



## How is my fund's spendable calculated?

The annual amount that is available for granting out to charitable organizations is called the **spendable amount**. Calculating the spendable amount is a two-step process. First, the Alaska Community Foundation Board of Directors determines the annual **Spending Policy**. Second, ACF's CFO applies the spending policy to the average fund balance over the previous 16 quarters.

### Determining the Spending Policy

The Spending Policy utilizes a number of factors, but is generally calculated as follows:

- Investment Returns (5 Year Average)
- National Consumer Price Index (6 year Average)
- ACF's Average Administration Fee
- = % Spending Policy

This calculation is based on the goal of covering the costs of ACF's administration fee while also inflation-proofing the fund to maintain the buying power of the donations in the long-term.

As an example, ACF's 5 year average return for 2022 was 10.46%. That year, the 6 year national average increase in the Consumer Price Index was 4.61%, while the average administration fee for all ACF funds was 1.32%. The calculation for determining the spending policy would look like this:

- 10.46 Investment Returns (5 Year Average)
- 4.61 National Consumer Price Index (6 year Average)
- 1.32 ACF's Average Administration Fee
- = 4.26 Spending Policy

This calculation is the starting point for a conversation within the Board of Directors, with guidance from the Investment Committee, into which they also incorporate perspectives on general economic conditions, expected total returns, and other considerations. This allows them to determine a funds in the future. The goal is to establish an annual policy that is between 4% and 5%.





## Calculating Your Fund's Spendable Amount

### Average Fund Balance - Example

The average fund balance is calculated as of September 30 of any given year, and is actually an average of 16 quarter fund balance averages. In order to illustrate this calculation, please see the example of a growing fund below.

Q4 2018	\$25,000	Q4 2019	\$84,000	Q4 2020	\$105,000	Q4 2021	\$136,000
Q1 2019	\$32,000	Q1 2020	\$89,000	Q1 2021	\$113,000	Q1 2022	\$142,000
Q2 2019	\$35,000	Q2 2020	\$91,000	Q2 2021	\$118,000	Q2 2022	\$148,000
Q3 2019	\$38,000	Q3 2020	\$98,000	Q3 2021	\$125,000	Q3 2022	\$157,000

The average balance of the fund over these 16 quarters is \$96,000.

The motivation for averaging the fund balance over 16 quarters is to compensate for market fluctuations and smooth out variations in the fund. If the spendable amount were calculated on the final fund balance as of Sept 30<sup>th</sup> of each year, the potential for awarding more in grants than has been earned in investment returns increases. A fund must be in place for five quarters before Sept 30<sup>th</sup> for a spendable amount to be included in this process. If a fund has been established for five or more but less than 16 quarters, the average balance will be calculated on the number of quarters during which it has been in place.

### Calculating the Spendable Amount

With the two examples above, we can now calculate the spendable amount for the fund illustrated above. With a spendable policy of 4.26% and an average fund balance of \$96,000, the spendable amount for the fund would be \$4,089.60. The spendable amount will be made available in the fund in January of the following year.

If the investment returns are such that the fund balance dips below the total historic donations, a temporary suspension of the spendable amount may be put in place by the Alaska Community Foundation Board of Directors to protect the long-term health of the fund.

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Learn more about The Alaska Community Foundation by visiting us online at [www.alaskacf.org](http://www.alaskacf.org) or in person at 3201 C Street, Suite 110, Anchorage, AK 99503. Please contact ACF Staff by calling 907.334.6700 or emailing [info@alaskacf.org](mailto:info@alaskacf.org).



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