

ACADEMIC COUNCIL REPORT

SESSION:

Public
Non-Public

ACTION REQUESTED:

Decision
Discussion/Direction
Information

TO: Academic Council

DATE: October 24, 2023

PRESENTED BY: Pamela Onsieng

SLT LEAD: Brad Maclsaac

SUBJECT: Revised – Endowment Management Policy and Procedures

COMMITTEE MANDATE:

Under the Policy Framework, and the University’s Act, the Board of Governors has a “duty to consult” on “all academic, research, service and institutional policies”.

We are submitting this report and draft policy amendment to Academic Council to request discussion and comments on the draft.

BACKGROUND/CONTEXT & RATIONALE:

The University is charged with investing endowment funds in order to maximize the benefit to both current and future beneficiaries. The University receives endowment funding from Donors for purposes including student awards, scholarships, bursaries, and program enrichment. The Board may also make allocations at its discretion to existing endowment funds or to establish new Board restricted endowment funds.

The purpose of the amended Policy and Procedures is to outline the objectives and principles by which the University’s endowment funds are established, administered and disbursed and to ensure the prudent administration of Donor and Board Endowed Funds. These amendments supersede the current Endowment Management Policy (approved by the Board, March 2016) and Procedures (approved by A&F, February 2016).

OVERVIEW:

The objective is to re-affirm and put into practice these revised Policy and Procedures to ensure consistent and transparent, endowment fund management in line with best

practice. It is also intended to hold the endowment fund in good stead in times of volatile economic conditions such as those we are currently experiencing (i.e. uncomfortably high inflation rates and decreasing total net returns), while at the same time allowing the University to meet its annual endowed disbursement quota.

A summary of the changes from the existing Policy and Procedures, and reasons for change, are disclosed in the table below

Category	Current Policy & Procedures	Revised Policy and Procedures
Spending - Capital preservation	In order to avoid a reduction over time in spending in real terms, due to the effects of inflation, a portion of the total net investment return, known as capital preservation, will be added to the Endowment.	No change from current policy. In addition, it is recommended that the Board of Governors retain the right to limit or suspend the annual allocation of capital preservation , e.g. when inflation rates are unusually high
Spending - Spending level	Spending levels are calculated using a percentage of a four-year rolling average of the inflation adjusted capital value of the Endowment	No change from current policy. The spending as a basis of a four-year rolling average will now be applied on a prospective basis . Using a 4-year rolling average tampers the impact of wild inflation rates on the spending level
Funding & Disbursement - Allocation of investment returns	The annual investment return for disbursement is comprised of realized gains and losses , including interest, dividends, adjusted cost base changes, and realized capital gains/losses	The annual investment return for disbursement is based on a total net return . This comprises of realized capital gains/losses, interest, dividends, and unrealized capital gains , net of fees. The crystallization of unrealized capital gains will support the disbursement of awards when realized investment income is not sufficient to support the spending level after capital preservation. This follows endowment management best practices and is in line with donors' expectations

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Category	Current Policy & Procedures	Revised Policy and Procedures
Funding & Disbursement - Stabilization fund	The stabilization fund will not exceed 5% of the inflation adjusted cost of the Endowment and any excess earnings will be returned to the principle endowment account	The stabilization fund will not exceed 15% of the Endowment and any excess balances will be considered for capitalization into the endowment fund or for one-time disbursement. Stabilization fund increases from 5% to 15% as the portfolio has reached a higher level of maturity compared to 7 years ago and has built a significant amount of unrealized gains. A higher stabilization fund also allows the University to continue disbursement of awards to students during economic downturn
Funding & Disbursement - Stabilization fund	When funds in the stabilization are insufficient to support committed spending, there will be, after approval by the BOG: <ol style="list-style-type: none"> a. A delay in spending b. Execution of unrealized gains; or c. Expense (s) paid from operating funds 	When funds in the stabilization are insufficient to support committed spending, there will be, after approval by the BOG: <ol style="list-style-type: none"> a. A delay in spending; b. Suspension of capital protection; or c. Encroachment on capital where permitted by the Endowment Fund Agreement <p>Revised b) and c) will require Board approval Current b) and c) require management approval only</p>

Compliance with this revised policy and procedures aligns with donors' expectations and sector best practice.

COMPLIANCE WITH POLICY/LEGISLATION:

The proposed policy and procedures comply with generally accepted accounting principles (GAAP) for not-for-profit organizations and the federal government's prescribed minimum annual payment percentage in order that the University retain its charitable tax status.

