

# Community Foundation of Greater Muscatine

## Endowment Spending Policy

December 20, 2022

As part of its total return investment objective, the Community Foundation of Greater Muscatine utilizes a spending policy to allocate spendable grant balances from permanent endowments. To effectively administer the spending policy, the Community Foundation has adopted the definition of income, which not only includes interest and dividends, but also gains/losses on value. The spending policy makes available on an annual basis up to *5% of the 4-quarter average market value of each endowment building up to 12-quarter average calculation.*

**Calculations** The Actual Market Value at the end of each quarter is determined for each endowment and shown on the Balance Sheet. This includes all investment income and realized/unrealized gains and losses as well as fund management fees. These balances are compiled, totaled, divided by the number of quarters included in the totaled amount (up to 12-quarters), multiplied by 5%\*, and rounded down to the nearest hundred to determine the maximum grant available for spending. An example is shown below.

Year 1	Year 1	Year 2	Year 2	Year 2	Year 2	6-Q	5%
30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	Average	
\$175,397	\$181,525	\$196,314	\$212,214	\$227,159	\$236,385	\$204,832	\$10,241.62
Spendable Balance Rounded Down to the Nearest Hundred							\$10,200.00

**\*Maximum Spending Rate** The maximum spending rate is determined by the Investment Committee annually and approved by the board of directors. The maximum spending rate is 5% in accordance with Endow Iowa Program requirements. (The resolution of participation in Endow Iowa Tax Credit Program is attached and remains a permanent part of the Endowment Spending Policy.) All, or a portion of, the available grant may be expended per the endowment fund's written agreement. All available grant monies, or any unused portion, may remain in the endowment to help it grow.

**Minimum Endowment Balance** No endowment may expend grants until it reaches the minimum balance of \$10,000

**Establishment of Endowment for Spending Policy** Endowments should be in place for two quarters prior to expending grant and be calculated based on the average number of quarters the fund has been opened up to 12 quarters.

**Exceptions:** The Fund's spending rate is calculated once per year and is not adjusted unless large gifts (as measured in proportion to the fund's beginning principal balance) are received in a specific quarter. Upon receipt, all gifts are invested in the Fund's principal balance. When a proportionately large gift is received, the spendable grant may be recalculated in the quarter following the quarter in which the large gift was received.