

TGC Endowment 2021 Proposed Changes Approved by TGC Board April 5, 2021

History:

- The account was created in 1995 as “The Tuckahoe Garden Club Account of Westhampton Project Account”. The original purpose of the account was “that income only from the TGC of Westhampton Account shall be used for projects as determined by the Board with the approval of Membership”
- Later, the name was changed to “Tuckahoe Garden Club of Westhampton Funded Endowment Account” to reflect desire to spend only earnings, not donations (principal).

Current Account Information:

- The account, which had a balance of \$81,628 as of 3/17/21, is comprised of three components:
 - **Principal:** \$47,280 of donations which are considered not spendable and will generate future earnings (Finance Committee confirming with Davenport)
 - **Unrealized Gains:** \$23,757 of investment growth which is spendable as it grows
 - **Cash:** \$10,591 - The cash comes from dividends, interest and realized capital gains. This amount can be spent per our old policy, and the plan is to use \$6,666 to fulfill our remaining commitment to Capital Trees. This month \$2,600 will be moved into the investment account, leaving a much lower cash balance for future gifts.

Spending Policy:

Old: Spending based on annual interest, dividends and realized capital gains. This method excludes using unrealized capital gains in calculating spending. The result is larger swings in annual income generated. Actual income generated to be used by TGC for spending the last four fiscal years:

2020: \$2,610

2019: \$1,373

2018: \$2,576

2017: \$1,241

New: Spending based on 4% of the total account value (currently \$81k) averaged over the last 12 quarters. This is the same method that GCA to calculate its spending rate on the GCA Endowment, and should result in maintaining the principal over time while providing income in line with investment growth and inflation. This method allows TGC to include unrealized capital gains in its spending calculation and has more predictable increases year-to-year. These would have been the incomes generated the last four fiscal years under this proposed new structure:

2020: \$2,315

2019: \$1,953

2018: \$1,546

2017: \$1,170

An additional benefit of the new spending policy is to keep funds invested until spending is approved. Dividends, realized capital gains and interest are reinvested. Spendable income can be accrued and kept invested over multiple years until funds are needed. Budget done in January would use previous calendar year calculation.

