SPENDING POLICY

The Board of Trustees of the Valdosta State University Foundation, Inc. places high regard on meeting its financial obligations to Valdosta State University. As such, the Trustees regard spending in percentage terms from year-to-year as inflexible. While the spending percentage is constant and predictable, investment returns are not. For these reasons the Trustees have set annual spending at a rate of up to 4.5% of the portfolio value, as calculated on December 31 of the preceding year for the University's fiscal years 2004 through 2006. Note that the Foundation operates on a calendar year basis and the University's fiscal year is from July 1 through June 30 of each year.

Beginning in 2007, the moving average method of determining year-to-year spending will be used in order to level out distributions from the aggregate portfolio. The portfolio value will be determined based on a three year moving average of the portfolio market value with a budget lead of six months. In other words, the moving average will be determined six months before the university's fiscal year in which the funds are to be spent. For example, spending in the University's FY 2007 will be 4.5% of the moving average of the Foundation's CY 2003 through CY 2005. The dollar amount can be determined in early CY 2006 for the University's fiscal year 2007.

This leveling mechanism serves two purposes. First, it provides for more consistent and predictable spending while utilizing a more balanced investment strategy. Second, it allows time for planning and budgeting.

By leveling out spending, the Foundation reduces the likelihood of real principal erosion due to portfolio volatility. The annual determination method, on the other hand, leads to a tendency to pay out the excess earnings during periods of over performance, while maintaining a certain absolute dollar floor of spending during periods of under performance. Over the long term, this could result in an undesirable erosion of real principal.

Adopted November 6, 2002 – Revised April 28, 2006