

## **TOTAL RETURN SPENDING POLICY**

(Effective January 1996)

The adoption of a spending policy allows The Community Foundation for the Greater Capital Region to achieve the following objectives:

- To preserve and build the assets of all funds, and maintain the purchasing power of the original gift.
- To achieve a better overall investment performance by allowing a more flexible environment for investment managers.
- To provide predictability and smooth the fluctuations of The Community Foundation's grantmaking budget.

### **Accounting Procedures**

- In January of each year, the fair market value for twelve quarters trailing will be calculated for use in applying the spending rule percentage to determine funds available for distribution for the following year. For the first year of the spending rule, CFCR will use 4 quarters and for the second year 8 quarters because this is the only history, which is readily available.
- A fund must have invested balances for a minimum of 4 quarters as of January 1<sup>st</sup> in order to be included in this calculation. If the fund has invested balances for at least 4 quarters but has not been invested for 12 quarters, the Foundation will use the actual number of invested quarters in the calculation.
- Funds available will be transferred from the endowment account to the distribution account in the following order:
  1. First, dividends, interest and other investment income for the 12 months ended December 31st, net of fees. (If funds transferred are less than dividends, interest and other investment income net of fees, the balance will remain invested as part of endowment funds).
  2. Next, realized gains, net of realized losses.
  3. Next, unrealized gains.
- Funds available for distribution which are not expended in one year will remain in the distribution account and will be available for distribution in the following year.
- The payout rate will be reviewed periodically to determine if it is appropriate given investment returns and the rate of inflation.
- The current payout rate is 4% for the year beginning January 1, 2008.