CONSULTATION AND NEXT STEPS:

Presented to:

- ✓ Policy Advisory Committee – Policy Assessment (September 25, 2023)
- Academic Council – Consultation (October 24, 2023)
- Administrative Leadership Team – Consultation (November 14, 2023)
- University on-line Consultation (October 16 – 27, 2023)
- Audit and Finance Committee – Policy Deliberation and Procedures Approval (November 23, 2023)
- Board of Governors – Policy Approval (November 30, 2023)

SUPPORTING REFERENCE MATERIALS:

Appendix 1: Revised Policy & Procedures

Appendix 2: Current Policy & Procedures black-lined (for reference only)

Item	10.9
Framework Category	Legal, Compliance and Governance
Approving Authority	Board of Governors
Policy Owner	Audit & Finance Committee
Approval Date	
Review Date	
Supersedes	Endowment Policy, June 2013

APPENDIX 2: ENDOWMENT MANAGEMENT POLICY (BLACK-LINED)

ENDOWMENT MANAGEMENT POLICY

PURPOSE

1. ~~The~~ Ontario Tech University receives endowment funding from Donors for purposes including student awards, scholarships, bursaries, and program enrichment. The Board may also make allocations at its discretion to existing endowment funds or to establish new Board restricted endowment funds. The University is charged with investing endowment funds in order to maximize the benefit to both current and future beneficiaries. The purpose of this Policy is to outline the objectives and principles by which the University’s endowment funds are established, administered and disbursed.

DEFINITIONS

2. For the purposes of this Policy the following definitions apply:

“Capital Preservation” means protecting the earnings power of the original Endowed Fund by capitalizing a cumulative amount equal to the annual rate of increase of the Consumer Price Index (CPI) Canada.

“Donor” means a person, foundation, or organization that makes a Gift that is eligible for a donation receipt.

“Endowed Fund” means a principal or capital sum and subsequent capital contributions, set aside permanently and invested by the University with only the income (all or a portion thereof) disbursed to support specific programs or projects, often based on donor direction in accordance with the Endowment Fund Agreement or terms of reference for the Endowed Fund.

“Endowment” means the total value of the University’s Endowed Funds. The Endowment is the sum of individual Endowed Funds, each representing the original value of the donation and additions made for inflation and other capitalized amounts as directed.

“Endowed Fund Agreement” or **“Gift Agreement”** means a document establishing the Endowed Fund and describing the name, purpose, funding and administration of an Endowed Fund, normally signed by the Donor and the University.

“Gift” means a voluntary transfer of cash and/or in-kind, from individuals, industry, foundations, and other sources to the University for either unrestricted or restricted utilization in the operation of the University. Gifts are made without expectation of tangible return; no consideration to the Donor or anyone designated by the Donor may result from these contributions. Gifts may be monetary or non-monetary (e.g. securities, real property).

“Stabilization Fund” means the fund established to smooth the year over year fluctuations in earnings by providing a reserve to be used when the Endowment Fund does not earn sufficient income to cover approved annual spending amounts. The Stabilization Fund holds cumulative net investment returns above those allocated for spending and capital preservation.

SCOPE AND AUTHORITY

3. This Policy applies to all University Endowed Funds and related Endowment Fund Agreements, unless specifically exempted by the Audit & Finance Committee of the Board of Governors.
4. The Audit & Finance Committee, through the office of the Vice-President Administration, or successor thereof, is the Policy Owner and is responsible for overseeing the implementation, administration and interpretation of this Policy.

POLICY

The objective of the Endowment Management Policy is to allow annual spending requirements to be met while preserving as much of the purchasing power of the Endowment as possible.

5. General

- 5.1. Individual Endowed Funds are established when a donor(s) makes a commitment to contribute a minimum of \$25,000 to the Endowment. Under exceptional circumstances, this limit may be waived by the Vice President, Administration and Vice President, Advancement. In accordance with the Gift Acceptance Policy, a written agreement with the Donor(s) stipulates the purpose and terms of the gift(s). Donors may make contributions of any amount to established Endowed Funds.
- 5.2. Endowed Funds are invested on a pooled basis in order to optimize net return and the diversification of risk. Net return is the total gains and losses from the endowment pool after deducting investment and administrative fees. Total gains and losses include interest income, dividend income, and realized and unrealized capital gains and losses.
- 5.3. Endowed Funds are managed by the University’s external investment manager(s) in accordance with the Statement of Investment Policies and Asset Class Management Procedures (“Investment Policy”).

