



Spending Policy

A spending policy defines the percentage of an endowment fund that may be spent annually. It has three primary objectives:

1. Preserve the purchasing power of the gift/principal over the long-term.
2. Provide consistent grantmaking dollars during good and bad economic times.
3. Balance the community's short-term and long-term needs for a perpetual stream of grantmaking dollars.

"Endowment fund" means an institutional fund, or any part of an institutional fund, not wholly expendable by the institution, on a current basis, under the terms of the applicable gift instrument. (From Iowa law 540A.2.) In some cases, endowment funds are established by an act of the Community Foundation of Northeast Iowa (hereinafter referred to as the "Foundation").

Factors in Establishing a Spending Rule

In determining the amount of appropriation, the Foundation shall exercise ordinary care and prudence, as defined under the Uniform Prudent Management of Institutional Funds Act (UPMIFA) Iowa Senate File 2316, and in so doing, they shall consider long-term and short-term needs of the Foundation in carrying out its charitable purposes, its present and financial requirements, the expected total return on investments, price level trends and general economic conditions.

Total Return Policy

The Foundation has adopted a "total return" approach to calculating investment returns. In recognition of these facts, the Investment Committee will consider the Foundation's total return from both income and net realized and unrealized capital gains when recommending the spending rate policy. When distributions are made, they will be withdrawn from the Foundation regardless of the portion of the total return that is from capital gains or income. Distributions in amounts up to that determined by the spending rate for grants plus fees may be made from the principal of a specific fund unless invasion of principal is prohibited by law or the agreement.

Spending Rate

Unless otherwise directed by the governing fund agreement, the annual spending rate for grants from the fund will be determined by the Investment Policy Statement, currently 4% of the average market value, using an eight (8) quarter trailing average calculated as of September 30 each year. For funds less than two (2) years old, the calculation will be based on the average of all eight (8) quarters.

All gifts to endowment and quasi-endowment funds must be invested for a minimum of four (4) quarters before any distribution.

Spending Rate (Continued)

The spending rate for the Foundation will be reviewed by the Investment Committee in the third quarter of each year. Any recommendation for modification of the spending rate will be brought to the Board for final approval.

Exclusions to this policy include, but are not limited to expendable funds, underwater funds, and endowed funds which are required to reach a certain asset level before grants can be made and which have not reached such a level or if there is an agreement to the contrary.

The spending rate for any Endow Iowa eligible fund may not exceed 5% annually.

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