

**Alberta Ballet Foundation**  
**Endowment Spending Policy**  
**March 2023**

**Purpose**

Alberta Ballet's general endowment fund is a permanent fund set up by the charity to hold gifts in perpetuity. The capital is retained and only the income is used for ongoing operations of the Alberta Ballet Company, including its school division.

**Administration and Investment of the Endowment Fund**

The investment objectives of the Alberta Ballet Foundation (the "Foundation") endowment fund shall be governed by this Endowment Spending Policy.

Endowment funds of the Foundation are administered and managed in accordance with the Foundation's Investment Policy.

Endowment expenditures shall be limited and governed in accordance with the 'Endowment Spending' Section of this policy. Excesses shall be deposited in the Foundation's Stabilization Fund.

**Endowment Spending**

The objective of endowment spending is to satisfy the charitable purposes and administrative requirements associated with the endowment and to meet disbursement quota requirements under the Income Tax Act.

The spending or pay-out rate available to the endowment fund shall be established each year by the Foundation's Board of Directors.

Pay-out from the endowment shall be distributed to Alberta Ballet Company (the "Company") not less often than annually, and such income shall be used for the charitable purposes designated by the donors or, if undesignated, at the discretion of the Company's Board of Directors.

- The annual pay-out and income will be calculated on September 1<sup>st</sup> of each year, to align with Alberta Ballet's fiscal year.
- At a minimum, the annual pay-out shall be consistent with the Canada Revenue Agency's ("CRA") disbursement quota under the Income Tax Act, net of investment manager's fees. As at the date of this spending policy, CRA's disbursement quota was 3.5% of the average endowment fund balance of the two most recent fiscal years.
- The annual pay-out shall be made no later than November 30<sup>th</sup> of each year, after the annual financial statement audit has been completed.

- Any excess income during the fiscal year, net of payment of \$10,000 per annum to cover the administrative costs of the Alberta Ballet Foundation, shall be deposited to the Foundation's Stabilization Fund at the same time the annual pay-out is made.

The Foundation shall use a total return on investment approach that does not distinguish between capital and income. Realized capital gains may be included in income for the purposes of distribution and endowment spending. Unrealized capital appreciation shall not be treated as income because it may not represent actual income available for distribution.

### **Stabilization Fund**

The stabilization fund is intended to safeguard the long-term sustainability of Alberta Ballet Foundation and Alberta Ballet Company, by having funds available to meet potential shortfalls in the Foundation's Endowment Spending Policy due to fluctuations in capital markets.

- The stabilization funds shall be restricted to cover endowment pay-out shortfalls in any given year and on an "as needed" basis by the Foundation (refer to points below). Funds may be accessed only upon approval, and in the amount approved by the Foundation's Board of Directors.
- Should the balance of the Foundation's Stabilization Fund reach 14% of the endowment corpus balance, the amount in excess of that 14% shall be paid-out to the Company immediately.
- Upon request from the Company's Board of Directors in order to meet the charitable and/or administrative expenditures of the Company in furtherance of its objectives, the Foundation may encroach on the Foundation's Stabilization Fund on an "as needed" basis, in order to make a distribution to the Company. In such cases, the Company's Board of Directors can request the Foundation's Board of Directors approval to access a specific amount of funds.

### **Approval**

This Endowment Policy shall be reviewed, updated and approved annually by Alberta Ballet Foundation's Board of Directors, in conjunction with its Endowment Policy and Investment Policy.

### **References**

Alberta Ballet Foundation Endowment Policy  
Alberta Ballet Company Investment Policy  
Alberta Ballet Foundation Investment Policy