- 5.4. Annually the net return is allocated to the Endowed Funds to support Spending; Capital Preservation; and Stabilization.
6. **Capital Preservation**
 - 6.1. To preserve the purchasing power of the Endowed Fund, a portion of the total net investment return equivalent to the preceding year's Consumer Price Index (CPI) Canada, will be set aside and allocated annually to the Endowed Fund capital.
7. **Spending**
 - 7.1. An annual spending level will be authorized by a resolution of the Board of Governors. In recognition of the reliance the University community places on the annual spending to support student awards, bursaries and scholarships, the Board strives to maintain the stability of the spending level year over year.
8. **Stabilization Fund**
 - 8.1. The Stabilization Fund will not exceed 15% of the Endowed Fund. Annually, when a stabilization fund reaches the 15% maximum, excess balances will be considered for capitalization into the Endowed Fund or for one-time disbursement for the purposes of the Endowed Fund.
 - 8.2. Should the Stabilization Fund be insufficient to support committed spending and capital preservation there may be, after approval by the Board of Governors:
 - a) A delay in spending; or
 - b) Suspension of the capital preservation; or
 - c) Encroachment on capital where permitted by the Endowment Fund Agreement
9. **Reporting**
 - 9.1. An annual Endowment Report will be presented to the Strategy and Planning Committee and the Audit and Finance Committee. This report will highlight additions, earnings, disbursements, and the net position of the Endowment and the Stabilization Fund.

MONITORING AND REVIEW

10. This Policy will be reviewed as necessary and at least every three years. The Vice-President, Administration, or successor thereof, is responsible to monitor and review this Policy.

RELEVANT LEGISLATION

11. Income Tax Act, RSC, 1985, c. 1 (5th supp.)

RELATED POLICIES, PROCEDURES & DOCUMENTS

- 12.** Endowment Management Procedures
 - Statement of Investment Policy
 - Asset Class Management Procedures
 - Naming of Physical University Assets Policy
 - Gift Acceptance Policy
 - Gift Registry Procedures
 - Signing Authority Policy
 - Expenditure Signing Authority Procedures

Classification	LCG xxxxx
Parent Policy	Endowment Management Policy
Framework Category	Legal, Compliance and Governance
Approving Authority	Audit & Finance Committee
Policy Owner	Vice President, Administration
Approval Date	xxx
Review Date	xxx
Supersedes	Endowment Policy, June 2013

ENDOWMENT MANAGEMENT PROCEDURES

PURPOSE

1. The purpose of these Procedures is to ensure the prudent administration of Donor and Board Endowed funds and to provide guidelines for the calculation and distribution of the annual amount available for spending.

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DEFINITIONS

2. For the purposes of these Procedures the following definitions apply:

“Capital Preservation” means protecting the earnings power of the original Endowed Fund by capitalizing a cumulative amount equal to the annual rate of increase of the Consumer Price Index (CPI) Canada.

“Donor” means a person, foundation, or organization that makes a Gift that is eligible for a donation receipt.

“Endowed Fund” means a principal or capital sum and subsequent capital contributions, set aside permanently and invested by the University with only the income (all or a portion thereof) disbursed to support specific programs or projects, often based on donor direction in accordance with the Endowment Fund Agreement or terms of reference for the Endowed Fund.

“Endowment” means the total value of the University’s Endowed Funds. The Endowment is the sum of individual Endowed Funds, each representing the original value of the donation and additions made for inflation and other capitalized amounts as directed.

“Endowed Fund Agreement” or **“Gift Agreement”** means a document establishing the Endowed Fund and describing the name, purpose, funding and administration of an Endowed Fund, normally signed by the Donor and the University.

“Gift” means a voluntary transfer of cash and/or in-kind, from individuals, industry, foundations, and other sources to the University for either unrestricted or restricted utilization in the operation of the University. Gifts are made without expectation of tangible return; no consideration to the

Donor or anyone designated by the Donor may result from these contributions. Gifts may be monetary or non-monetary (e.g. securities, real property).

“**Stabilization Fund**” means the fund established to smooth the year over year fluctuations in earnings by providing a reserve to be used when the Endowment Fund does not earn sufficient income to cover approved annual spending amounts. The Stabilization Fund holds cumulative net investment returns above those allocated for spending and capital preservation.

SCOPE AND AUTHORITY

- 3.** These Procedures apply to all University Endowed Funds and related Endowed Fund Agreements, unless specifically exempted by the Audit & Finance Committee of the Board of Governors.
- 4.** The Vice-President Administration, or successor thereof, is the Policy Owner and is responsible for overseeing the implementation, administration and interpretation of these Procedures.

