

Approved by Finance Committee:  
4/17/19  
Approved by Board of Directors:  
4/24/19

**NAPA VALLEY**  
**COMMUNITY FOUNDATION**  
**Endowment Spending Policy – FY'20**

### **Purpose of Policy**

The purpose of this Policy is to establish the procedure by which NVCF will decide to annually allocate for expenditure amounts from Endowments for grants and for administrative costs related to investment and administration of the Funds.

### **Definition of Endowments**

Endowments are restricted assets given to NVCF either by living donors or by bequest with the intent to be held into perpetuity in order to generate income for a specific cause or organization.

### **Policy**

NVCF is committed to administering and investing Endowed Funds in compliance with all relevant NVCF by-laws, organizational concerns, industry standards, and federal and state laws and regulations, including without limitation the Uniform Prudent Management of Institutional Funds Act (UPMIFA). No policy will supersede any provision of federal or state law or regulation.

The NVCF Finance Committee shall annually review the application of the Spending Policy described below, and shall make a determination that such application to the Endowed Funds is prudent. In making a determination to expend such amounts from Endowed Funds, the NVCF shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances and shall consider the following factors:

- a) The duration and preservation of the endowment fund;
- b) The purposes of NVCF and the endowment fund;
- c) General economic conditions;
- d) The possible effect of inflation or deflation;
- e) The expected total return from income and the appreciation of investments;
- f) Other resources of NVCF; and
- g) The investment policy of NVCF.

The President has discretion to delay the implementation of the spending policy to new endowments to no later than 1 year after NVCF receives the funds.

## Calculation Method

The total amount available to spend, including grants and administrative/investment fees, will be calculated as a percent of the average balances of 12 trailing quarters (or as many as are available) as of 6/30/19.

All unspent funds will roll back into the fund balance.

Expected Returns* All Investment Pools	Total Spending %	Admin Fee %	Grant %
4-7%	5%	0-2%	3-5%

\*Net of investment management fees and underlying manager fees.

**Invasion of Corpus** - In the event that an endowment fund is below corpus at the time the calculation is applied, NVCF may allow for the invasion of corpus by incorporating a modified spending % as follows:

Amount Underwater	Available to Spend
Less than 5%	5%
Over 5% less than 15%	4%
Over 15% *	3%

\*At this level, administrative and investment fees will be covered first. The balance will be available for grants.

## Exceptions

This policy will not apply to Funds Held as Agent (Accounting Standards Codification 958-605 *Transfer of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*). For the funds held by us on behalf of other non-profits, we will give them the spending policy as a guideline; however they may request funds returned to their organization as needed. Administrative and investment fees will be applied as usual.

This policy will apply to the NVCF Operating Endowment, however, the Finance Committee may approve that if an amount is paid out of the Operating Endowment in any given year that is less than the calculated payout, the additional funds will be held in a reserve account and may be drawn upon in a subsequent year.

## Effective Date

This Policy is effective July 1, 2019 and replaces and supersedes any proceeding policy concerning this subject matter. This Policy shall be reviewed by the Finance Committee of the Board, which shall make any necessary recommendations with respect to amendments to this Policy to the Board, not less than annually.