



## Greater Tacoma Community Foundation Endowment Spending Policy 2025

Each year the Board of Directors of Greater Tacoma Community Foundation shall determine the amount available for distribution from permanently endowed component funds. It is the intent of the Community Foundation to maximize the amount available for distribution each year and at the same time ensure that the inflation adjusted value of the principal over time is not impaired. The amount available for distribution shall be based on a percentage of the average market value of the fund, excluding pledges, over sixteen quarters.

The Uniform Prudent Management of Institutional Funds Act (abbreviated UPMIFA) is a uniform act that provides guidance on investment decisions and endowment expenditures for nonprofit and charitable organizations. As of 2012, UPMIFA is the law in 49 states, the District of Columbia and the U.S. Virgin Islands. Neither Pennsylvania nor Puerto Rico has adopted UPMIFA. UPMIFA contains rules and standards for their application across three broad areas of importance to charitable organizations, members of their fiduciary boards, and their advisers, which are applicable if those organizations hold restricted funds including endowment. The areas include: endowment, delegation of management and investment functions, and the release or modification of restrictions contained in gift instruments. The Community Foundation acknowledges that UPMIFA governs its management of these funds and will serve as a guide for its distribution policy. For investment of endowment funds, the Act provides guidance informed by modern portfolio theory. This investment guidance, combined with the approach to endowment spending, encourages institutions to invest for total return including capital appreciation, rather than focusing only on assets which will generate current income such as interest and dividends. The Community Foundation determines prudent spending levels across the entire pooled endowment based on seven factors spelled out in UPMIFA:

1. the duration and preservation of the endowment fund;
2. the purposes of the institution and the endowment fund;
3. general economic conditions;
4. the possible effect of inflation or deflation;
5. the expected total return from income and the appreciation of investments;
6. other resources of the institution; and
7. the investment policy of the institution.

Distributions and fees will be made for purposes specified in the individual fund agreements between the Community Foundation and the donor and/or as determined by the Board of Directors.

Greater Tacoma Community Foundation shall maintain a record of the historic dollar value of each endowment fund. “**Historic Dollar Value**” includes the fair value of the original gift, plus each additional donation to the fund.

The spending policy for grantmaking distributions from endowment funds is based upon a total return approach, which allows both income and capital appreciation to be withdrawn for grantmaking.

There will be no granting permitted for any endowed fund until it has been at the Community Foundation for four quarters. For the purpose of this calculation, a gift that is received by the Community Foundation on any day within a calendar quarter will be considered to be at the Foundation for the entire quarter.

If the market value of an endowment fund, on the date for which a distribution is being determined (9/30), exceeds the fund's historic dollar value, the **maximum** amount available for grantmaking will be:

- ❖ 4.3% (four point three percent) of the sixteen-quarter rolling average of the fund's market value.

**“Underwater” funds:**

If the market value of an endowment fund, on the date for which a distribution is being determined, is less than the fund's historic dollar value, the **maximum** amount available for grantmaking will be:

- ❖ 3% (three percent) of the previous sixteen (16) quarter rolling average of the fund's market value.

Note: the full 4.3% spending amount may be paid on an underwater fund if, in the opinion of management, the underwater status is the result of an increase in the Historic Gift Value due to active fundraising.

Amounts not distributed in a particular year, shall remain invested in the fund and will not be carried forward as distributable in the next year. An exception could be Field of Interest funds where the strategy of a specific project does not fit into the standard fiscal year.

Approved by the Board of Directors on 12.19.2024