



## Spending Policy

The Foundation's Spending Policy determines the amount the Foundation will make available for distribution from its component endowment funds in a given fiscal year. The Foundation strives to maintain a balance between meeting immediate needs of fundholders and grantees as well as preserving capital for long-term charitable endowment purposes.

### Determination of Spending Calculation and Rate

The distribution amount for endowed funds is determined annually by the Board of Directors based on the recommendation of the Finance Committee. In compliance with the Uniform Management of Institutional Funds Act (UPMIFA), items taken into consideration when making this determination include:

- Duration and preservation of its permanent funds
- Foundation's mission and the purpose of the funds
- General economic conditions
- Possible effect of inflation or deflation
- Expected total return from income and the appreciation of investments
- Foundation's investment policy

This calculation is made annually after the books are closed for June 30, the end of the Foundation's fiscal year, with an apply date of July 1.

### Current Rate and Calculation

Current Spending Rate: 5% of a 16-quarter rolling average

The calculation involves two steps as follows:

- 1) A "Base Amount" is calculated based on a 16-quarter rolling average of the fund balance starting with the last quarter of the previous fiscal year (June 30).  
Base Amount = Total Sum of Fund's past 16 quarter balances / 16  
If a fund does not have 16 quarters of history, it is averaged on the number of quarters it has been in existence with the Foundation, with a minimum of 4 quarters.
- 2) The "Base Amount" in Step 1 is multiplied by the "Current Spending Rate."  
Distribution Amount = Base Amount X Current Spending Rate

<b>Approval date:</b>	Feb 2025	<b>Maintained by:</b>	Director of Finance
<b>Next review date:</b>	July 2025	<b>Department:</b>	Finance
<b>Previous revision date:</b>	July 2024	<b>Endorsed by:</b>	Finance Committee
<b>Original policy date:</b>	July 2020	<b>Policy title:</b>	Spending Policy

## **Other Spending Policy Considerations**

Donor advised and agency funds may request additional amounts over the calculated distribution amount provided they maintain the minimum fund balance (see Policies and Procedures for Establishment and Operation of Component Funds).

New funds will not have a spendable amount until they have been invested with the Foundation for four consecutive quarters unless otherwise determined at inception of the fund. The spendable will be calculated based on the number of quarters (4 quarter minimum) it has been in existence with the Foundation until it reaches 16 quarters.

Pass-through, donor advised and agency funds do not have the 4-quarter restriction.

Any unused spendable at the end of the fiscal year will be reinvested into the principal of the fund and not added to the next year's spendable balance. Exceptions will be considered on a request by request basis for organizations or fund advisors that want to rollover the spendable to save towards a special charitable project. The project must be defined and have a set timeline. Spendable funds may not be rolled over indefinitely.

Funds available for grant distribution (with the exception of pass-through funds) will remain totally invested until such time as a grant is recommended and approved. Once a spending amount for grant distribution has been identified, that amount will remain intact and available for distribution, though the total value of the fund will rise or fall with market performance.

## **Underwater Funds**

Underwater Funds are endowed funds held at the Foundation whose fair market value has fallen below the principal balance. Principal balance is defined as the total historical donations to the fund, not to include investment gains/losses.

In the event an endowed fund is underwater by more than 10% of its principal value, but less than 20% of its principal value at the time of distribution, the spending rate shall be reduced to 50% (half) of the current spending rate.

If the endowment is underwater by 20% or more of its principal value at the time of distribution, no distribution will be made that year. Funds may not make distributions if their fund is below the required fund minimum.

In rare economic conditions, an exception may be made if approved by a 3/4 majority of the Board of Directors and it does not violate UPMIFA or other applicable law. Exceptions shall be reviewed on an annual basis.

## **History of Foundation Spending Policy Calculations**

The distribution amount for endowed funds is determined annually by the Board of Directors. Below is a record of changes made to the calculation rate by the Board:

- Fiscal Year 2023 & Beyond: 5% of 16-quarter rolling average to help nonprofits with rising costs/inflation (Board approved 08/04/2022)
- Fiscal Years 2021 & 2022: 4.5% of 16-quarter rolling average (Board approved 06/20/2019)
- Fiscal Years 2019 & 2020: 4.5% of 20-quarter rolling average (Board approved 12/07/2017)
- From inception through Fiscal Year 2018: 5% of 20-quarter rolling average