

<b>ABBOTSFORD COMMUNITY FOUNDATION</b>		
<b>POLICY:</b> Spending Policy		<b>PAGE:</b> 1 of 2
<b>APPROVED:</b> Oct. 5, 2011	<b>REVISED/REAFFIRMED:</b> September 2022	<b>REVIEW: Every year or as deemed necessary by the board</b> <b>NEXT REVIEW DATE:</b> September 2023

**Policy Objectives**

The objective of the spending policy, in conjunction with the Investment Policy, is to preserve the value of endowment assets over time, maintain an appropriate and stable level of support to beneficiaries and ensure predictable cash flow to cover administration costs.

**Predictable Cash Flow**

The Foundation's income will include interest income, dividend income, and net realized or unrealized gains or losses on bond and equity assets.

Rates of return in capital markets vary from year to year. A prudent level of spending is one that reflects an investment Rate of Return achievable with acceptable levels of risk.

**Spending Limit**

The Finance and Audit Committee will meet in the fall of each year and prepare a recommendation to the Board of Directors regarding the annual Spending Limit, which will determine the Distributable Income for the following fiscal year, keeping in mind the Foundation's overall goals and objectives.

The Finance and Audit Committee will also recommend any changes in the Administration Fee for all Capital Funds. All recommendations of the Finance and Audit Committee are subject to Board approval.

**Calculation of Spending Limit and Distributable Income**

The primary objectives of this spending policy are to provide predictability and sustainability of cash flows for distribution purposes. The following will be considered in the Spending Limit calculation:

Long term versus short term returns: The Spending Limit will be based on a long-term historical rate of return. It will be calculated using the 10-year annualized rate of return on the ACF investment portfolio.

Contributions received during the year will be pro-rated, based on the number of full months invested.

All Capital Funds will receive a Distributable Income calculated on the trailing quarterly fund balance.

**Administration Fee**

All Capital Funds will be charged an Administration Fee calculated on the average monthly fund balance at the current rate of 1.5 percent.

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**The Capital Reserve Account**

Although our investment policy requires a conservative investment position, times of significant volatility are inevitable. A Capital Stabilization Reserve Account will be established to smooth volatility. In years where earnings are in excess of the Approved Spending Allocation plus Administration Fee the excess will be held in the Capital Stabilization Reserve (CSR). In years where earnings are below the Approved Spending Allocation plus Administration fee, funds will be allocated from the CSR.

Whenever the investment return is less than the Spending Allocation plus Administration Fee, the CSR will provide the top-up necessary to maintain capital preservation and bring spending up to prescribed levels. Whenever the investment return is less than the Spending Allocation plus Administration Fee and there are insufficient funds in the CSR to fund desired spending, there will be either a delay in spending or the expenses will be paid from operating funds, after approval by the Board.

The Board may approve an encroachment of Endowment Principal to fund a deficiency with the expectation that such amounts will be recovered from future investment earnings