



## 2019 Spending Policy

The purpose of this Spending Policy is to establish a clear understanding of the spending objectives for the Northwest Connecticut Community Foundation. In implementing this policy the Foundation understands and accepts its role in northwest Connecticut as a vehicle for the citizens and organizations of our region to fulfill their charitable objectives.

The annual spending budget (grants and administrative assessment) will be determined each year, recommended at the rate of up to 5.75 % (maximum) **5.00% (target)** 4.25 % (floor) of the fair market value (computed with a three-year rolling average of the quarterly market value\*) of the assets of each individual fund managed within the Foundation ending December 31st of the current year. It is intended that the value of the fund will be maintained over time. The spending and investment policy are governed by a total return philosophy recognizing that funds under these guidelines are managed as endowments.

The distribution that may be spent, as determined in this paragraph, may be drawn from both ordinary income earned (i.e., dividends, interest, rents, royalties, etc.) and principal including appreciation, both earned and unearned.

The spending budget amount is used for both grant and/or scholarship amounts available from each fund as well as administrative assessments charged to each fund. The administrative assessment is calculated based on the Administrative Assessment Schedule approved by the Board of Directors and in effect at the time the calculation is made.

Amounts available to grant are calculated by subtracting the administrative fee from the total calculated spending amount. Unless approved otherwise by the Gift Acceptance Committee, granting is not permitted for any fund managed as an endowment fund until it has been at the Foundation through the end of its initial calendar year. Pass-through and donor-advised funds do not have the calendar year restriction.

For the purpose of this calculation, a gift that arrives at the Foundation on any day within a calendar quarter will be considered to be at the Foundation for the entire quarter.

*\*(recommended grant allowances are computed with a three-year rolling average of the December 31st market value)*

Administrative fees will be charged to funds from the date that the fund is established, as prescribed by the Administrative Assessment Schedule in effect at the time.

The spending budget will be determined and recommended by the Investment Committee and approved by the directors annually.

*Note:*

For instances in which an endowed fund has dropped below its historic gift level (defined as the dollar value of the original gift plus the dollar value of any additional gifts into the fund), the spending rate for the following year will be evaluated by the Board of Directors on a case-by-case basis with distributions curtailed until investment returns remedy such restriction. The Board may also elect to reduce the 4.25% floor spending rate in instances when such a rate would take a fund below its historic gift value.

Approved:

The Northwest Connecticut Community Foundation Board of Directors at a duly authorized board meeting held on February 5, 2019.