

# Endowment Fund Minimum Commitment Spending Policy – JACKSON COMMUNITY FOUNDATION

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## **Endowment Fund Minimum Commitment**

The Jackson Community Foundation (JCF) sets the minimum amount to start a permanent endowment fund by assessing the scope of work the type of fund is designed to accomplish and the minimum amounts of meaningful spending annually. In determining the applicable endowment fund minimums, the Finance Committee considers JCF’s history, endowment fund minimum policies in place at other community foundations, and JCF’s responsibility to preserve the granting power of its permanent funds over time.

The following minimums are suggested to establish an endowment fund:

Named Unrestricted Fund	\$5,000
Agency Fund	\$10,000
Donor Advised Fund	\$10,000
Field of Interest Funds	\$20,000
Designated Funds	\$20,000
Scholarship Funds	\$100,000
Individually Managed Donor Advised Funds	\$250,000

## **Spending Policy**

JCF sets its annual spending policy for permanent funds by applying a percentage, determined annually by the Board of Trustees, to a fund’s average net balance. The average net balance is based on a twelve (12) rolling quarter market value. In determining the applicable percentage, the Finance Committee considers JCF’s history, spending policies in place at other community foundations, and JCF’s responsibility to preserve the purchasing power of its permanent funds over time.

The annual amount available for distribution from any endowed fund is 5% of the average of twelve (12) rolling quarters up to the December 31 balance of the prior year. This spendable will be available after January 1 of the current year. Each fund’s annual spendable balance is net of JCF’s administrative service fee. Any spendable balance left as of December 31st of the current year will be moved back into the accumulated earnings account of the fund unless otherwise communicated to JCF. New funds will not have a spendable amount until 4 full quarters of investment with JCF unless otherwise determined at inception of fund.

Each year the JCF Board of Trustees shall determine the amount available for distribution from permanently endowed component funds. It is the intent of JCF 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 is based on a percentage of the average market value of the fund, excluding pledges, over the prior twelve (12) rolling quarter average.

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) is an act adopted by numerous states including Michigan. UPMIFA’s primary purpose is the protection of endowment funds held on behalf of institutions. Essentially, it states that institutions shall act in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances in their management of funds, considering a variety of factors. JCF acknowledges that UPMIFA governs its management of these funds and will serve as a guide for its distribution policy. Under UPMIFA, distributions are made considering seven factors: fund duration, fund and institution purpose, general economic conditions, effects of inflation and deflation, expected total return, other resources, and JCF’s investment policy.

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

JCF shall maintain a record of the Historical Endowed Gift (HEG) of each endowment fund. The HEG includes the original gift, plus each additional donation to the fund.

**Underwater Funds Spending Policy**

If the fair market value of an endowment fund on December 31<sup>st</sup> is less than the fund’s HEG, it is considered “Underwater”. To be prudent and ensure the long-term integrity of the fund, when a fund is underwater, the following reduction in spending will be implemented.

Percent Underwater	25% or more	25% reduction	50% reduction	50% reduction	100% reduction
		1 Year	2 Years	3 Years	4 +Years
	Number of Years Underwater				

When a fund is underwater, any spendable amount not distributed in a particular year will be returned to accumulated earnings, remain invested, and will not be carried forward as distributable in the next year. If a fund representative chose to continue grantmaking out of the underwater fund, they must add a gift to the spendable portion to enable them to make a grant utilizing the gift. Additionally, they may add to the endowment fund to eliminate their fund’s negative accumulated earnings, thus allowing them to spend in the following year.

This policy will go into effect January 1, 2021, for all new funds and existing funds will be given the option to follow this policy.

### **Inactive Fund Policy**

Each fund at JCF has a charitable purpose and active grantmaking to organizations help fulfill the charitable needs in our community. Fund representatives must have a plan for granting the spendable available each year and must communicate with JCF about their plans for granting their spendable by October 31. Plans might include making several grants before the end of the year or planning to save their spendable for a period to reach an agreed upon amount for a larger project. If a fund does not grant from the fund for more than 3 (three) years, it is considered inactive. JCF will make every attempt to contact the fund representative and ultimately may use its Variance Power if a fund remains inactive beyond 3 (three) years or has not communicated their plan.

### **Annual Standard Administrative Service Fee**

The Annual Standard Administrative Service Fee is charged annually in January. The fee charged is calculated on a twelve (12) rolling quarter average balance as of December 31. For gifts that total \$10,000 and above in any given quarter, the administrative fee is prorated and charged in the quarter the gifts are received. Funds that are currently raising money to meet the fund minimum will be charged 1/2 of the administrative service fee. Once the minimum is raised and/or granting begins, the full fee will be charged. The Board reserves the right to revise the formulas based on market performance and community needs.

<b>Fund Type</b>	<b>Standard Fee</b>
Designated Funds	1.0%
Agency Funds	1.0%
Field of Interest Funds	1.6%
Donor Advised Funds	1.6%
Named Unrestricted Funds	2.0%
Special Project Non-Endowed Funds**	1.0% - 2.0%
Scholarship Funds**	1.5% - 2.0%
Individually Managed Donor Advised Funds**	1.0%

\*\*Determination of which of the above fees is charged to a given special project, scholarship fund, or individually managed fund is based on staff analysis of the level of service provided for that fund.

### **Annual Reduced Administrative Service Fee**

When an endowed fund's HEG gift starts with or reaches one of the milestones below, the annual administrative service fee will be reduced. This will not apply to Named Unrestricted, Scholarship, or Special Project Funds.

<b>Asset Level</b>	<b>Reduced Fee</b>
\$ 250,000	1.50%
\$ 500,000	1.25%
\$ 1,000,000	0.90%
\$ 2,000,000 and over	0.75%

### **Monthly Investment Management Fee**

This fee of .45% covers the cost incurred to invest each fund. This fee is charged monthly based on the average fair market value of the fund in 1/12<sup>th</sup> or (.0375%).

Investment Management Fee for an Individually Managed Donor Advised Fund is established with the Donor's Investment Manager. Exceptions to these fee guidelines may be granted by the President & CEO and the Board of Trustees. The policy will be reviewed by the Finance Committee annually.

RECOMMENDED BY:	FINANCE COMMITTEE
RECOMMENDATION DATE:	JANUARY 23, 2025
APPROVED BY:	BOARD OF TRUSTEES
APPROVAL DATE:	FEBRUARY 20, 2025
NEXT REVIEW DATE:	JANUARY 2026
REQUIRED BY NATIONAL STANDARDS:	YES