

Disbursements Overview



Expertise, Stewardship, Impact

At the Community Foundation of Mississauga, we recognize that donors have many different philanthropic choices. Even within our Foundation, donors can elect to create different kinds of funds, like “flow through” funds which disburse the capital out in their entirety over a specified amount of time. But the heart of what we do and what makes a community foundation a wise choice for so many donors is the ability to create a lasting legacy through endowed funds that are cost effective, efficient and responsive to a donor’s giving interests.

When you make a gift to establish an endowed fund at the Mississauga, you are joining with donors all across our community who are creating *stable, growing* support for all kinds of charitable causes. It is these two key concepts that have helped to shape the framework of our approach to the Spending Policy. This key policy addresses the amount that will be disbursed annually including the amount available for granting.

We hope this helpful information might answer many of the questions you have about granting from your fund, but you are welcome to contact us if you have additional questions.

The Foundation will be guided by the following in the application of this policy:

- the Foundation will adhere to the regulatory framework for charitable organizations including those outlined by the Ontario Public Guardian and Trustee, the Income Tax Act (Canada) and the Canada Revenue Agency (CRA), and
- specific clauses in duly executed fund agreements.

Objectives

The Community Foundation of Mississauga approach to determining the amount available annually for disbursements is guided by the following:

- providing a stable amount for granting that exceeds the disbursement quota minimum required by the Canada Revenue Agency (CRA), and
- ensuring the long term growth of granting available through growth in the capital.

Growth in the capital to enhance granting and preserve the purchasing power is sometimes referred to as intergenerational equity.

Policy Statement

The investment earnings (calculated on a mark-to-market basis) of endowment funds are used to cover grants and administrative fees. There is a separate policy statement covering administrative fees. Under the Foundation’s policies, grants are fixed at 4.5% and service fees are fixed at 2% plus Investment Management fees (0.6%) for most funds, for total annual disbursements from the endowment funds of 7.1%. The Foundation expects that the average annual nominal rate of return over the long term will exceed these annual disbursements of 7.1%. 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 in perpetuity and that intergenerational equity will be preserved. In summary, the policies dealing with grants and service fees ensure that:

- the capital of the endowed funds is held permanently and managed prudently,
- there is a growing level of grants over the long term, and
- the disbursement requirement under the Income Tax Act (Canada) is met.

The total amount of grants from an endowment fund for any particular year is fixed at 4.5% of the weighted average of the quarterly market values of the endowment fund for the period ending December 31 of the previous year.

Effective Date

The Spending Policy as described above was approved by the Board in June 2022.



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