

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 is stated in Section 3 of this Policy. The Investment Committee shall periodically consider whether the current spending rate is appropriate. If the Investment Committee believes that the spending rate should be changed, it will recommend the change to the Board of Trustees. The Board of Trustees will then accept the recommendation or not.

Shortly after the end of each fiscal year, the Foundation shall calculate the spendable amount for all endowed funds. All calculations will be based on the value of each fund as of the fiscal year-end. The spendable amount for each fund will be removed from the investment pools as soon as is practicable after the spendable amount is calculated and placed into a liquid interest bearing account available for disbursements.

A "ceiling" calculation will be used to ensure fair and prudent distributions. 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 spendable amount 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-through 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 Rate and 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 (the "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 the spending rate to determine the Spendable Amount.
 - (i) The spending rate is 4.0%; provided that a nonprofit with an agency fund can choose to maintain the prior spending rate of 4.5% on their agency fund with the nonprofit's understanding that it is making a choice that is more likely to spend principal from its fund in the long-term.
- c. The Spendable Amount calculated in "b" is then compared to a "ceiling" and, if needed, modified as explained below.
 - (i) The Ceiling Amount is 5% of the current balance of Spendable Amount for each endowed fund. "Current balance" means the balance at the last fiscal year end.
 - (ii) The amount that will be distributed from each fund will be the lesser of the Ceiling Amount or the Spendable Amount.
- d. Notwithstanding steps 1 through 3 above, if a fund is currently 10.0% or more "underwater," which means that the fund currently has 10.0% or more less in assets than the principal that was donated to the fund, the spending budget for the fund shall be 2.5% or the Ceiling Amount, whichever is less. Provided, however, that a nonprofit with an agency fund can choose to not have this provision apply to their agency fund with the nonprofit's understanding that it is making a choice that is spending more principal from their fund and making it more likely that their fund may not recover all of its principal.

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: September 21, 2022

Amended: November 16, 2021

Amended: July 21, 2021

Amended: May 18, 2021

Amended: November 19, 2013

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