

# Community Foundation of South Lake County

## Spending Policy

**GENERAL:** This Spending Policy as adopted by the Community Foundation of South Lake Board of Directors supersedes any preceding policy.

**OBJECTIVE:** The objective of this Spending Policy is to:

- a) Provide predictability for the Community Foundation's grant making and administrative budget.
- b) Achieve better overall investment performance by allowing a more flexible environment for the investment managers.
- c) Assist the investment strategy goals for Community Foundation growth and funding.

**SPENDING AMOUNT:**

- a) The amount the Community Foundation makes available for grant awards, scholarships, fees, and administrative expenses will be established as a set amount on **June 30<sup>th</sup>** each year by applying a formula to a predetermined base.
- b) The base for the calculation will be a 12 quarter average of the Community Foundation's **investable** assets as of **June 30<sup>th</sup>**.
- c) The percentage to be applied against the base indicated in (b), above, will be 5%. The dollar figure derived includes interest and dividends earned from the investment portfolio. (Example – 5% of 12-quarter average might equal \$360,000, with \$200,000 from interest and dividends and the balance from principal. An operating budget of \$210,000 would leave \$150,000 for grants, scholarships, etc.)
- d) In order to support the administrative expenses of the Community Foundation, a fee, based upon the standard fee schedule, will be charged against funds that are part of the Community Foundation's responsibility with the exception of pass through and temporary funds.
- e) The Community Foundation recognizes that unusual circumstances with respect to financial markets or the needs of the community may, in rare instances, require a temporary departure from the application of the Spending Policy. Adjustments will be made when it is considered appropriate, subject to Board approval. (Example – with investment values

still in a recovery stage, it might be decided to apply formula and utilize the payout amount derived only if the total value of the Foundation's investment portfolio exceeds **\$7.0 million** at the time of the calculation.)

- f) A floor shall be created in order to temper the volatility of annual spending created by changing market values and preserve assets. Whenever the current value of the portfolio falls below **\$7.0 million** at the time of calculating the 12-quarter average, the spending amount will be limited to \$300,000 to cover operating expenses, grants, etc. (*An annual review will be conducted regarding the suitability of the floor figure.*)
- g) Administrative expenses paid through contributions to the *annual fundraising campaigns* shall not be included in the spending limits imposed under this policy. (In other words, gifts to the *annual fundraising campaigns* shall reduce administrative expenses paid under this policy dollar-for-dollar. Example: 5% of the 12-quarter average might equal \$360,000. An operating budget of \$210,000 with \$40,000 in income from an *annual fundraising campaign*, would leave \$190,000 available for grants, scholarships, etc.)
- h) Grants, scholarships and other expenditures from Donor Advised Funds, Donor Designated Funds, and similar donor-established and donor-supported accounts, including the Pig on the Pond, shall not count against the spending limits of this Spending Policy, except to the extent that such expenditures include principal contributed to such a fund or account by the Community Foundation and the income derived from such principal.

Approved by Board of Directors – January 8, 2004

Item h) approved by Fiscal Committee on January 28, 2004