



CATHOLIC FOUNDATION OF RHODE ISLAND

Spending Policy for the Catholic Foundation of Rhode Island

The General Assembly of the State of Rhode Island passed the Uniform Prudent Management of Institutional Funds Act in June 2009 and the act was signed into law on June 29, 2009. Under this new change in the law, the Catholic Foundation of Rhode Island is no longer required to preserve "historic dollar value" of the corpus of permanently endowed funds. The Foundation is, however, limited by a "prudent" standard to the percentage of funds it can distribute from the funds. With the passage of this law, the Catholic Foundation of RI Board of Governors and the Diocesan Finance Council recommended an amendment to the spending policy adopted in 2005. Based on their recommendations, the Bishop approved the amendment in June 2009.

The amendment states: "That while present law no longer requires the preservation of "historic dollar value" of permanently endowed funds by means of returning to the fund an amount equal; to the Consumer Price Index (CPI), the Catholic Foundation of Rhode Island will continue this practice as part of its spending policy. In the event of consecutive down markets that prevent the preservation of historic dollar value by this method, the Catholic Foundation of Rhode Island will distribute only interest and dividends accumulated by each of the endowed funds during that fiscal year. Should this action need to be put in place, the Foundation staff is directed to inform endowment fund holders in advance of the potentially decreased distribution of funds."

In all other instances the Spending Policy of the Catholic Foundation of Rhode Island as stated below remains in place.

- 1) A net spending rate of 4.5% is adopted and goes into effect for fiscal year 2005/2006. This rate will be applied against the 3-year market value average for permanently endowed funds. This recommendation takes into consideration that sufficient appreciation in our investments over time can be used to preserve the historic value of each fund with the rate of inflation (the consumer price index) as required by Rhode Island state law.
- 2) The management fee for each fund will be increased from the current $\frac{3}{8}$ of one percent of the fund's principal balance to $\frac{1}{2}$ of one percent of the fund's market value.
- 3) New permanently endowed funds will distribute income only for the first 3 years. The spending cap of 4.5% of the three year average market value will applied to these funds in the 4th year.
- 4) While temporarily restricted funds are not required to retain a corpus value, it is recommended and encouraged that the 4.5% spending policy be followed.
- 5) This policy may be modified from time to time to as required by changes in Rhode Island General Laws, the Internal Revenue Service Code and national accounting standards (FASB). Amendments to this policy are made by majority vote of the Catholic Foundation of Rhode Island Board of Governors, the Diocesan Finance Committee, and approved by the Most Reverend Bishop of Providence and must be promulgated in writing to all endowment fund donors within 30 days of the amendment.

Other considerations:

- 1) Funds that currently spend from realized gains, will adopt the above, since access to gains will defeat the spending cap.
- 2) Funds that draw income on a frequency more than annually (quarterly or semi-annually) will be notified that the difference (if any) will be reflected on their fiscal year-end distribution.

Approved by Bishop Tobin June 2005

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