

COMMUNITY FOUNDATION OF ST. CLAIR COUNTY
SPENDING POLICY

(Most recent ratification Jan. 22, 2019)

The purpose of this Spending Policy is to establish a clear understanding of the spending objectives for the Community Foundation. In implementing this policy the Foundation understands and accepts its role in the community as a vehicle for citizens and organizations of St. Clair County to fulfill their charitable objectives.

At the same time, the Foundation is committed to maintaining a focus on the perpetuity of its funds, and our responsibility for providing a stable source of funding to projects, programs and organizations in St. Clair County.

1. The primary objective is to provide a suitable level of funding to meet donor and constituent needs, while preserving the real value of permanently restricted assets. The rate of growth on endowment funds, as a result of investment performance, should maintain or increase its purchasing power over time (as adjusted for inflation).
2. Implementation of the policy will be based on a fund-by-fund basis.
3. For endowed funds, calculation of available funding dollars will follow the formula described below:
 - a) Total available in each fund for any given year will be determined as of September 30th of the previous year.
 - b) Individual funds will not make awards until they have been held by the Foundation for 12 consecutive months, unless donors have made other arrangements with the Foundation to provide immediate awards. This allows individual funds to accumulate earnings (provided positive market returns) in order to provide disbursements during the second year of the fund's existence.
 - c) The spending rate will be 5% of the market value of those funds at or above their historic gift level, calculated on the average of the previous 16 quarters ending September 30. For funds on record less than 16 full quarters, but at least four, this Policy will use the average of the quarters it has been in existence.
 - d) Funds that have maintained their inflation adjusted historic value over time must make available as grantable funds at least 3% of total assets, but not more than 4%, for grants the following year, as determined using the Sept. 30th cutoff date.
 - a. Scholarship Funds will not make awards in years where the grant budget is less than \$1,000. Available funds may be rolled over from year to year if under \$1,000 and may also be rounded up to the nearest hundred or thousandth.
 - e) The historic gift level is defined as the dollar value of the original gift plus the dollar value of any additional gifts into the fund.
 - f) For instances in which a fund has dropped below its historic gift level, the spending rate for the following year will be reduced to net income, defined as dividend and interest income less administrative and investment management fees (unless otherwise specified in a donor fund agreement). This amount to be calculated based on the net income for the previous 12 months.

- g) The Board may elect to reduce the 5% spending rate in instances when such a rate would take a fund below its historic gift value, to a level not less than described in section 3.e above.
- 4. As allowed for under current Michigan law, the Foundation, at its sole discretion and with or without prior notice, may elect to spend any portion of accumulated endowment fund earnings (market appreciation and investment income) with or without a donor's consent. Decisions to spend above and beyond the 5% spending policy will only be taken under special circumstances as may be duly warranted from time-to-time as determined by the Foundation Board.
- 5. Endowed funds will not be allowed to make distributions until they have met fund minimums as outlined in the Foundation's Gift Acceptance Policy. In the event that a fund does not reach the fund minimum threshold within five years, the Foundation reserves the right to roll the assets into a closely related or general purpose fund that approximates the donor's original intent. In these instances, the Foundation will make good faith efforts to continue recognizing and promoting the fund's original name.
- 6. Donors will be given the opportunity to make additional spendable gifts to income at any time in order to allow their fund to make immediate and/or additional disbursements above and beyond what the spending policy allows.
- 7. Donors may select a spending rate greater than what is outlined above (with Foundation approval) at the time the Fund Agreement is created. However, donors will be advised by the Foundation that spending above and beyond the rate outlined herein may have a significant detrimental effect on the long-term growth of their fund.
- 8. From time to time, Fund Representatives may have project or funding in excess of the Fund's calculated annual grant budget, and present the Foundation with requests for special spending distributions. Staff will use the Foundation's Special Distribution Form to document these distribution requests, which will be reviewed in accordance to the Form's incorporated checklist. Special distributions may not be made more than once annually.
- 9. This policy to be reviewed by the full Board of Trustees at least once every five years.