FP-14 - ASSIGNMENT OF INVESTMENT INCOME AND CHANGES IN CAPITAL VALUE

Summary:

The method of assigning investment income and changes in capital value to congregational funds and accounts is described in this policy.

Purpose:

To allocate earned investment income and changes in capital value of the investment portfolio to the various congregational funds.

Prerequisites and Definitions:

All congregation funds must be designated as being one of:

1. Investment Capital Participatory (**ICP**) fund = Participates in earned investment income and changes in capital value and fee payment. i.e., the Legacy Funds.
2. Investment Participatory (**IP**) fund = Participates in investment earned income but not capital changes i.e., the Campus Projects Fund, Maintenance Reserve Fund and deferred funds.
3. Investment Non-Participatory (**INP**) fund = Does not participate in either investment earned income nor capital changes i.e., the General Fund and all special purpose accounts.

Investment income is made up of 3 parts and totaled over the fiscal year:

1. Interest earned
2. Dividends earned
3. Changes in capital value minus fees

A funds "**annual valuation**" is defined as the arithmetic average (mean) of its quarterly ending.

Rationale:
Investment Capital Participatory (**ICP**) funds are subject to the full market returns.
Investment Participatory (**IP)** funds are not subject to capital losses so are guaranteed to have minimum values.
Investment Non-Participatory (**INP** funds can be set up for shorter term or specific uses that can "be used up" and don't need to be replenished.
Note that **ICP** funds can have income from the interest and dividends but may lose value due to changes in capital value and payment of fees.

Method:

INP funds do not participate in the Assignment of Investment Income process and are excluded these calculations.

At the end of the fiscal year:

1. Determine the total of the annual interest and dividends earned and the changes to the capital value of the investment portfolio.
2. Determine the annual valuation of each ICP and IP fund as defined above.
3. Allocate the total of the interest and dividends earned to the ICP and IP funds proportionally to their annual valuation.
4. Allocate the changes in capital value (minus fees) to the ICP funds proportionally to their annual valuation.

WHO DRAFTED THIS POLICY: Finance Committee

WHO WAS CONSULTED IN THE DRAFTING OF THIS POLICY: Finance and HR Manager, Finance Committee

WHO IS RESPONSIBLE TO REVIEW/UPDATE OR AMEND THIS POLICY: Finance Committee

WHO APPROVES THIS POLICY AND ITS AMENDMENTS: Board

DATE OF INITIAL APPROVAL:

REVISION HISTORY

Revision Date	Version	Comment
September 2023		Update of version from before 2000, Distribution of Capital Value added; Detail about calculation added; Eligible Funds eligible are listed.