Foundation has adopted the following spending policy, which will apply to all endowed funds unless a particular donor has otherwise stipulated spending restrictions.

Definitions
Contributed Corpus: The Contributed Corpus of an endowment is the total of the funds gifted or donated, either in one lump sum or over time, excluding interest or dividends

Fully Eligible Endowment: An endowment is Fully Eligible when: 1) the Contributed Corpus reaches the minimum level required for a designated purpose; 2) the market value reaches 108% of the Contributed Corpus; and 3) it has a market history of at least one year.

Impaired Endowment: An endowment is Impaired when the market value falls below 100% of the Contributed Corpus

Partially Eligible Endowment: An endowment is Partially Eligible when: 1) It has at some time been Fully Eligible; 2) the market value has fallen below 108% of the Contributed Corpus; 3) it is not currently Impaired.

Rationale
In adopting this policy, the Foundation seeks an appropriate balance among these goals:

- Maintain the purchasing power of the endowment
- Achieve a reasonable degree of stability and predictability in income available for recipients
- Achieve a proper balance between present and future needs of the University
- Be relatively simple to understand and calculate for the recipients as well as the donors.

The Foundation's endowment spending policy is calculated by applying a payout rate (currently 4%) to a moving average market value (the prior five years' market value as of December 31).

The payout rate is influenced by the expectation of future portfolio returns. To help provide stability and predictability in actual payout several mechanisms are employed:

- The base upon which the rate is applied is intended to reduce the volatility of distributions. The five year averaging process provides a smoothing effect in both rising and falling markets.
- For new endowments or those endowments coming out of impairment, it is required that the endowment be at 108% of its corpus before allowing any payout. This allows for a cushioning effect in that it allows a buildup of appreciation from which to draw on.

The utilization of a moving average has been the most common approach to determine endowment spending. 75% of the respondents in the 2011 NACUBO – CommonFund Study of Endowments reported spending a percentage of a moving average of endowment value. The average policy spending rate among all respondents for FY11 was 4.5%, and the average policy spending rate for the Foundation's peer group was 3.7%.

The Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), adopted in Georgia in 2008, eliminated the requirement that historical dollar value always be maintained on an endowment which, in turn, allows flexibility in determining appropriation of funds from both impaired and unimpaired endowments. The Foundation has the ability to determine a payout, if otherwise deemed prudent, while considering the following factors: 1) duration and preservation of the endowment fund; 2) the purpose of the fund; 3) general economic conditions; 4) the possible effect of inflation or deflation; 5) expected total return; 6) other resources of the institution; and 7) investment policy.

Implementation
For endowments with a Fully Eligible market history of five years or more, authorized expenditures during the Foundation's upcoming fiscal year shall be limited to four percent (4.0%) of the average annual total market value of the endowment over a trailing five year period ending December 31 of the current fiscal year; or, if the endowment has been Fully Eligible for less than five years, four percent (4.0%) of the average annual total market value as of December 31 since it became Fully Eligible.

For Partially Eligible endowments, the Foundation may instead distribute 2% until such time as the endowment becomes Fully Eligible. In making such distributions, the Foundation is authorized to use both Net Income and Net Capital Appreciation (defined as realized and unrealized appreciation in the fair market value of the investments) in excess of the fund's corpus in accordance with UPMIFA.

For Impaired Endowments, no expenditures shall be authorized.

Administrative Fees
Because of the long range nature of the invested assets of the endowments, the Foundation assesses a management fee on market value of endowments. This fee is used for overseeing the endowment's share of the invested assets and operations of the Foundation.

For Fully Eligible endowments, a management fee of one percent (1%) of a five year average of the endowment market value will be assessed annually. Of the total management fee, one quarter of one percent (0.25%) will be allocated to the fund manager and three quarters of one percent (0.75%) will be directed to cover the Foundation's costs for endowment management.

For Partially Eligible and Impaired endowments, the management fee will be waived until the endowment becomes Fully Eligible.

The management fees and payout rate are reviewed annually by the Clayton State University Foundation Investment Committee.

Exceptions to or changes in this spending policy shall be made only upon the approval of the Foundation's Board of Trustees based on specific recommendations from the Investment Committee.

Authorized Signer
#1: ____(signature)

____(printed name)

____(date)

Authorized Signer
#2: ____(signature)

____(printed name)

____(date)

Authorized Signer
#3: ____(signature)

____(printed name)

____(date)