MINNESOTA COMMUNITY FOUNDATION

What's your vision?

THE SAINT PAUL FOUNDATION

Enriching lives and communities

February 17, 2011

Ms. Karen K. Buum
Waseca Area Foundation
111 Second Avenue NE, Suite 1
Waseca, MN 56093

Dear Karen:

You have entrusted your permanently endowed fund to Minnesota Community Foundation and The Saint Paul Foundation, and we are committed to managing your endowment with the goal of maintaining its future purchasing power. To fulfill this commitment, we must periodically review our spending policy, the calculation used to determine how much is annually available to distribute out of permanently endowed funds. After careful consideration of the economic environment and community needs, we have decided to adjust the spending policy calculation.

Effective January 1, 2012, the spending policy provides for a distribution of 5¼ percent of the underlying assets, based upon a five-year moving average of the value of the assets. The new policy reduces the distribution by one-quarter of one percent, from 5½ percent to 5¼ percent, and bases the distribution percentage on a five-year moving average of the value of the assets, rather than on a four-year moving average of the value of the assets.

The current spending policy was implemented in 1984 and has remained unchanged in the intervening years. With the economic downturn of the last two years and the projections that future investment performance and economic growth will be less than historical averages, a board-appointed task force recommended the changes to the spending policy, which staff endorsed and the board approved.

Lowering the distribution by one-quarter of one percent recognizes the current and projected economic environment while also acknowledging the current great need of nonprofits and individuals in the community. As a guiding principle, the Foundations are committed to balancing the current needs of the community with a commitment to future generations.

We recognize that changes in your endowment's distribution amount will impact your organization, and we hope that advance notice of the change will make it easier to adjust to the new rate. The board will continue to review the spending policy every five years, beginning in 2015 to ensure the spending policy reflects our commitment to the objective of preserving purchasing power over time.