Policy Holder: Gwinnett Tech Foundation (GTFPP – 03 – 23)	Owner: Coordinator, Foundation Finances	Effective: 8/17/2017
Responsible Party: Institutional Advancement		Reviewed: 3/2019, 1/2021 Revised:

9.3.17 GT Permanently Restricted Endowment Spending Policy

Introduction and Goals

Gwinnett Tech Foundation, Inc. (the “Foundation”) will endeavor to ensure, to the extent reasonably possible, that the endowments and other long term permanently restricted assets with which it is entrusted (the “Assets”) are invested in accordance with the provisions outlined in the Foundation’s Investment Policy Statement. Toward that end, the Foundation has adopted the following spending policy applicable to these Assets, unless a particular donor has otherwise stipulated spending restrictions on their gift. In adopting this policy, the Foundation seeks an appropriate balance among the following goals:

- Maintain the purchasing power of the Assets over time on an inflation adjusted basis;
- Achieve a reasonable degree of stability and predictability in distributions available for current programs;
- Achieve a proper balance between present and future needs of the Foundation;
- The spending calculation methodology needs to be relatively simple to understand for the end users as well as the donors.

Adoption of Payout Rate and Spending Calculation Methodology

The Foundation’s spending policy is based on applying a Board approved percentage payout (“Payout Rate”) to a moving average market value of the Assets over a five-year period as of December 31, calculated on a trailing twenty-quarter basis. To help provide stability and predictability in actual payout, several mechanisms will be employed:

- The Payout Rate will be influenced by both recent period portfolio returns as well as forward looking expected portfolio returns based on long term capital markets assumptions;
- In making spending distributions, the Foundation shall use both net income and net capital appreciation (defined as realized and unrealized gains and losses in the fair market value of investments) in accordance with the Georgia Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). UPMIFA allows flexibility in determining appropriation of funds from donor restricted charitable assets such as endowments. The Foundation shall determine an appropriate Payout Rate for these assets that it deems prudent, taking into consideration the following factors: 1) duration and preservation of the Assets on a perpetual basis; 2) the purpose of the Assets; 3)

general economic conditions, including the potential impact of inflation or deflation; 5) expected total return on the portfolio; 6) the Foundation's risk tolerance as expressed in its Investment Policy Statement, and (7) other resources of the Foundation.

- The moving average market value calculation on which the Payout Rate is applied is intended to reduce the volatility of distributions. The moving twenty quarter averaging method will provide a smoothing effect in both rising and falling markets;
- The Foundation may elect to establish a separate reserve fund ("Spending Reserve Fund") that can be used to sustain current endowment spending levels during extended market downturns. Funding a Spending Reserve Fund may be considered by the Finance Committee during periods when the Foundation experiences exceptional investment returns from its endowment portfolio, or at any other time the Committee identifies appropriate funds that may be utilized for this purpose. Any recommendations for initiating or adding funding to a Spending Reserve Fund must be approved by the Board.
- For new Assets, or older Assets that are recovering from impairment (defined as an Asset whose current market value falls below its corpus value), the Asset will be required to have a current market value of at least 108% of its corpus value before becoming eligible for a full payout under the current approved Payout Rate.

Current Foundation Spending Policy

For purposes of applying this Spending Policy, fully eligible Assets, also known as Seasoned Assets, are defined as Assets that are (1) documented by an executed Gift Agreement, and (2) have a current market value greater than or equal to 108% of corpus value. Unseasoned Assets are defined as Assets that are (1) new Assets that have not yet reached 108% of corpus value, or (2) existing Assets that are impaired, or are still recovering from impairment and have a current market value of less than 108% of corpus value.

Subject to the above definitions, authorized expenditures for Seasoned Assets shall be limited to four percent (4.0%) of the average market value of the Assets over a trailing twenty-quarter period as of December 31. In calculating the average market value of the Assets, the Foundation shall use the ending market value at each calendar quarter end during the trailing twenty-quarter period.

The Foundation may elect to make distributions from Unseasoned Assets, as defined above, at a reduced Payout Rate than the Foundation's current spending rate. In making such determinations, the Foundation may consider spending at a reduced percentage Payout Rate, or spending only net investment income earned by these Assets.

In determining whether a multi-year pledged gift should be categorized as a Seasoned Asset or Unseasoned Asset, the Foundation's Gift Acceptance Policy, or the donor endowment agreement, shall apply.

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