
St. Michael's College School

DISBURSEMENT POLICY

Board Approval – June 17, 2013

**DISBURSEMENT POLICY
ST. MICHAEL’S COLLEGE SCHOOL**

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**DISBURSEMENT POLICY
ST. MICHAEL'S COLLEGE SCHOOL**

_____ day of _____, _____

**SECTION I
DEFINITIONS AND INTERPRETATIONS**

1.01 Definitions

In this Disbursement Policy, the following words shall, unless the context otherwise requires, have the following meaning:

“Capital” means the initial capital, any additional capital, and any Capitalized Income of a Fund or Funds of the Corporation.

“Capitalized Income” means the excess of Net Income over Disbursement Income determined in accordance with Section 5.03.

“Corporation” means St. Michael’s College School, a non-share capital corporation incorporated pursuant to the Ontario *Corporations Act*, R.S.O. 1990, Ch. C.38, by letters patent issued on the 14th day February, 1972.

“Disbursement” means a disbursement of Disbursement Income and/or Capital from the Corporation in accordance with the charitable purposes of the Corporation.

“Disbursement Income” means the portion of the Net Income that is available to be disbursed in accordance with Section 5.02.

“Disbursement Quota” means the disbursement quota that the Corporation is required to comply with and disburse each year in accordance with the ITA as described in Section 5.02.

“Fund” or “Funds” means the monies, funds, securities, cash, real property and personal property held by the Corporation from time to time.

“Investment” or “Investing” means any form of investment in which a Fund or Funds of the Corporation is invested.

“Investment Policy” or “Policy” means the investment policy of the Corporation in place from time to time.

“ITA” means the *Income Tax Act* (Canada), R.S.C. 1985, c.1, as amended from time to time.

“Net Income” means the annual Net Income earned on the Capital of the Corporation in accordance with Section 5.01.

1.02 Interpretation

In this Disbursement Policy, the following interpretations shall apply:

- (a) the masculine gender shall include the feminine gender;
- (b) the singular shall include the plural and *vice versa*; and
- (c) the headings are for convenience of reference only and do not form a part of this Disbursement Policy and do not affect its interpretation.

SECTION II
BACKGROUND INFORMATION

2.01 Investment Policy of the Corporation

The Corporation has adopted an Investment Policy dated the ____ day of _____, _____ concerning the prudent investment of Funds of the Corporation in accordance with the provisions of the *Trustee Act*, (Ontario).

2.02 Purpose of Disbursement Policy

The purpose of this Disbursement Policy is to enable the Corporation to comply with the terms of its Investment Policy and to provide for an orderly Disbursement of the Funds of the Corporation.

SECTION III
EFFECTIVE DATE AND APPLICATION

3.01 Effective Date

This Disbursement Policy shall be effective on the ____ day of _____, _____.

3.02 Application of Disbursement Policy

- (a) Unless provided otherwise by the terms of a gift agreement or other document creating a Fund or Funds of the Corporation, the terms of this Disbursement Policy shall apply to the Disbursement of the Funds of the Corporation.
- (b) In the event of a conflict between the terms of any gift agreement or other document creating a Fund of the Corporation with the terms of this Disbursement Policy in relation to the Disbursement of the Fund in question, the applicable terms of the said gift agreement or other document shall override the corresponding terms of this Disbursement Policy, provided that the balance of this Disbursement Policy that is not in conflict shall apply to the disbursement.
- (c) In the event of a conflict between the terms of this Disbursement Policy and the provisions of the *Trustee Act* (Ontario) and/or the *Charities Accounting Act* (Ontario), the provisions in such legislation shall prevail over this Disbursement Policy.

