Spending Policy

Purpose

Wisconsin enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) on July 20, 2009. The Board of Directors, on the advice of legal counsel, has determined that the Foundation's net assets do not meet the definition of institutional funds under UPMIFA. The Foundation is governed subject to the Declaration of Trust and the Corporate By-Laws for the La Crosse Community Foundation and the La Crosse Community Foundation Corporation and most funds are subject to the terms of the Declaration of Trust and By-Laws. Although funds are not expressly subject to UPMIFA, the distributions of the Foundation shall be determined with consideration of the seven factors set forth in UPMIFA: 1) duration and preservation of the endowment fund; 2) the purposes of the institution and the endowment funds; 3) general economic conditions; 4) effect of inflation or deflation; 5) the expected total return from income and the appreciation of investments; 6) other resources of the Foundation; and 7) the investment policy of the Foundation.

This policy refers to the protocol the Foundation uses to determine the annual available grantmaking distribution from its permanently endowed funds. It is developed to facilitate the Foundation's dual responsibility to pay out charitable distributions and to perpetuate endowments entrusted to it by donors. This policy has four primary goals:

1. To protect the endowed assets to last in perpetuity
2. To grow the assets overtime
3. To provide a smooth and predictable flow of distributions to charitable beneficiaries
4. To support the achievement of the "Total Return Goal" as set forth in the Foundation's Investment Policy Statement - *"The primary goal is to provide a total return that after investment expenses should equal or exceed an average annual rate of return of the Foundation's spending rate (historically 4-5%) + inflation (as measured by the CPI-U) plus a 1% premium."*

Scope

This policy applies to all the permanently endowed component funds held by the Foundation. In most instances, all permanently endowed funds will be held in the Combined Trust at Trust Point. Spending policies for pass-through, temporary, or quasi-endowed funds are based on each individual fund agreement. Typically, these fund types will be held in Corporation accounts.

Annual Spend Rate Calculation

The Foundation will use a total-return spending policy. Each year in November the Finance & Investment Committee will recommend to the Board of Directors for approval the annual distribution percentage to be applied uniformly to all endowed funds. The percentage will typically range between four and five percent. The annual grantmaking distribution amount for each fund will be calculated by applying this percentage rate to the average market value of each fund on December 31 over the preceding 12 quarters (or less in the case of newer funds).

<u>Annual Spend Rate Calculation Examples</u>

Example 1:
The 12 quarterly balances below equal an average balance of $617,330.28 x 4.75% spend rate = $29,323.18 available for grantmaking in 2019

Year	Qtr	Balance	Qtr	Balance	Qtr	Balance	Qtr	Balance
2019	09	$625,011.40	10	$653,985.73	11	$658,769.02	12	$702,014.19
2018	05	$610,211.10	06	$624,535.36	07	$639,137.42	08	$570,379.99
2017	01	$545,762.37	02	$570,584.69	03	$593,179.23	04	$614,392.99

The intention of the average balance formula is to smooth out market variability. Funds that are growing through donor contributions may have artificially reduced spending limits due to this calculation. For this reason, the Finance and Investment Committee will also set a spending rate floor to be applied to the most recent year end fund balance.

Example 2:
The 12/31/2019 balance of $702,014.19 x 3.75% minimum spend rate = $26,325 available for grantmaking in 2020

It is important to note that the available to spend dollars are intended to be used solely for grantmaking purposes. Administrative fees and any other expenses are in addition to the available to spend dollars, so total spending from the fund each is more than what is granted out.

Example 3:
4.75% Spend Rate + 1% LCF Admin Fee + 2% inflation = 7.75% totaling spending from fund annually

<u>Review of Policy</u>

This policy will be reviewed annually by the Finance & Investment Committee of the Board of Directors of the Foundation. Annual adjustments to the spending rate percentage may be necessary to ensure the Foundation is not unnecessarily accumulating assets nor experiencing accelerated principal erosion. In making any annual recommendations to the Foundation Board of Directors for approval, the Finance & Investment Committee will consider factors such as general economic conditions, the possible effects of inflation or deflation, and the expected total return of the portfolio over long periods of time.