



GCF Spending Policy

Community foundations exist to support the needs of the community both now and in the future. To achieve this two-pronged goal, The Greater Cincinnati Foundation (GCF) applies a “spending policy” to most endowed funds (i.e., most funds except donor advised funds). The spending policy defines the amount of money that can be disbursed from a fund each year. It positions the funds to maintain a balance between long-term investment growth and annual grant distributions.

The spending policy accomplishes two important goals. First, the “purchasing power” of the endowment (i.e., corpus adjusted for inflation) is maintained, and this preserves a fund’s ability to meet the future needs of the community. Second, application of the spending policy reduces the endowment’s vulnerability to significant fluctuations in the stock and bond markets. By averaging market values over an extended period of time (i.e., 20 quarters; see below), the endowment is less affected by sharp, short-term market fluctuations. This allows for steadier levels of spending and continued growth—both of which may be advantageous to the beneficiaries of the fund over the long term. The grant recipients’ budget planning and forecasting abilities can be significantly enhanced by this methodology.

GCF’s spending policy defines the total amount available from a fund in a given year (the “distributable income”) as 4.75% of the fund’s average market value over the preceding 20 quarters. GCF performs the annual distributable income calculation in January of each year, based on the January 1st market value of the fund. If the fund has not existed for five years at the time of the valuation date, the calculation is based on all quarters for which market value information is available (but see exception, below). The Foundation’s administrative and investment management fees are paid annually from the distributable amount (see “Service Fee Schedule” and “The Greater Cincinnati Foundation-Investments” for more information), and the balance is available for grantmaking.

It is important to note that for all new funds subject to the spending policy, there must be at least four quarters of market value history as of January 1 in order for GCF to make the distributable income calculation and begin making distributions. For example, if a scholarship fund is set up on April 1st in Year 1, it will only have three quarters of market value information by January 1st of Year 2, and therefore cannot begin making grants until the following distributable income calculation date, in January of Year 3. If you believe that timing is an issue with respect to a fund that you would like to establish, please let us know and we will discuss available options with you.

For more information about the spending policy, contact the GCF Chief Financial Officer at (513) 241-2880.