Policy Name	Spending and Capital Preservation Policy
Policy Number	2.09
Last Review Date	January 24th, 2024
Next Review Date	2025
Responsible Committee	Finance Committee

FINANCIAL MANAGEMENT

2.09 Spending and Capital Preservation Policy

Preamble

The 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 the granting program and the administration of the Foundation. As these funds are held as long-term funds, 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 the 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 distribution, there is a need to maintain a reserve of undistributed earnings.

Annual Distributable Earnings means that a portion of the earnings determined by the Board to be available or required by law for distribution in each year. Earnings are computed in accordance with the rules under the *Income Tax Act* (Canada) for computing income (which includes that capital gains are treated as part of income), as amended from time to time. The annual Administration and Investment Fees shall be disbursed from the Annual Distributable Earnings of the Fund. As a general rule, Foundations are required to disburse 3.5% of the portion of property not used in charitable activities and administration up to $1 million, and 5% on the portion of such property that exceeds $1 million.

Policy

Earnings and administration fees will be allocated to each fund on a quarterly 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 Foundation's policy is to optimize the total return and maximize the distribution of endowed funds while at the same time ensuring the sensible protection of capital against the effect of inflation. This will be accomplished through preserving original capital, except in cases where the disbursement quota cannot be met through net interest and dividend income. In years where current or accumulated earnings are not sufficient, the distribution may be drawn from the capital in each fund.

The Board will determine the annual disbursement based on the total annual earnings on the fund and the portions of which to be available to be:

- Allocated to Annual Administration and Investment Fees
- Allocated as the Annual Distributable Earnings
- Held in reserve as earnings for future distribution

- Reinvested back into the capital of each fund based on the balance at the beginning of the previous fiscal year

YKCF will disburse a minimum of $1,000 annually from each fund regardless of total earnings of the funds. Exceptions to this disbursement amount will be subject to decisions by the Board of Directors from time to time.

The Finance Committee recommends the annual disbursements to the Board of Directors in the Spring of each year (normally in February) based on the financial statements of the Foundation.

The disbursements will be based on the semi-weighted average of the capital fund balance and the four-year average return on the investments.

If in a particular year, an annual disbursement is not made the Finance Committee may recommend two disbursements being made in the subsequent year (one of which represents the previous year disbursement that was not awarded).

Monitoring: This policy will be reviewed every three years, when regulations change or when there is a significant change in the return on the Foundation's investments.

Board Acceptance: This policy was approved/reaffirmed at the January 24th, 2024 Board meeting.