



The Episcopal Diocese of Olympia

The Episcopal Church in Western Washington

www.ecww.org

Expenditure Policy for Diocesan Endowments

THE DIOCESE OF OLYMPIA, INC.

This policy governs all endowment funds, term endowments and permanent funds owned by the Diocese of Olympia, Inc., excluding funds held by its mission congregations or by other Diocesan organizations. All such funds as are listed in Exhibit A attached hereto (the "Endowment Funds").

Money will be distributed from the Endowment Funds upon written request of the Budget and Finance Committee of the Diocesan Council and the approval of the Board of Directors for those uses which conform to the purposes and restrictions of the Endowment Funds.

Calculation of Amount for Distribution. Funds available for distribution from the Endowment Funds will be determined by using a *total return principle*, which includes the return derived from dividends and interest *as well as* realized and unrealized capital gains in the calculation. The funds available for distribution during any one year will be limited to a percentage of the market value of the Endowment Funds that is based on a three-year rolling average, with the measure of the market value taken at the end of the preceding twelve quarters. The market value for this purpose will be taken net of the fees for investment management of the Endowment Funds, if any. In calculating the amount, the market performance of the portfolio will be an important consideration. It will be the goal of the Board of Directors to grow, or at least maintain, the purchasing power of the Endowment Funds taking into account the impact of inflation and management costs (if any).

Endowment Reserve Fund. The Board deems it expedient to create a reserve to enable the Budget and Finance Committee to smooth out distribution amounts from the Endowment Funds from year to year for budgeting purposes. Therefore, 25% of the total return shall be set aside each year for an endowment reserve fund. The Budget and Finance Committee may draw from this endowment reserve fund to increase the amount available to the Diocesan budget in years in which there are no funds available for distribution or the amount available is very low.

Annual Calculation. The amount of the Endowment Funds to be made available for distribution shall be determined each year by the Board of Directors as follows:

An amount no greater than the total return on the Endowment Funds averaged over the previous 12 quarters reduced by (1) the amount of inflation based on the three-year rolling Consumer Price Index for All Urban Consumers, (2) the fees for the investment management of the Endowment Funds, and (3) 25% of the total return set aside for the endowment reserve fund.

The annual calculation will take place following the end of the first quarter of each year so that the

Diocesan Council will know the “amount of funds available for distribution” in the coming year as part of its budget considerations.

All unexpended funds from those available for distribution in a given year will be accrued and will continue to be considered available for distribution in subsequent years unless otherwise designated by action of the Board of Directors.