



Spending Policy of the Oklahoma Disciples Foundation

*(Last Board Review/Approval: April 30, 2024; February 21, 2023; February 22, 2022; October 26, 2021;
December 1, 2020; February 23, 2016; April 28, 2015; October 27, 2009)
(Adopted: May 9, 2006)*

SCOPE:

The spending policy shall apply to all assets held by the Foundation as endowment funds unless directed otherwise by the trust agreement.

OBJECTIVES:

- To provide a dependable and predictable source of income for charitable beneficiaries;
- To protect the purchasing power of the assets under management against erosion by inflation; and
- To allocate the total return from the Investment Pools between current spending and reinvestment for future needs to provide equity among generations.

DEFINITIONS:

ANNUAL DISTRIBUTION: a cash distribution made to beneficiaries once annually equal to the annual dividend times the number of investment pool shares owned.

ANNUAL DIVIDEND: the dividend, on a per share basis, to be distributed to beneficiaries annually representing earnings from the previous year.

GAINS (LOSSES): undistributed realized and unrealized increases (decreases) in the market value of Investment Pool assets.

HISTORIC DOLLAR VALUE: the aggregate fair value in dollars of (i) an endowment fund at the time it became an endowment fund, (ii) each subsequent donation to the fund at the time it is made, and (iii) each accumulation made

Oklahoma Disciples Foundation Spending Policy

Adopted: 2006.05.09

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2009.10.27*

pursuant to a direction in the applicable gift instrument at the time the accumulation is added to the fund. The determination of historic dollar value made in good faith is conclusive.

INVESTMENT POOLS: individual endowment accounts will be invested in one or more investment pools. An investment pool is the economic equivalent of a mutual fund in that each individual endowment account owns shares in the pool.

STABILIZATION RESERVE: undistributed gains from prior periods available to supplement future distributions.

TOTAL RETURN: all interest income, dividends, capital appreciation (depreciation) and other earnings derived from investment in the Investment Pools less all transaction costs and management fees.

TRADITIONAL INCOME: interest income and dividends derived from investment in the Investment Pool, less all transaction costs and management fees.

GUIDELINES:

- The spending policy shall be implemented in accordance with the Oklahoma Uniform Prudent Management of Institutional Funds Act (OSC Title 60, Chapter 6, Section 300).
- The spending policy shall be applied at the individual trust level (not at the pool level).
- The spending policy shall implement donor-imposed provisions in conjunction with the spending policy guidelines.
- The spending policy shall be based on the total return.
- The spending policy shall allocate a portion of the total return for distribution to Investment Pool participants (“annual dividend”).

ANNUAL DISTRIBUTION:

1. The annual dividend per share of the Investment Pool shall be calculated as 4.25% of the Investment Pool’s average quarter-ending share price for the trailing 12 calendar quarters, not to exceed 5.5% (“ceiling”) or fall below 3.5% (“floor”) of the Investment Pool’s most recent year-end share price.
2. The spending policy shall make a distribution to Investment Pool participants annually (“annual distribution”) representing income and gains earned in the previous year.
3. The annual distribution for each Investment Pool participant shall be calculated by multiplying the annual dividend by the number of investment

pool shares owned. The annual distribution amount shall be limited in that it cannot reduce the FMV of the trust below the historic dollar value. In this situation, the annual distribution shall be limited to traditional income plus the balance in stabilization reserve.

4. Notwithstanding #3 above, the Board may, at its discretion, modify the above formula and impute traditional income to equal 3.0% of the year ending FMV of each particular trust. This modification is available to be made on a year-by-year basis after taking into consideration current market conditions, the status of ODF endowment accounts, and other factors deemed prudent under UPMIFA. This provision acknowledges the Board's desire to provide a reliable and stable stream of funding for its beneficiaries in both bear and bull markets.
5. For new accounts added during the year, the imputed traditional income under #4 above and the annual distributions referenced under #3 above shall be prorated based on the number of full months the funds were under management. Annual distributions for funds having received sizable donations during the year shall also be prorated based on the number of full months the funds were under management. For custodial funds, annual distributions for funds obtaining disbursements shall also be prorated based on the number of full months funds were under management.
6. The annual distribution shall be approved by the Board at the first meeting of each year and shall be distributed as soon as reasonably possible thereafter.
7. No makeup provision shall be employed to reimburse prior annual distribution deficiencies.
8. The spending policy shall retain for use in future periods that portion of the total return not required to fund the annual distribution ("stabilization reserve").
9. The spending policy recognizes that the allocation of assets ("asset mix") between investment styles directly impacts the anticipated total return. Therefore, the Investment Pool assets shall be diversified among the various investment funds governed by the Investment Policy of The Oklahoma Disciples Foundation, in an attempt to achieve the spending policy objectives.

10. The Board of Directors shall determine the spending rate, annual distribution and asset mix, based principally on the spending policy guidelines. The Board of Directors may, however, make adjustments to the spending rate, annual distribution and/or asset mix after evaluating other factors such as distribution history, current economic conditions and prevailing capital markets.