



COMMUNITY  
FOUNDATION  
*of Northeast Alabama*

## Spending Policy

The spending policy for **endowment** funds of the Foundation is based upon a total return investment approach. Unless otherwise provided under the terms of an applicable gift instrument, the Foundation may appropriate or accumulate as 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 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 objectives of the Foundation's spending policy for endowed funds are to allocate total earnings from the endowed portfolio between current spending and reinvestment for future earnings, and to provide a sustainable stream of income to beneficiaries of Foundation grants. Achievement of these dual objectives strives to ensure that the endowed fund preserves real purchasing power in perpetuity while providing ongoing operational support to designated charitable activities.

Unless otherwise provided by the fund agreement, the allowable distribution (grant) from an endowment fund, over and above fees and expenses allocable to the fund, shall be of the current year's spending rate multiplied by the average ending market value of the endowment fund for each of the prior twenty (20) quarters.

Scholarship fund distributions will be based on quarterly market values with years ending June 30<sup>th</sup> for distributions beginning in May the following year, and all other fund distributions will be based on quarterly market values with years ending September 30<sup>th</sup> for distributions in the following fiscal year (October 1 through September 30), unless otherwise provided in the fund agreement.

Unless otherwise provided in the fund agreement, endowment funds must be invested for a full four quarters prior to any distribution to allow for the growth of the fund. After a fund has been invested for a full four quarters and until it has reached five full years of investment the distribution amount available will be calculated by multiplying the spending rate times the average of the ending market values as follows:

- 1<sup>st</sup> Full Year: prior four quarters ending market values;
- 2<sup>nd</sup> Full Year: prior eight quarters ending market values;
- 3<sup>rd</sup> Full Year: prior twelve quarters ending market values;
- 4<sup>th</sup> Full Year: prior sixteen quarters ending market values;
- 5<sup>th</sup> Full Year and Thereafter: prior twenty quarters ending market values.

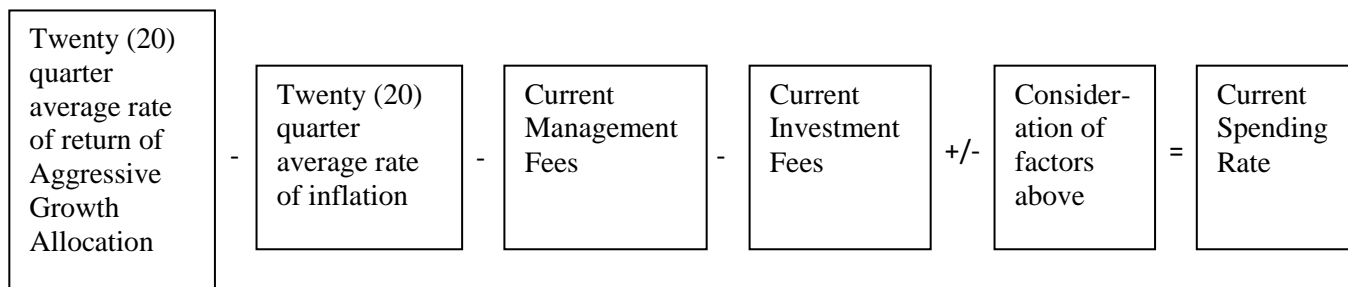
Annually, the spending rate shall be determined by the Board of Trustees after a recommendation from the Finance & Investment Committee. The Foundation is not required to distribute the maximum amount calculated under this policy and may instead accumulate part or the entire amount for investment and use in future periods.

In preparing its recommendation for the board, the Finance and Investment Committee shall consider the following factors when determining how much to appropriate or accumulate:

- a. The duration and preservation of the endowment fund;
- b. The purposes of the Foundation and the endowment fund;
- c. Historical endowment fund distributions;
- d. General economic conditions;
- e. The possible effects of inflation or deflation;
- f. The possible effect of interest rates;
- g. The expected total return from income and the appreciation of investments;
- h. Reinvestment for future earnings;
- i. Anticipated management and investment expenses;
- j. Community needs;
- k. Other resources of the Foundation;
- l. The Uniform Prudent Management of Institutional Funds Act of 2009;
- m. The Investment Policy;
- n. This Spending Policy; and
- o. Other relevant factors.

#### Spending Rate Calculation

The Finance & Investment Committee will review the spending rate each January and determine if the rate should change for the next fiscal year. The committee will use the following calculation to make their decision:



Non-Endowed Funds. Distributions from non-endowed funds shall be governed by the fund agreement and are not subject to this Policy.

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

The spending rate effective May 20, 2021 is 3.5%.

*Revised February 8, 2009*

*Spending & Distribution Policies combined and revised November 1, 2012*

*Revised May 8, 2014*

*Revised August 17, 2017*

*Revised May 20, 2021*