

FUNDY COMMUNITY FOUNDATION SPENDING POLICY

PREAMBLE:

The Fundy Community Foundation is the steward of endowed funds that were created by gifts from a number of donors. The earnings on the endowed funds are a source of income for grantmaking and the administration of the Foundation. As these funds are held in perpetuity, the Board of Directors recognizes that the capital in the funds should be protected against the effects of inflation to preserve as much as possible the purchasing power of the funds (i.e. maintain value of the funds on an inflation-adjusted basis).

The Board also recognizes that the earnings on the endowed funds fluctuate from year to year. In recognition of these fluctuations and the impact on the annual distributable earnings, there is a need to maintain a reserve of undistributed earnings.

The Foundation's Spending Policy determines the amount of the annual disbursements for charitable grants and administrative fees to the Foundation.

This policy is designed to allow a predictable outflow of funds for grants while protecting original principal and ensuring fund growth to sustain purchasing power with the rate of inflation.

The following policy addresses a number of requirements, objectives, and realities including:

- Canada Customs and Revenue Agency disbursement quota (required – Income tax act).
- Preservation of the “real” value of our endowment capital (required – Trustee Act).
- Sustainable, predictable, and increasing grants year over year (desired).
- Variability of investment returns (reality).

The policy provides for a level of flexibility such that the Board can adjust the amount of undistributed income to capitalize each year in light of the change in the consumer price index, current economic and investment market conditions, the CCRA disbursement requirement, and the financial status of the foundation.

Earnings means all income from any cash, interest, coupons, dividends, investments, personal property, realized and unrealized capital gains net of capital losses, real property or other interests received from the Donor or otherwise acquired for the Fund, net of any fees charged by the investment manager.

STATEMENT:

Earnings and administrative fees will be allocated to each fund on a monthly basis, commencing in the month following that in which the donation is received. Earnings will be allocated on a prorated basis, based on the value of the fund in relation to the total value of all endowed funds.

The amount available for distribution will be calculated based on a three (3) year rolling average calculated as of the fiscal year-end of the Foundation.

The Fundy Community Foundation's policy is to optimize the total return and maximize distribution of endowed funds while at the same time ensuring the sensible protection of capital against the effect of inflation.

Each year, the Board will determine the distribution and order thereof of the total annual earnings on the fund and the portions of which to be:

- **Annual Administration Fees to the Foundation**
- **Disbursements for charitable causes (i.e. grantmaking)**
- **Preservation of Capital**
- **Surplus**

Annual Administration Fees to the Foundation

Each year, a portion of the earnings will be set aside for the purpose of covering the operational expenses of the Foundation. This portion of the earnings will be referred to as administration fees, and the exact percentage will be determined by the Board of Directors.

Disbursements for Charitable Causes (i.e. grantmaking)

An "Allowable Disbursement" for granting from the undistributed income of the endowment fund will be calculated each year-end for the year immediately following (to the extent sufficient undistributed income is available). The Allowable Disbursement will be the sum of:

- 3.5% of the opening capital balance of the endowment fund (balance as at January 1)
- allowable disbursements from previous years not disbursed
- any amount in excess of the Surplus Income described further below.

Should the amount of undistributed income be less than 3.5% of the opening capital balance, the allowable disbursement shall be limited to this lesser amount in the year immediately following. Should the amount of undistributed income be zero or less than zero, the allowable disbursement shall be zero for the year immediately following.

Preservation of Capital:

Each year, the Investment Committee will determine and recommend to the Board of Directors a percentage of undistributed income to be capitalized in every endowment fund (restricted and unrestricted), factoring in:

- the change in the Consumer Price Index (CPI) and/or other relevant economic measures
- the amount capitalized in previous years compared to the change in the CPI
- the financial status of the foundation
- current and expected investment returns.

The percentage determined shall be applied to the opening endowment capital balance of every fund (capital balance as at January 1), and be transferred to the capital of each endowment fund from its undistributed income on December 31 of the same year.

Surplus

Surplus income for any given year would be that portion of earned income remaining after having allocated funds for FCF's administration fees, covering the minimum amount required by law for charitable disbursements or grantmaking, and setting aside what is require to ensure the preservation of capital. Each year the Investment Committee will recommend to the Board how any surplus income might be spent (i.e., all or a portion thereof may be used to add to the amount that will be disbursed for charitable purposes, or in a year where investment income is especially good, a portion may be held back in reserve for future disbursement to offset the effect of a year when investment income drops).

Policy approved by Fundy Community Foundation Board of Directors:
February 17th, 2005

Margaret Ray Peterson, President