PROCEDURES

5. Duties and Responsibilities

- 5.1.** **5.1 University Advancement** is responsible for the following, in accordance with the Gift Acceptance Policy and Procedures:
 - a)** Communicating with Donors to ensure the donation is of an appropriate size to generate sufficient annual investment return to meet the Endowed Fund objectives and that it complies with the minimum threshold as approved within the Endowment Management Policy to establish new named Endowed Fund.
 - b)** Preparing the Gift Agreement or other instrument establishing the Endowed Fund and ensure Donor(s) understands and agrees to the terms and conditions of the Gift Agreement.
 - c)** Assisting Donors with the transfer of any share donations.
 - d)** Confirming that accepted donations to existing Endowed Funds are in compliance with the pre-existing terms and conditions.
 - e)** Issuing charitable tax receipts in accordance with Canada Revenue Agency policy and guidelines.
 - f)** Maintaining the Donor database.
 - g)** Providing a copy of the Endowed Gift Agreement to Finance to enable Finance to appropriately administer the fund within the financial system.
 - h)** In consultation with the Office of the Registrar and/or appropriate faculty and staff, setting the specific terms of reference for a scholarship/student award or area of purpose, and subsequently communicating with Donors as to the names of award recipients and/or the availability of funds to support the award. For all Endowed Funds, the terms of reference should include the

name of the fund; purpose; intended distribution; other relevant historical information.

- i) In conjunction with Finance, preparing and distributing Endowed Fund stewardship reports, on an annual basis.

5.2. Finance is responsible for:

- a) Establishing a unique account for each Endowed Fund in the financial system.
- b) Accounting for investments and allocating investment earnings in accordance with the Endowment Management Policy and these Procedures, as may be amended from time to time.
- c) Communicating with the external investment manager, and reporting on status of investments and related issues to the Audit and Finance Committee.
- d) Maintaining financial records that track for each Endowed Fund the capital contributions, accumulated capital preservation and stabilization, and the balance available for disbursement.
- e) Ensuring the annual spending from the Endowment does not exceed funds available.
- f) Providing direction to the Investment Manager to meet the Spending cash requirements including crystallization of unrealized gains when appropriate.

5.3. Office of the Registrar is responsible for:

- a) Understanding and complying with the terms and conditions specified in the Endowed Fund Agreement, or other instrument establishing an Endowed Fund, and all applicable University policies and procedures.
- b) Reporting any circumstances that have resulted in the inability to meet the terms and conditions of the Endowed Fund Agreement to Advancement.
- c) Communicating the availability of student awards and other relevant information to the student body.
- d) Disbursing the award to the selected recipient in accordance with the terms of the Endowed Fund Gift Agreement.
- e) Providing a listing of student award recipients, each year, to University Advancement.

6. Endowed Funds and Allocation of Investment Returns

6.1. Each Endowed Fund account will track

- a) Capital: original and subsequent contributions, plus capital preservation
- b) Spending: allocation and amounts spent, and
- c) Stabilization Fund: share of total net investment return after allocations for capital preservation and spending.

- 6.2.** The net return available for disbursement is calculated on a total return basis and is comprised of interest, dividends, and the pooled fund distribution of realized and unrealized capital gains/losses net of investment manager, custodial, and other administrative fees.
- 6.3.** The annual investment return as at March 31st is allocated to each Endowed Fund Stabilization account in proportion to the total Endowment Fund balance. On an annual basis an allocation will be made from the Stabilization Fund for Spending and for Capital Preservation.
- 6.4.** In the case of funds endowed during a fiscal year, the total annual investment return allocation will be prorated to the number of months in the fiscal year the funds were endowed.

7. Spending

- 7.1.** The Spending level will be recommended to the Board of Governors for approval by the Strategy and Planning Committee on the recommendation of the Vice-President, Administration. The spending level will be reviewed annually on the basis of the long-term investment return experience of the Endowment.
- 7.2.** Spending level for each Endowed Fund is calculated using a four-year rolling average of the inflation adjusted capital value of the Endowment. The spending level enables investment return to be used to support the Endowment commitments over the long term.

8. Disbursement

- 8.1.** A Disbursement Committee will be convened with membership from Finance, Advancement, and the Office of the Registrar. The Disbursement Committee provides recommendations on the annual individual disbursements to the Vice-President, Administration.

The Disbursement Committee's recommendations will consider the spending level; prior year approved funding that was not distributed; requirements of each Endowed Fund as per their Gift Agreement; and the status of the Stabilization Fund. The Committee will consider and recommend, when appropriate, permanent increases to individual Endowed Funds for award amount and/or number of awards. Any changes to amount or number of awards will be made in consultation with the applicable Gift Agreement.

