Spending Policy Calculation

The primary objectives for the investment of Community Foundation assets are as follows:

- Preserve the purchasing power of the gift/principal over the long-term, and if possible increase it
- Have consistent grant making dollars available during good and bad economic times
- Balance the community's short-term and long-term needs for grant making dollars

Endowment Funds shall be subject to the Spending Policy unless a spending policy is specified in the fund agreement. Nonpermanent/non-endowed funds are not subject to the Spending Policy and shall be governed by the fund agreement. Additionally, Pikes Peak Community Foundation assumes that any gift instrument that does not specifically reference a spending calculation but references spending "income" or "net income" is intending to create an endowed fund and will apply the spending policy.

I. Spending Rate Calculation

The spending percentage rate shall be recommended by the investment committee to the board of trustees annually and be effective January 1 of each year. The Investment Committee shall act in good faith and with the care of a prudent person acting in a like position would use under similar circumstances as defined in the Uniform Prudent Management of Institutional Funds Act (UPMIFA) of 2009. The investment committee will consider the following factors in determining whether a change is needed to the annual spending percentage rate

1. The duration and preservation of the endowment fund;
2. The purposes of the Foundation and the endowment fund;
3. Historical endowment fund distributions;
4. General economic conditions;
5. The possible effects of inflation or deflation;
6. The possible effect of interest rates;

7. The expected total return from income and the appreciation of investments;
8. Reinvestment for future earnings;
9. Anticipated management and investment expenses;
10. Community needs;
11. Other resources of the Foundation;
12. The Uniform Prudent Management of Institutional Funds Act of 2009,
13. The Investment Policy;
14. This Spending Policy; and
15. Other relevant factors.

Annual adjustments to the recommended spending rate may be necessary to ensure that the Community Foundation is not unnecessarily accumulating assets nor experiencing accelerated principal erosion. Long-term investment returns are designed to cover the recommended spending rate, investment expenses, administration fees, and inflation. The Community Foundation's investment portfolio mix will be balanced in a way that justifies the recommended spending rate.

The Finance & Investment Committee will review the spending rate each January and determine if the rate should change for the next fiscal year. Unless otherwise specified by way of amendment to this Spending Policy, the spending rate shall never be below 3% or above 6%. The committee will use the following calculation to determine the maximum spending rate for any given year:

Twelve (12) quarter average rate of return of Long Term Pool	-	Twelve quarter average rate of inflation	-	Current Management Fees	+/-	Consideration of factors above	=	Current Spending Rate

Unless otherwise provided by the fund agreement, the allowable distribution from an endowment fund, over and above fees and expenses allocable to the fund, shall be the current year's spending rate multiplied by the average ending market value of the endowment fund for each of the prior twelve (12) quarters. Each fund's available to spend balance will be calculated annually at December 31, the amount calculated shall be available for grant distributions on February 1 of each year.

The spending rate is applied to average fund balances for the prior 12 quarters to determine spending levels for the next fiscal year. At the time a fund is established, staff will discuss with the donor the options for grant making during the first 36 months of the fund. If no options are specified, the spending rate will be applied to the average balance of the prior 12 quarters.

Example

For example, assuming the current "Spending Rate" is 3%, and further assuming an endowment fund was established on June 1, 2016 for $1 million, with quarter ending balances as follows:

$0 (March 31, 2014)
$0 (June 30, 2014)
$0 (September 30, 2014)
$0 (December 31, 2014)
$0 (March 31, 2015)
$0 (June 30, 2015)
$0 (September 30, 2015)
$0 (December 31, 2015)
$0 (March 31, 2016)
$1,000,000 (June 30, 2016)
$1,050,000 (September 30, 2016)
$1,100,000 (December 31, 2016)

The Grantable Amount for 2017 would be calculated as follows:

[Cumulative 12 quarter fund balance ($3,150,000) / 12 = $262,500 (Average Fund Balance)] * 3% (Spending Rate) = $7,875 (Grantable amount for 2017)

II. Current Rate

The spending rate effective February 14, 2022 is 6%

Due to the unprecedented circumstances surrounding the COVID-19 pandemic, PPCF will allow any fund subject to PPCF's spending policy to voluntarily increase their spendable amount in 2022 up to a maximum spendable amount of 6% of the average balance of the previous 12 quarters of their fund.

Note: Any unused available to spend amount shall not be allowed, unless approved by the Grants Committee, to accumulate as available to spend at the end of each year but will remain as part of the fund balance for the next year's calculation.