



## **Total Return Spending Policy**

This spending policy (the Policy) allows The Community Foundation for the Greater Capital Region (the Foundation) to achieve the following objectives with respect to its donor-restricted endowments and such other unrestricted assets as the governing Board shall deem prudent subject to this Policy:

- Preserve and build the assets of each endowment fund and maintain the purchasing power of the original gift.
- Achieve a better overall investment performance by allowing a more flexible environment for investment managers to invest prudently for total return.
- Provide predictability and smooth the fluctuations of the Foundation's grant-making budget.

In establishing this Policy, the governing Board of the Foundation has acted in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and has considered, to the extent relevant, the following factors:

1. The duration and preservation of the endowment funds;
2. The purposes of the Foundation and the endowment funds;
3. General economic conditions;
4. The possible effect of inflation or deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Foundation;
7. Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment funds, giving due consideration to the effect that such alternatives may have on the Foundation and the funds' purpose; and
8. The investment policy of the Foundation.
  - a. The Foundation shall keep a contemporaneous record describing the consideration given to each of the factors enumerated above.

### **Appropriation Procedures**

- As of September 30<sup>th</sup> of each year, the average fair market value of each fund, computed as of the last day of the immediately preceding twenty calendar quarters, will be calculated for use in applying the spending rule percentage to determine funds available for distribution for the following year, beginning November 1 of the current year.

- A fund must have invested balances for a minimum of 4 complete calendar quarters as of October 1st in order to be included in this calculation. If the fund has invested balances for at least 4 complete calendar quarters but has not been invested for 20 complete calendar 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 20 immediately preceding months ended September 30th, 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). Fees for these purposes shall include the Foundation management fees, and the fees paid to the Foundation's investment consultant and investment managers.
2. Next, realized gains, net of realized losses.
3. Next, unrealized gains.
4. Under certain circumstances, the Board may make distributions from the historic dollar value of the funds subject to the intent of a donor expressed in the gift instrument, unless stated otherwise in the gift instrument or in response to a notice from the Foundation.

- 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. For those endowment funds created on or after September 17, 2010, the Foundation shall, absent express donor intent to the contrary, review each fund to assure that the appropriation for expenditure in any year does not exceed seven percent of the fair market value of the fund, calculated on the basis of market values determined at least quarterly and averaged over a period of not less than five years immediately preceding the year in which the appropriation for expenditure is made. For an endowment fund in existence for fewer than five years, the fair market value of the endowment fund shall be calculated for the period the endowment fund has been in existence.

- **The Board of Directors of CFGCR approves a 4% distribution rate effective November 6, 2019 for all endowed funds subject to the Board approved distribution rate.**