



## **Distribution & Spending Policy for Endowed Funds**

**Goal:** The Community Foundation of Dunn County has adopted investment and spending policies for its endowment assets that attempt to provide a predictable stream of funding to programs and nonprofit organizations supported by these assets, and seeks to maintain the purchasing power of these assets over time.

**Definition:** Endowment funds are those that are intended to be perpetual by the terms and conditions of the fund agreement establishing such fund, and will provide interest, dividends and other earnings to be used to benefit a charitable cause.

The Foundation makes grant distributions for charitable purposes from its endowed funds. The amount distributed annually for grants is determined by the current distribution rate, which is set by the Foundation's Board of Directors, acting on advice from the Investment Committee.

The Foundation's Distribution and Spending Policy and its Investment Policy Statement work together to achieve these objectives. The Foundation's Investment Policy Statement establishes an achievable return objective through diversification of asset classes (see most recent Investment Policy Statement for details of asset allocation, fund manager requirements, and types of investment pools).

To meet the annual distribution for each Fund, the Foundation may use interest, dividends and capital appreciation. Where prudent and consistent with the Foundation's bylaws, corporate documents, fund agreements, and Wisconsin law, the Foundation may use a portion of the principal (a/k/a historic value) of certain funds as part of the annual distribution to fund special projects as designated by the terms of the original Fund Agreement or upon appropriate action by the Board of Directors.

The spending policy calculates the amount of money annually moved to the spendable balance of the Foundation's endowment funds. This payout will be determined annually by the Investment Committee followed by approval by the Board of the Directors and applied to the average market value of the funds based on the last twelve trailing quarters average. For any endowed fund less than three years old, the market value will be the average of all quarterly market values to date.

To achieve these goals the Directors will distribute an amount up to no more than 5% (net of fees) of a 12 quarter trailing average of the market values of the Foundation's assets as of September 30th each year. In some cases, the Foundation may approve a distribution from a fully funded fund where an available balance over and above the current distribution rate is agreed to when the fund is established. The distribution rate may be changed from year to year, adjusted to reflect special funding needs and/or

financial market conditions. This distribution strategy reflects the total return approach to investing and disbursing funds as outlined in the Foundation's Investment Policy Statement.

All new endowment funds must be invested for four (4) full quarters before any spending is permitted. The Foundation will permit a donor to make a contribution as a pass-through contribution to an established fund for grant-making purposes.

Additions will be made to the spendable balances of the endowment funds in January of each new fiscal year based on the formulas described in this Distribution and Spending Policy. The distributions from the endowment funds made during each fiscal year will be on an "as requested basis" and will be made from the endowment funds' spendable balances. Any portions of the spendable balances not expended in a given year will rollover into the next year's spendable balances.

The Distribution and Spending Policy for Endowed Funds and actual spending of dollars will be annually reviewed and approved by the Board of Directors. The objectives, guidelines and distribution policy will be reviewed at least annually by the Investment Committee.

This Distribution and Spending Policy acknowledges that the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted in Wisconsin in 2009 abolished the historical gift value limitation on expenditures. Absent provisions in a fund's agreement to the contrary, if the fair market value of an endowment fund on September 30th each year is less than the fund's historic dollar value, there will be no distribution from the fund.

This Distribution and Spending Policy for Endowment Funds does not negate the Foundation's ability to expend up to the entire balance of an endowment fund under certain circumstances as described in its bylaws, trust agreements or other laws governing the Foundation (i.e., variance power).

Exclusions to this Policy includes, but are not limited to funds which are not endowment funds as defined herein, pass-through funds, non-endowed donor funds and endowed funds which are required to reach a certain asset level before grants can be made which have not reached such a level or if there is an agreement to the contrary.

The Board of Directors has the express authority to amend this Policy at any time.

Adopted: August 17, 2011

Replaces all previously adopted distribution and/or spending policies for endowed funds adopted prior to the above date.