

## Endowed Fund Distribution Policy

This policy is designed to allow the Community Foundation to carry out a grant making program which **balances the need for current spending with the goal of supporting future expenditures into perpetuity**. Each year the Community Foundation's Finance and Investment Committee will review the spending rate and make recommendations to the board if a change is needed. It is expected that the spending rate will range between three to five percent over time. In accordance with the standard of prudence prescribed in the Uniform Prudent Management of Institutional Funds Act of 2006, **the Community Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowments:**

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

**The Community Foundation relies upon a total return model of calculating appropriate fund distributions rather than an income only approach. Distribution calculations are based on a 16 quarter rolling average of each endowed fund's balance as of March 31.** Using a 16 quarter average serves two purposes. First, it provides for consistent and predictable spending for programs supported by this Foundation. Second, it allows the Board of Directors to design an investment strategy which is more aggressive with a higher expected return than might be the case if spending were determined by annual investment performance only. Spending rates will apply to all fund types except non-permanent or pass-through funds. For non-permanent funds, Community Foundation staff will discuss appropriate approaches to distribution at the time the fund is established.

**The intent of this policy is to set a maximum amount available for spending for each covered fund but not necessarily to mandate that such an amount be spent.** When deemed appropriate by a donor or the recipient, in the case of a designated fund, annual distribution amounts (available to grant) may be returned to the principal of the fund in order to expedite the growth of the fund. There may also be instances when it would be beneficial to pool distributions for multiple years to allow for more impactful grant making. In such instances, the eligible distribution would be held in the available to grant portion of the fund rather than returned to principal. The Community Foundation retains the right to determine the appropriate approach to distributing funds in accordance with its policies and procedures.

**The FY 2017 spending rate has been established by the board to be 4.25%.** This spending rate will be applied to the average fund balance for the prior 16 quarters as of March 31, 2016 to determine spending levels for the 2017 fiscal year, which begins on July 1, 2016.

**To be eligible for a distribution, a fund must have been in existence for one year prior to March 31<sup>st</sup> of the current fiscal year.** When the fund is established, the donor may elect to add an additional amount to be set aside for granting during the time that the fund is not eligible for a payout. These funds would be considered to be available to grant immediately. In those instances when a fund is eligible for distributions but has not been in existence for 16 quarters, the average total fund value shall be calculated based on the quarters in existence.

**This policy may be amended, modified, or revoked at any time by the Board of Directors.**