



Addendum A – Spending Policy Calculation

The primary objectives for the investment of the Foundation’s 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; and,
- 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 Finance & Investment committee to the board of trustees annually and be effective January 1 of each year. The Finance & 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:

- The duration and preservation of the endowment fund;
- The purposes of the Foundation and the endowment fund;
- Historical endowment fund distributions;
- General economic conditions;
- The possible effects of inflation or deflation;
- The possible effect of interest rates;
- The expected total return from income and the appreciation of investments;
- Reinvestment for future earnings;
- Anticipated management and investment expenses;
- Community needs;
- Other resources of the Foundation;
- The Uniform Prudent Management of Institutional Funds Act of 2009,
- The Investment Policy;
- This Spending Policy; and
- 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
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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 after approval from the Finance & Investment Committee each year.

The spending rate is applied to the fund balance as of December 31 of the prior fiscal year to determine spending levels for the next fiscal year.

II. Current Rate

The spending rate effective April 26, 2024 is 3%.

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.