



Endowment Funds Spending Policy FAQs

Building Assets for Community Needs in the Near and Long Term

La Crosse Community Foundation administers more than 250 funds for individuals, families, businesses, and organizations that place great trust in us to manage their charitable resources. Because LCF holds funds that are endowed for future generations, LCF practices careful stewardship that provides performance and protection during both positive and negative economic climates.

Here are answers to frequently asked questions about LCF's spending policy. Do not hesitate to contact us if you have further questions, comments, or feedback.

What is a spending policy?

Spending policy refers to the protocol used to determine the annual available distribution from an endowment fund, generally represented as a formula that is applied to all endowed funds held by one administrator. Spending policies are structured to balance annual fund distributions with preserving the endowment and ensuring its longevity.

What is LCF's spending policy?

Each year the LCF Board of Directors reviews and determines the annual distribution percentage to be applied uniformly to all endowed funds administered by LCF. The percentage typically ranges between four and five percent (4.75% in 2020) of the average market value of each fund on December 31 over the preceding 12 quarters (or less in the case of newer funds).

LCF uses what is known as a "total-return" spending policy. Rather than restricting the endowments to distributing only current income, the total-return policy also considers the capital appreciation of the fund (increase in fund value) when determining the annual distribution amount.

Why does LCF utilize this type of spending policy?

The total-return model is considered common practice by foundations for endowments as the best way to maintain more balanced and sustainable distributions than if the foundation had relied solely on income. This model also allows the funds to be invested for long-term growth rather than limited to investments that only produce interest and dividend income.

LCF's spending policy has three primary goals:

- 1) to protect the endowed assets to last in perpetuity
- 2) to grow the assets overtime
- 3) to give the recipient charities the benefit of a predictable flow of annual income regardless of market performance

How is when is the annual distribution amount communicated to fundholders?

Each year fund representatives will receive a letter with their 12.31 fund statement notifying them of the annual spending amount for the fund. Letters are typically mailed in February.

When is a fund eligible to make distributions?

Endowed funds are eligible to make distributions when the balance reaches \$10,000. If a fund is started with more than \$10,000, generally it is advised the fund's first distribution doesn't occur until the next calendar.