



## **Spending Policy for Endowed Funds**

Approved 4/18/2018

The purpose of a spending policy is to offer donors and beneficiaries a projected amount of money that will be available for distribution on an annual basis, while preserving the fund itself for perpetuity. A policy allows donors, in the case of donor-advised funds, to plan for and budget their annual charitable gifts. For organizations, a spending policy offers the chance to plan for and budget income from an endowment fund.

The Community Foundation of West Chester/Liberty currently allows annual spending of 4% of the average past 12 quarters fund balances ending December 31st each year if the fund is invested in the Growth Portfolio, and 3% of the average past 12 quarters fund balances ending December 31st each year if the fund is invested in the Capital Preservation Portfolio, or such shorter time as may be available. According to available research and based on long-term market performance, these percentages are the amounts that most permanent endowments can distribute annually and maintain the endowment's original principal value. This preserves the "philanthropic power" of endowment dollars by protecting the fund's value against year-to-year fluctuations in the investment market and at least partially offsetting inflation.

This rate is subject to change, however. If the total return over time is not great enough to meet the payout and hedge against inflation, the Community Foundation will consider lowering the payout rate to preserve the long-term value of the fund. Conversely, if the total return increases substantially and in a sustained manner, the Community Foundation will consider increasing the payout rate. The recommended payout amount for each fund will be determined by January 31 of each year and will be disclosed to the fund holder in writing.

Distributions will be made only from endowed funds that have reached the Community Foundation's established minimum funding levels as it is determined from time to time. Unless otherwise notified in writing, the Community Foundation will assume that funds with a balance of less than the minimum amount are in a "growth period" and will reinvest all earnings to help the fund reach this minimum level as quickly as possible.

All funds shall be managed in compliance with Ohio's Uniform Prudent Management of Institutional Funds Act, Ohio Revised Code sections 1715.51 through 1715.59 as may be amended from time to time.