Distribution and Spending Policy

The distribution policy for endowment funds of The Psi Upsilon Foundation, Inc. (the "Foundation"), is based upon a total return investment approach. Unless otherwise provided under the terms of an applicable gift instrument and subject to any percentage limitations provided herein, the Foundation may appropriate or accumulate so much of an endowment fund that the Foundation determines is prudent for the uses, benefits, purpose, and duration of the endowment fund. Specifically, the ordinary income, capital appreciation (realized and unrealized), and principal (including historic dollar value[1] and any principal contributions, accumulations, additions, or reinvestments) allocable to the Fund, net of any applicable fees and expenses, may be committed, granted, or expended pursuant to the provisions herein.

The allowable distribution from an endowment fund, over and above fees and expenses allocable to the fund (which fees and expenses shall be paid first from ordinary income but may be paid thereafter from any assets of the fund), shall be up to 5% of the previous three-year rolling average of the fund's fair market value as calculated pursuant to the procedures described in the paragraph immediately below. The Foundation is not required to distribute the maximum amount calculated under this policy and may instead accumulate part or the entire amount for investment and use in future periods. The percentage rate shall be determined annually by the Foundation's Board of Directors on or before May 1 of the prior fiscal year. In the absence of a spending percentage determination by the Board for a given year, such percentage shall be 4%. The Foundation shall not make distributions from any fund where the resulting annual payment would be less than $500.

The formula for calculating allowable distributions shall be applied to the three years ending each February 28 (or February 29 in a leap year), and distributions with respect to each February 28 calculation shall be made no earlier than June 1 following each such February 28 calculation. Only amounts in a fund on February 28 shall be counted in establishing the fair market value of the fund for a given year (therefore, for example, contributions or required accumulations made on March 1, 2022, are not included in the calculation until February 28, 2023).

In applying this policy, if an endowment fund has been established for less than three years before February 28, then the actual number of years that the fund has existed (with the first February 28 being counted as the end of the first year) shall be substituted for the three-year period in establishing the rolling average.

In determining how much to appropriate or accumulate, the Board shall consider the following factors:

a. The duration and preservation of the endowment fund;
b. The purposes of the Foundation and the endowment fund;
c. General economic conditions;
d. The possible effects of inflation or deflation;
e. The expected total return from income and the appreciation of investments;
f. Other resources of the Foundation; and
g. This policy.

For all expenditures and regularly reoccurring expenses that fall in line with the approved budget for the fiscal year as adopted by the Board of Directors, the approval of the President of the Foundation and/or their designate shall be required.

Any contract, expenditure, or invoice more than $1,000 that does not fall within the approved budget shall require the approval of a majority of the Foundation's Board of Directors.

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(1) "Historic dollar value" means: (i) the aggregate fair value in dollars of an endowment fund at the time it becomes an endowment fund, (ii) each subsequent donation to the fund at the time the donation is made, and (iii) each accumulation required under the gift instrument to be added to the fund.

The Foundation, in its sole discretion, may revoke, modify, or amend this policy at any time.

Adopted: March 5, 2022