

# Disbursement & Presentation of Capital Policy



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## Definitions

In this policy:

- a) **Accumulated Net Earnings** means the Investment Earnings accrued over time less Investment Counsel Fees, Administrative Fees, Disbursement and Capital Preservation amounts.
- b) **Board** means the Board of Directors of the Foundation.
- c) **Consolidated Investment Fund** means the aggregate of the assets which the Foundation holds as investment capital or as re-invested Investment Earnings in each individual endowment fund.
- d) **Fiscal Year** means January 1<sup>st</sup> to December 31<sup>th</sup>.
- e) **Foundation** means The Community Foundation of Nova Scotia Society.
- f) **Inflation Rate** means the average annual rate of change in the unadjusted Total Consumer Price Index for the twenty-four months immediately preceding the end of the previous fiscal year (December) as calculated by the Bank of Canada.
- g) **Investment Committee** means a sub-committee of the Foundation's Board.
- h) **Investment Earnings** means the gross return on investment obtained on the Consolidated Investment Fund including interest and dividends received, accrued interest, and realized and unrealized capital gains/losses applied on a proportional basis to each endowment fund.

## Section 1 - Statement

The Community Foundation of Nova Scotia (the "Foundation") is a public foundation established to improve the quality of life in Nova Scotia by distributing the income generated by prudently investing assets vested with the Foundation in the form of endowment funds, and to do so consistently over long periods of time. Because of the Foundation's mandate, wise management and stewardship of its endowment funds is critical to achieving its aims and to being accountable to its donors, grant recipients and the community at large.

The first objective of the Disbursement and Preservation of Capital Policy is to ensure that the largest possible amount of grant monies flow reliably to the community each year while at the same time preserving the long-term purchasing power of the capital base which generates those grants. A second objective of the policy is to ensure that capital growth of the Foundation's endowment assets is realized when investment conditions are appropriate.

Finally, the Foundation has an obligation to meet certain disbursement requirements set out by the Canada Revenue Agency in order to maintain its registration as a public foundation under the *Income Tax Act*. Therefore, a third objective of this policy is to ensure that those requirements are met.

## Section 2 - Disbursements

### Disbursement Rate

- 2.1 The Disbursement Rate is 4% annually. This fixed percentage rate was set by the Board after taking into account the advice of its Investment Committee and:
- a) The Foundation's responsibility to ensure that the largest possible amount of grant monies flow reliably to the community each year while at the same time preserving the long-term purchasing power of the capital base;
  - b) The Foundation's disbursement obligations under the *Income Tax Act*; and
  - c) The prevailing investment climate.

### Annual Disbursement Amount

- 2.2 The Annual Disbursement Amount for each endowment fund is the Disbursement Rate multiplied by the closing balance of the capital portion of each endowment fund at the end of the most recent Fiscal Year.

- 2.3 The Annual Disbursement Amount may be reduced in any one year to the extent that there are insufficient Accumulated Net Earnings to cover the total amount.
- 2.4 The Annual Disbursement Amount must meet or exceed a \$500 threshold in order to be disbursed from a fund.

### **Section 3 - Accumulated Net Earnings**

- 3.1 Any Investment Earnings remaining after spending the amounts described in Section shall be considered Accumulated Net Earnings and invested in accordance with the Foundation's Long Term Investment Policy.
- 3.2 Accumulated Net Earnings from previous fiscal years shall be available to make up for shortfalls in Investment Earnings to meet the spending requirements of the current fiscal year.

### **Section 4 - Preservation of Capital**

- 4.1 The Preservation of Capital Amount is set by the Board after taking into account the advice of its Investment Committee and:
  - a) The Inflation Rate;
  - b) Amounts capitalized in previous years;
  - c) Current and expected investment returns;
  - d) Ensuring a reliable and predictable annual revenue stream for fund holders.
- 4.2 The Preservation of Capital Amount is any Accumulated Net Earnings amount that exceeds 12% of capital balances. This represents approximately three years of granting.

### **Preservation of Capital Amount**

- 4.3 The Preservation of Capital Amount for each endowment fund is determined by the Preservation of Capital Rate (15%) multiplied by the closing balance of the capital portion of the endowment fund at the end of the most recent Fiscal Year.

### **Section 5 - Spending**

- 5.1 The Investment Earnings from each endowment fund shall be spent, subject to the provisions of the governing Fund Agreement, in the following order of precedence:
  - a) Administrative Fees;
  - b) Annual Disbursement Amount; and
  - c) Preservation of Capital Amount.
- 5.2 The Board may at its discretion suspend the spending of any of the amounts in Section 4.1 for any endowment fund.