



# THE COMMUNITY FOUNDATION

## How is my grantmaking amount calculated?

### Spending Policy

To ensure that your endowment fund lasts forever, the principal you contribute remains here. It is invested prudently for growth, and a percentage of the income is available for you to make grants. The combination of the Interest, Dividends and Appreciation you receive is the Total Return for your fund. We have an approved “Spending Policy” that determines the amount that can be granted out each year. Our spending policy allows 5% to be spent, but rather than just a straight 5%, it is actually 5% of a 20-quarter rolling average.

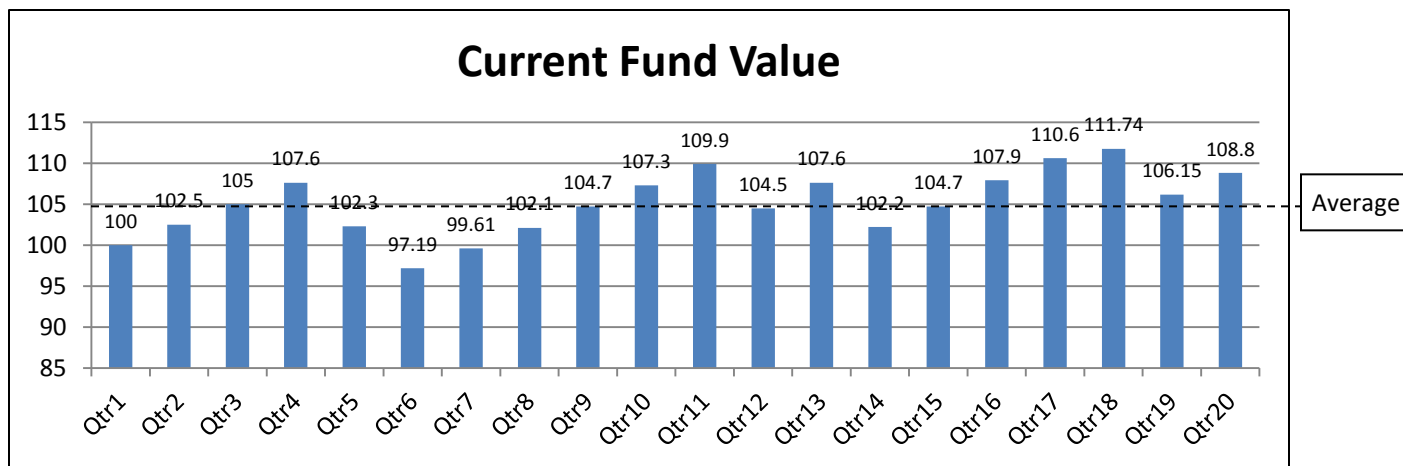
### 20-Quarter Rolling Average

Since your fund is invested, the fund balance will rise and fall daily as the investment values change. At the end of each quarter, we look back for 20-quarters (5 years) and calculate the average value of our funds to smooth out the ups and downs of the investment markets. This provides you with a relatively equal amount each year for your grantmaking.

### Why This is Important

Having an equivalent amount to grant out each year helps you plan your charitable giving. Without the 20-quarter rolling average, you could have larger amounts to grant in years with good investment performance, and less in years with poor performance.

Example: An Endowment Fund started five years ago with a \$100,000 contribution is shown below.



The Current Fund Value rises and falls with the performance of the investments. In this example, it has been as low as \$97,000 and as high as \$111,000. The Average Fund Value over the 20-quarter period is \$105,000. Each quarter, a calculation takes place to determine how the Current Fund Value compares to the Average Fund Value.

- When Current Fund Value is **higher** than the average, **you will receive less** than 5% annually.
- When Current Fund Value is **lower** than the average, **you will receive more** than 5% annually.
- When Current Fund value is lower than the initial \$100,000 contribution, you will receive interest and dividends only. In Quarters 6 and 7, the Actual Value was less than the initial contribution so the full calculated amount would not be received. The interest and dividends may be as little as 10% of the normal amount.

### Example: Annual Payout

In the example above, the calculated grantmaking amount would vary much more without the use of the 20-quarter rolling average. There is only \$15 difference between the low point and high point with the rolling average approach. That difference would be 30 times higher, or \$451 if we just calculated 5% each quarter.

Year	With 20-quarter rolling average	Without 20-quarter rolling average
1	\$5251	\$5189
2	\$5241	\$5015
3	\$5254	\$5330
4	\$5256	\$5280
5	\$5248	\$5466
Range	\$15	\$451

### History of our Spending Policy

Over the past 25 years, the actual spending policy yield has ranged from 3.82% to 6.00%. This allows us to accommodate significant highs and lows in investment performance while keeping grant dollars steady.

	Community Foundation Fiscal Year End	Spending Policy Rate for Year	Avg Spending Policy for 5 years	Dow Jones Industrial Average Balance
1	3/31/2015	4.56%	4.95%	17776
2	3/31/2014	4.48%		16458
3	3/31/2013	4.79%		14579
4	3/31/2012	5.28%		13212
5	3/31/2011	5.65%		12320
6	3/31/2010	5.84%	5.53%	10325
7	3/31/2009	6.00%		7609
8	3/31/2008	5.67%		12262
9	3/31/2007	5.50%		12354
10	3/31/2006	4.66%		11109
11	3/31/2005	4.92%	5.11%	10504
12	3/31/2004	5.27%		10357
13	3/31/2003	5.91%		7992
14	3/31/2002	5.01%		10362
15	3/31/2001	4.47%		9878
16	3/31/2000	4.18%	4.13%	10922
17	3/31/1999	4.16%		9786
18	3/31/1998	3.82%		8799
19	3/31/1997	4.24%		6583
20	3/31/1996	4.25%		5638
21	3/31/1995	4.56%	4.46%	4158
22	3/31/1994	4.37%		3636
23	3/31/1993	4.35%		3435
24	3/31/1992	4.30%		3235
25	3/31/1991	4.74%		2881
	<b>Average over 25 years</b>		<b>4.84%</b>	