

Policy Name	Spending and Capital Preservation Policy
Policy Number	2.09
Last Review Date	November 26 2025
Next Review Date	2028
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 the 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. Earning and administration fees are allocated based on the average daily balance of each fund over the quarter.

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, or in cases in which an agreement has been made between the Board and the donor. In years where current or accumulated earnings are not sufficient, the distribution may be drawn from the capital in each fund.



The Finance Committee recommends the annual disbursements from its endowment funds to the Board of Directors in the beginning of each calendar year (normally in January or February). The standard disbursement rate at the Yellowknife Community Foundation is 4% per year. An allowable range is confirmed by the board and if applicable, by gift agreement with a fundholder, and the board can approve a disbursement rate between this range.

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. Exceptions include, but are not limited to:

- Pending and Emerging Funds
- Sub-Funds (See Policy 3.02 Fund Guidelines, Thresholds and Types Policy for more information)

Annual disbursements for each fund are calculated by applying the annual disbursement rate to the fund balance at the end of the previous year. Disbursement amounts are typically rounded down to the nearest \$500, unless the Board decides otherwise or a specific agreement with the fundholder stipulates a different approach.

If in a particular year, an annual disbursement is not made from a fund, 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 at the **November 26 2025** Board meeting.