

Blue Mountain Community Foundation  
Policy Manual

**Spending Policy**

**1. Purpose of Spending Policy**

The Foundation's spending policy determines the amount the Foundation will make available for distribution from its component endowment funds in a given year. The amount available for spending is determined by a total return system, with intent to minimize the likelihood of the original contribution(s) to a fund being invaded.

**2. Determination of Spending Rate and Budget**

The spending rate will be determined and recommended by the Investment Committee and approved by the Board of Trustees as needed. The spending budget for the next fiscal year will be calculated based on the 12 quarter rolling average of the market value of the endowed portion of each fund, ending June 30<sup>th</sup> of the current year. The amount available will be removed from the Long Term Pools in the first half of each fiscal year and placed into a liquid interest bearing account available for disbursements.

A "floor" and "ceiling" calculation will be used to ensure fair and prudent distributions. The purpose of the "floor" is to take into account significant gifts that are made to the endowed balance of a fund during the 12 quarter period. The purpose of the "ceiling" is to ensure that, in a period of severe market decline, the Foundation does not distribute too large a portion of the current value of a fund.

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.

There will be no granting permitted for any fund managed as an endowment fund until it has been at the Foundation for four quarters, unless a gift has been specifically allocated to the Available to Spend balance for granting purposes. Pass thru and non-endowed funds do not have the four quarter 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.

**3. Spending Calculation**

The calculation involves three steps, as follows, (a, b, and c below) with an overriding consideration presented in step four (d below). The terms "spending budget," "spendable balance," and "spendable amount" are synonymous.

- a. 12-quarter rolling average of the principal balance is determined.

- (i) If the fund does not have 12 quarters of history, it is averaged on the number of quarters it has been with the Foundation
- b. The balance is multiplied by a spending rate as follows.
  - (i) The amount available to be spent in fiscal year 2012 (7/1/2012-6/30/2013) will be 5% of the figure calculated in “a” above.
  - (ii) The amount available to be spent in fiscal year 2013 (7/1/2013-6/30/2014) will be 4.75% of the figure calculated in “a” above.
  - (iii) The amount available to be spent in fiscal year 2014 and in subsequent years (7/1/2014-6/30/2015) will be 4.5% of the figure calculated in “a” above.
  - (iv) The spending rate will remain at 4.5% thereafter unless amended by the Board of Trustees.
- c. The figure calculated in “b” is then compared to a “floor” and “ceiling” as follows:
  - (i) In fiscal year 2012 (7/1/2012-6/30/2013), the spending budget for each endowed fund will not be less than 4% nor greater than 5.5% of the endowed balance as of 6/30/2012.
  - (ii) In fiscal year 2013 (7/1/2013-6/30/2014), the spending budget for each endowed fund will not be less than 4% nor greater than 5.25% of the endowed balance as of 6/30/2013.
  - (iii) In fiscal year 2014 and in subsequent years (7/1/2014-6/30/2015), the spending budget for each endowed fund will not be less than 4% nor greater than 5 % of the endowed balance as of 6/30/2014.

Timing of Distribution	Step A:	Step B:	Step C: Floor	Step C: Ceiling
FY12 (7/1/12-6/30/13)	Based on 12 Quarters ending 6/30/12	5%	4%	5.5%
FY13 (7/1/13-6/30/14)	Based on 12 Quarters ending 6/30/13	4.75%	4%	5.25%
FY14 (7/1/14-6/30/15)	Based on 12 Quarters ending 6/30/14	4.5%	4%	5%

- d. Notwithstanding steps 1 through 3 above, if a fund is currently “underwater,” which means that the fund currently has less in assets than the principal that was

Section: Fund & Grant Management Policies

Number: 300-02

Subject: Spending Policy

Page 3 of 3

Date Adopted: March 29, 2012

---

donated to the fund, the spending budget for the fund shall be 2.5%. Provided, however, that this provision does not apply to agency funds.

#### **4. Review and Revision**

This Spending Policy will be reviewed and reconfirmed or revised on a regular basis by the Board of Trustees and Investment Committee.

#### Amendment History:

Amended: July 21, 2021

Amended: May 18, 2021

Amended: November 19, 2013

Originally Adopted: March 29, 2012