

Richland County Foundation Spending Policy

The Richland County Foundation utilizes a market value Spending Policy to determine the amount of dollars available from endowed funds for both grants to charitable community organizations and Foundation operating support in accordance with Ohio's version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) that became effective June 1, 2009.

The Foundation has developed an investment strategy that attempts to achieve a total return that, in conjunction with this Spending Policy, will maintain an endowed fund permanently. Over the long-term, investment returns coupled with the spending rate, established by the Spending Policy, should maintain or increase a fund's payout over time in real dollars.

Because of short-term volatility in rates of investment returns, the total return could be negative at times. At such time, especially for newly established funds, the market balance of the fund could drop below the historic gift value. Historic gift value is defined as the total dollars contributed to the endowed fund. Unless specifically prohibited in the executed fund agreement, the Foundation will continue to calculate a spending amount for these funds, limited to only interest and dividends. Over the long-term investment returns are expected to recover short-term losses, and meanwhile grants will still be made to community charitable organizations.

To further smooth out investment return volatility, the Foundation bases each year's spending calculation on the average fair market value of a fund over the prior twelve quarters. This method of determining the amount available for spending helps to accomplish three goals: to protect the principal of each fund so that it will last in perpetuity; to help the principal grow over time; and to give the Foundation's grantees the benefit of a reasonably consistent flow of charitable dollars.

A spending rate shall be recommended each year by the Executive and Finance Committees of the Foundation and approved by the Foundation Board of Trustees. The following factors shall be considered in determining a spending rate; past and expected investment returns, general inflation and general economic conditions. The **maximum** spending rate shall be 5%.

The maximum spendable income for each fund is calculated as of September 30th of each year. The maximum spendable income is determined by applying the spending rate to a twelve-quarter trailing fund market value average, subject to the limitations described within this document. This allows the Foundation Trustees to review and approve the budget amounts available for grants and operations from each Foundation fund, prior to the beginning of the Foundation's calendar fiscal year.

Certain funds of the Foundation may allow for the use of principal. In these cases the Spending Policy may be superseded by specific directions or restrictions of the fund agreement, thereby increasing the spending rate for these funds beyond that established by the Spending Policy.

The total approved spending rate for 2024 is 4.0% (including Foundation Operating Support Fees) for funds in existence for twelve quarters. The following chart shows the grant payout that can be expected from different types of endowed funds, after applying the spending rate to the previous twelve quarters market value average and deducting the Foundation Operating Support Fee:

Current Spending Policy =Rate (4.0%) less Foundation Operating Fees = Grant Payout

Grant Payout Rates

Donor Advised Funds	3.25% to 3.45% depending upon average tiered operating fee
Donor Designated Funds	3.25% to 3.45% depending upon average tiered operating fee
Agency Established Funds	3.50% to 3.70% depending upon average tiered operating fee
Field of Interest Funds	2.80%
Individual Assistance Funds	2.80%
Scholarship Funds	2.80%
Unrestricted Funds	2.80%

To protect the growth of a newly established fund, a fund needs to be in existence for at least four quarters prior to September 30th before a grant budget is calculated or grants made in the next calendar fiscal year. When a fund is established in the fourth quarter of the year, there is no balance as of September 30th and thus; no grant payout will be available for the upcoming fiscal year.

The grant payout for funds with September 30th market values below historic gifts or in existence for less than twelve quarters (but at least four quarters) will be limited to the previous four quarters actual interest and dividends, less Foundation Operating Support Fees.

The grant payout for funds with September 30th market values above historic gifts but by an amount less than the grant amount calculated using the full Spending Policy spending rate, will be limited to the greater of the amount that the market value exceeds historic gift value or to the previous four quarters of actual interest and dividends, less Foundation Operating Support Fees.

The grant payout for funds with September 30th market values above historic gift value and in existence for twelve quarters or more will be determined by the approved spending rate applied to the trailing twelve quarter market value average of the fund, less Foundation Fees.

Donors may choose to designate a portion of their gift towards a funds grant budget to make immediate grants or to supplement the grant budget of a newer fund.

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