

SPENDING POLICY

La Jolla Symphony & Chorus “Sostenuto” Fund

Fund I.D. 0287

a) Endowment Management

The Board of Directors of the La Jolla Symphony and Chorus Association is responsible for approval and management of endowment activities. The Finance committee shall provide oversight, annual reporting, and policy recommendations pertaining to the endowment investment activities.

1) Agency Endowment

Agency Endowment refers to any account whereby the Association ultimately controls the assets and/or spending policies of the assets, however the investment of the assets is managed by a third party on behalf of the Association. Agency Endowment funds are treated as Permanently Restricted Endowments. Example: Rancho Santa Fe Agency Endowment Fund.

i) Spending Policy

Distributions (payments) from Agency Endowments shall be limited to a maximum of 5% of the Fund's Value. If in any given year the Fund's Value is less than the Historic Principal Balance, Distributions shall not exceed the sum of interest and dividends earned during the previous year, less fees and expenses.

(a) The Fund's Value is calculated as the average account value over the most recent 36 rolling months (measured on the same day each month).

(b) The Historic Principal Balance is the average sum of the initial values of all gifts to the Endowment during the same, most recent 36 rolling months.

ii) Excess Returns

Returns in excess of the Spending Policy shall be re-invested in the Agency Endowment and contributed to the principal balance.

iii) Spending Limitations

Fund use shall be limited to regular, reoccurring business expenses.

iv) Timing

Withdrawals are restricted to a maximum of two events per year, however the withdrawals in total must not exceed the spending policy limitations

v) Fees

In the event the managers of the account assess management and/or other fees, those fees shall be incremental to, and not deducted from, the distribution, but shall be subtracted before calculating net increase in Fund Value.

vi) Account Closure / Transfers

In the event the Board of Directors of the Association approves by two-thirds majority to transfer funds from an Agency Endowment to an alternate Agency Endowment or a Permanently Restricted Endowment, the transfer of funds must be completed within 45 days. Funds cannot be deducted during the transfer. In the event of such a transfer, the Endowment to which the funds are transferred must adhere to a spending policy which has equivalent safeguards as the above and Excess Returns must be reinvested into the new Endowment.

vii) Emergency Withdrawals

In the event the Association has exhausted its cash reserve fund and all other resources available to the Association to sustain its existence, including special fundraising efforts, the Board of Directors, by three-

fourth majority vote of all sitting members, may borrow against the Agency Endowment the greater of the amount by which the current fund balance exceeds historic principle balance or 50% of the current fund's value, to be used exclusively to support continuation of the Association's operations. Such withdrawal is contingent upon adoption of a repayment plan by a three-fourth majority vote.

2) **Permanently Restricted Endowment**

Permanently Restricted Endowment refers to any account whereby the original gift value is to remain in perpetuity as a permanent endowment of the Association. The Permanently Restricted Endowment funds are invested with an external foundation to manage the investment of the endowment. The invested funds become a permanent asset of the endowment foundation. Example: San Diego Foundation.

i) Spending Policy

The Withdrawals (payouts) from Permanently Restricted Endowments are restricted by the endowment foundation's policy.

ii) Spending Limitations

Fund use shall be limited to regular, reoccurring business expenses.

3) **Changes to the Policy**

- i) In the event the Board of Directors of the Association elect to alter the investments of the organization beyond these policies or spend funds outside of the Spending Limitation of these policies, those changes shall constitute a new Endowment and all existing gifts to the Association shall remain unaffected by the new policy and must adhere to the active policy at the time of the gift.