

COMMUNITY FOUNDATION OF OTTAWA

POLICY

POLICY: GRANTING FROM ENDOWMENT FUNDS

Preamble:

The Foundation makes charitable grants from a variety of sources, including:

- grants from non-endowed gifts received by the Foundation (such as “flow-through” gifts), and
- grants from endowment funds established with the Foundation.

This policy deals only with the granting from endowment funds (for all years for permanent endowments and for the specified fixed term for term endowments).

The investment earnings of endowment funds are used to cover charitable grants and service fees. (There is a separate policy statement covering service fees.) Under the Foundation’s policies, charitable grants are fixed at 4.25% and service fees are fixed at 1.5% for most funds, for total annual disbursements from the endowment funds of 5.75%. The Foundation expects that the average annual nominal rate of return over the long term, net of investment counsel fees, will exceed these annual disbursements of 5.75%. Therefore, over the long term, investment earnings are expected to exceed disbursements.

Naturally, with a fixed rate for grants and service fees, the actual amount disbursed in any particular year will necessarily be an amount that is less than or greater than the actual investment earnings for that year. However, the objective over the long term is to ensure that the capital of the endowed funds is held permanently (or, when applicable, until the end of the fixed term of a fund).

In summary, the policies dealing with grants and service fees ensure that:

- the capital of the endowed funds is held permanently and managed in accordance with the Financial Management Policies of the Foundation in force from time to time;
- there is a consistent level of charitable grants over the long term; and
- the 3.5% disbursement requirement under the Income Tax Act is met.

Policy Statement:

The total amount of charitable grants from an endowment fund for any particular year is fixed at 4.25% of the average of the ending quarterly market values of the endowment fund for the 12 quarters ending December 31 of the preceding year.

For a new fund that has not been in existence for the aforementioned 12 quarters, the total amount of charitable grants is fixed at 4.25% of the average of the ending quarterly market values of the endowment fund for that number of quarters ending December 31 of the preceding year that the fund has been in existence. A new fund begins granting on this basis only when it has been in existence for at least one full calendar year.

The charitable grants from an endowment fund may be an amount other than the fixed rate of 4.25% in some circumstances:

1. In the 10 years following the receipt of a gift subject to a direction that it be held by the Foundation for a term of not less than 10 years (to ensure that the gift continues to qualify as “enduring property” under the Income Tax Act); or
2. Where the amount of the grants determined under the fixed rate policy is precluded by a particular fund agreement.

If such a circumstance arises, the total amount of charitable grants for the year from the endowment fund will be determined by the Board of Governors.

The amount of charitable grants for any particular year, as determined under this policy, will be transferred from the individual endowment fund to the Fund for Distribution on January 1 of that year.

ORIGINAL EFFECTIVE DATE: October 1998

LAST REVISED OR REVIEWED: November 2009

SUBJECT TO REVIEW: September 2014