

Spending Policy for Unrestricted Endowed Funds

Giving and saving for the future



Ladies' Library Association, Kalamazoo | Photograph by Robert Neumann

The objective of our spending policy for unrestricted endowed funds,

which determines the dollars available for grantmaking each year, is to provide a structure for the systematic distribution of funds in an unstable and unpredictable investment world. The spending policy, guided by the Uniform Prudent Management of Institutional Funds Act (UPMIFA), is designed to provide consistent grantmaking capability, maintain and grow real asset value where possible, and grow long-term grantmaking capacity for the community.

How it works

For new unrestricted endowed funds, the spending rate for the first year will be 4.5 percent of the initial gift(s).

For existing funds, the amount available for distribution annually is calculated on June 30 as follows:

- First, the current year's spendable is adjusted by the CPI-U.
- That amount is then compared to 4 percent and 5 percent of the 20-quarter rolling average.
- If it is greater than 4 percent and less than 5 percent of the 20-quarter rolling average, the amount resulting from the CPI-U calculation is the spendable amount for the next year.
- If, however, the CPI-U calculation is less than 4 percent, the amount available for the next year will be 4 percent. If the CPI-U calculation is greater than 5 percent, the amount available will be 5 percent.

The policy was adopted to further smooth our objectives noted above. Spending policy results are reviewed annually and a report is prepared every five years showing the progress of our spending formula in relation to specific measurements. We also ask our legal counsel to conduct an UPMIFA assessment every five years to ensure our board of trustees and staff are working within the "expenditure of funds" requirements of the statute.

Distributing endowment funds

At the beginning of each year the gross amount calculated as of the prior June 30 is transferred to the spendable side of a fund. Our administrative fee (see below) is then deducted and the net amount is available to meet the needs of charitable organizations in our community. Your donor relations officer will review this policy in depth when you establish a fund.

Fees

There are two fees assessed on funds:

- An administrative fee to help cover our operation costs and, as noted above, is taken from the calculated spendable.
- An annual investment fee covers costs incurred to provide investment oversight and, like investment manager fees, is taken from principal.

