



## **Spending Policy for Endowment Funds**

### **I. Purpose**

- A. The purpose of this Spending Policy for Endowment Funds (the “Policy”) is to set forth the rules and guidelines for spending from an endowment fund (the “Fund”) held by Yampa Valley Community Foundation (the “Foundation”). The overall objective of the Policy is to balance a Fund’s distributions to support charitable activities and the need to preserve the purchasing power (real value) of the Fund in order to support future charitable activities. The Policy will also provide general guidance for the management of endowment funds.
- B. The Policy is comprised of three components: 1) a determination of the spendable amount, 2) rules relating to distribution authorization and the commencement of distributions, and 3) rules relating to the suspension of distributions in certain situations when a Fund’s value declines below its principal dollar value.

### **II. Determination of the Spendable Amount**

- A. The Annual Distribution Percentage is set forth by the Foundation’s Board of Trustees (the “Board”) based on the recommendation of the Investment Committee and is subject to change from time to time at the Board’s discretion. In determining the Annual Distribution Percentage, the Investment Committee considers the Foundation’s history, spending policies in place at other community foundations, and the Foundation’s responsibility to preserve the purchasing power of its permanent funds over time. The Foundation’s current Annual Distribution Percentage is 4.5%.
- B. The amount available for distribution annually from each Fund (the “Spendable Amount”) shall be calculated using the following formula: an amount equal to the Annual Distribution Percentage of a Fund’s average trailing twelve quarter fund balance as of a specified quarter end. Most funds use a 4<sup>th</sup> quarter (December 31) calculation date.
- C. No distributions will be made until the Fund has been in existence for at least two years (8 quarters). Funds with a balance of less than \$50,000 will have no recommended Spendable Amount and will not be included in this calculation. Additionally, funds with a specific spending policy outlined in their fund agreement will not be included in this calculation.

### **III. Distribution Authorization and Commencement**

- A. Following the quarter end specified in the Fund agreement, the Foundation will notify the primary fund representative of the Spendable Amount available for that year.
- B. The primary fund representative can then choose from one of the following three options:
  - i. Request a grant up to the available Spendable Amount; or

- ii. Direct the Foundation to retain the Spendable Amount for one year; or, if the organization does neither (i) or (ii)
  - iii. The Foundation will waive the distribution for that year, in which case the Spendable Amount will be added back to the Fund balance.
- C. Distribution requests must be made in writing to the Foundation.

#### **IV. Suspension of Distributions**

- A. A Fund's principal dollar value (the "PDV") is the sum of original and subsequent contributions to the Fund, not including investment earnings or losses. A Fund is considered "underwater" when the Fund balance falls below the PDV.
- B. Distributions from a Fund will not be approved by the Foundation if the Fund is underwater on the specified date of calculation for the Spendable Amount.
  - i. For agency endowment funds, the beneficiary organization may request a distribution of the Spendable Amount from an underwater Fund only if approved by a majority of both the organization's board and the Foundation's board.

#### **V. Review and Revision**

- A. This Policy will be reviewed and reconfirmed or revised on a regular basis by the Board.