

**MAIN STREET COMMUNITY FOUNDATION
SPENDING POLICY
2023**

The purpose of this Spending Policy is to establish a clear understanding of the spending objectives of the Main Street Community Foundation (MSCF). In implementing this policy, the Foundation understands and accepts its role in the community as a vehicle for citizens and organizations in Bristol, Burlington, Plainville, Plymouth, Southington and Wolcott to fulfill their charitable objectives.

At the same time, the Foundation is committed to maintaining a focus on the perpetuity of its funds and our responsibility for providing a stable source of funding to projects, programs, and organizations in the Foundation's service area. Managed prudently and thoughtfully, endowments will continue to provide support for as long as needed. A spending policy like that instituted by the Foundation is a cornerstone of that careful management.

- MSCF's spending policy is based on a "total return" concept, rather than "income only." This enables MSCF to invest for the highest possible long-term return, regardless of the source of return (i.e. interest, dividends, or capital gains, whether realized or unrealized). This is consistent with MSCF's Investment Policy. The spending rate is reviewed annually by the MSCF Finance Committee and a recommendation is presented to the MSCF Board of Directors for approval. The intent of the policy is to set a maximum amount for spending for each covered fund, but not to mandate that such an amount be spent. There shall be a floor of 3.0% and a cap of 6.0%.
- This policy applies to all Discretionary, Donor Designated, Permanently Endowed Donor Advised, Field of Interest, Scholarship and other permanent funds from which grants are recommended by the MSCF Distribution Committee, unless the donor has clearly expressed a different intent. At the time a fund is established, MSCF staff reviews with donors the benefits of adhering to the spending policy.
- The spending rate for 2023 as recommended by the Finance Committee and approved by the Board of Directors will be 5.25%, which is applied to the rolling twenty-quarter average fund balance. This rate includes both grants and administrative fees. This recommendation was based on a careful consideration of the factors listed in section 45a-535C of the Conn. General Statutes ("UPMIFA") and includes such factors as preservation of the fund, general economic conditions, inflation or deflation and the expected total return from income and appreciation of investments, subject to the following conditions:
 - Grants shall be made out of any endowed fund the balance of which, determined as of the end of the third quarter, exceeds Historic Gift Value according to the annually adopted spending percentage unless the distribution, other than administrative fees, will reduce the balance of the Fund below Historic Gift Value.
 - No distributions other than administrative fees shall be made out of any endowed fund the balance of which, determined as of the end of the third quarter, is below ninety (90%) percent the value of Historic Gift Value until the balance of the Fund is again greater than ninety (90%) percent of Historic Gift Value.
 - If any distribution other than administrative fees would have the effect of reducing the balance of the Fund below ninety (90%) percent of Historic Gift Value, only that portion of the distribution other than administrative fees may be made which does not reduce the balance of the Fund below ninety (90%) percent of Historic Gift Value.
 - Distributions other than administrative fees may be made out of any Fund the balance of which, determined as of the end of the third quarter, is below Historic Gift Value but is above ninety (90%) percent the value of Historic Gift Value upon recommendation of the Finance Committee and affirmative vote of the Board of Directors. In such case, the distribution shall be the lesser of the annually adopted spending percentage or the amount of dividend and interest income attributable to the Fund during the prior four quarters. The following factors shall be considered in making a determination to appropriate or accumulate endowment funds:
 - Any donor-specified limitation applicable to the Fund;
 - The Foundation's mission of stewardship for perpetual endowments;
 - The duration and preservation of the Fund;

- The purposes of the organization and the donor-restricted Fund;
 - General economic conditions;
 - The possible effect of inflation and deflation;
 - The expected total return from income and the appreciation of investments;
 - Other resources of the organization;
 - The investment policy of the organization;
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- Historic Gift Value shall mean the value of the original principal contribution and any subsequent contribution to principal as of the date of the contribution.
 - No distribution other than administrative fees shall be made from an endowed fund until the historic dollar balance in the fund reaches the fund minimum. For all funds, the fund minimum is \$10,000, except endowed scholarship funds created on or after 1/1/2016 the fund minimum is \$25,000. There shall be a reasonable expectation that the minimum fund size shall be reached within 5 years of the date of the original gift.
 - Distributions will be available in the grant cycle following one full year of investment at the Foundation provided all other fund requirements have been met.

Policy reviewed and approved by corporate action of the Board of Directors on December 9, 2022.