SECTION IV
DISBURSEMENT OF CAPITAL

4.01 Conditions for Disbursement of Capital

The Capital of a Fund, or any part thereof, may only be disbursed if all of the following conditions have been met:

- (a) at the time of the Disbursement, either:
 - (i) the Fund is not subject to any restriction or direction imposed by the donor(s) of such Fund prohibiting the expenditure of the Capital; or
 - (ii) where the gift agreement or other document creating the Fund contains a restriction or direction imposed by the donor(s) of such Fund prohibiting the expenditure of the Capital within a specific period of time, such time period has expired;
- (b) the Board of Directors of the Corporation has authorized the Disbursement of Capital; and
- (c) the Capital is to be disbursed in the same manner as if it was Disbursement Income in accordance with Section 6.01.

SECTION V
DISBURSEMENT OF INCOME

5.01 Calculation of Net Income

The Net Income of the Corporation shall be the total of all annual net incomes from all Funds of the Corporation. The annual net income of each Fund of the Corporation shall be the total income in the year (interest income, dividend income, realized capital gains), less costs, fees and expenses associated with the Fund in the year (including such reasonable administrative charges by the Corporation). Where a gift agreement or other document creating a Fund contains provisions regarding the calculation of the annual net income, it shall be calculated in accordance with such document.

5.02 Determination of Disbursement Income

The Disbursement Income shall be the portion of the Net Income available for Disbursement. The Disbursement Income shall be determined each year by the Board of Directors of the Corporation or by a committee of the Corporation duly authorized by the Board. When determining the Disbursement Income, the Board shall give consideration to meeting the Disbursement Quota, protecting the Capital from inflation, compliance with applicable legislation, and pursuing the charitable purposes of the Corporation. The Disbursement Income shall not be less than the minimum amount required to meet the Disbursement Quota.

5.03 Capitalized Income

The Capitalized Income is the excess of Net Income remaining after deducting the Disbursement Income. The Capitalized Income shall be added to the Capital of the Fund or Funds in question and dealt with as a part thereof. The Corporation may disburse such Capitalized Income at a subsequent time in accordance with the Disbursement Policy then in effect.

5.04 Expenditure of Capitalized Income or Capital

To the extent that there is insufficient Net Income earned from the Fund or Funds in question in any year to meet the Disbursement Quota, then subject to the restrictions on the Disbursement of Capital provided for in Section 4.01, such necessary portion of the Capitalized Income or Capital

may be expended to meet the requirements of the Disbursement Quota. In the event that the Net Income is less than the applicable Disbursement Quota, then the Corporation may apply to Canada Revenue Agency to request a reduction in the Disbursement Quota in accordance with the ITA.

SECTION VI **APPLICATION OF DISBURSEMENT INCOME**

6.01 Application of Disbursement Income

The Disbursement Income shall be disbursed by the Corporation within the fiscal year of the Corporation:

- (a) in accordance with the terms of any applicable restrictions or directions imposed in a gift agreement or other document creating a Fund or Funds; or
- (b) where there is no applicable restriction or direction imposed by a donor, then as determined in the sole discretion of the Board of Directors of the Corporation in accordance with the charitable purposes of the Corporation.

6.02 Payment to Charity

Where the Corporation:

- (a) makes a payment of Disbursement Income, Capitalized Income or Capital from any Fund or Funds to another charity that is a registered charity under the ITA (“Charity”) in accordance with this Disbursement Policy; or
- (b) appoints another Charity to be the replacement trustee of any Fund or Funds and there is a corresponding transfer of the said Fund or Funds to such replacement trustee;

then the Corporation shall review and determine whether such payment is to be a transfer of a “designated gift”.

SECTION VII **REVIEW AND AMENDMENT**

7.01 Annual Review

The Board of Directors of the Corporation shall review this Disbursement Policy at least once annually.

7.02 Amendments

- (a) This Disbursement Policy may be amended by the Board of Directors of the Corporation adopting a new Disbursement Policy, provided that the new Disbursement Policy has first been reviewed and approved by legal counsel for the Corporation.
- (b) Upon adoption of a new Disbursement Policy, copies of the new Disbursement Policy shall be forwarded to any investment manager acting on behalf of the Corporation with the requirement that the investment manager acknowledge in writing receipt of a copy of the new Disbursement Policy.