Should the Stabilization Fund be insufficient to meet the spending level plus capital protection, the Committee will make recommendations for alternatives requiring Board and/or Management approvals.

- 8.2.** All Endowed Fund cash outflows required for disbursement purposes are to be met, first, from the realized annual net investment returns. If realized investment income is insufficient to fund the required awards, Management has the authority to crystalize unrealized capital gains to fulfil this mandate.

- 8.3. The cash required to meet approved disbursement spending will be transferred from the Endowment investment to the Advancement cash account.

MONITORING AND REVIEW

9. These Procedures will be reviewed as necessary and at least every three years. The Vice-President Administration, or successor thereof, is responsible to monitor and review these Procedures.

RELEVANT LEGISLATION

10. This section intentionally left blank

RELATED POLICIES, PROCEDURES & DOCUMENTS

11. Endowment Management Policy
Statement of Investment Policy
Asset Class Management Procedures
Naming of Physical University Assets Policy
Gift Acceptance Policy
Gift Registry Procedures
Signing Authority Policy
Expenditure Signing Authority Procedures
Planned Giving Program Guidelines

APPENDIX 2: ENDOWMENT MANAGEMENT POLICY (BLACK-LINED)

Classification number	LCG-1133
Framework category	Legal, Compliance and Governance
Approving authority	Board of Governors
Policy owner	Vice President, Administration
Approval date	March 9, 2016
Review date	March 2019
Last updated	Editorial Amendment May 30, 2022; February 18, 2020
Supersedes	Endowment Policy, June 2013

Purpose **ENDOWMENT MANAGEMENT POLICY**

PURPOSE

1. ~~The Ontario Tech~~ University receives ~~Endowment~~ funding from Donors for ~~a variety of~~ purposes including student awards, scholarships, bursaries, and program enrichment. ~~The Board may also make allocations at its discretion to existing endowment funds or to establish new Board restricted endowment funds.~~ The University is charged with investing ~~Endowment~~ funds in order to maximize the benefit to both current and future beneficiaries. The purpose of this Policy is to outline the objectives and principles by which the University's ~~trust and Endowment~~ funds are established, administered and disbursed.

Definitions

DEFINITIONS

2. For the purposes of this Policy the following definitions apply:

~~“Capital Preservation” means protecting the earnings power of the original Endowed Fund by capitalizing a cumulative amount equal to the annual rate of increase of the Consumer Price Index (CPI) Canada.~~

~~“Donor” means a person, foundation, or corporation organization that makes a Gift that is eligible for a donation receipt.~~

~~“Endowed Fund” means a principal or capital sum and subsequent capital contributions, set aside permanently and invested by the University with only the income (all or a portion thereof) used/disbursed to support specific programs or projects, often based on Donor/donor direction, in accordance with the Endowment Fund Agreement or terms of reference for the Endowed Fund.~~

“Endowment” means the total value of the University’s Endowed Funds. The Endowment is ~~made up~~ the sum of individual ~~Endowment Principal Accounts~~ Endowed Funds, each representing the original value of the donation and additions made for inflation and other capitalized amounts as directed.

“Endowed Fund Agreement” or **“Gift Agreement”** means a document establishing the Endowed Fund and describing the name, purpose, funding and administration of an Endowed Fund, normally signed by the Donor and the University.

“Gift” means a voluntary transfer of cash and/or in-kind, from individuals, industry, foundations, and other sources to the University for either unrestricted or restricted utilization in the operation of the University. Gifts are made without expectation of tangible return; no consideration to the Donor or anyone designated by the Donor may result from these contributions. Gifts may be monetary or non-monetary (e.g. securities, real property).

“Stabilization Fund” means the fund established to smooth the year over year ~~to smooth the year over year~~ fluctuations in earnings, ~~as well as provide by providing~~ a reserve to be used when the Endowment ~~fund~~ Fund does not earn ~~sufficient~~ sufficient income to cover ~~the~~ approved annual spending amounts.

~~Scope~~ The Stabilization Fund holds cumulative net investment returns above those allocated for spending and authority capital preservation.

SCOPE AND AUTHORITY

3. This Policy applies to all University Endowed Funds and related Endowment Fund Agreements, unless specifically exempted by the Audit & Finance Committee of the Board of Governors.
4. The Audit & Finance Committee, through the office of the Vice-President, Administration, or successor thereof, is the Policy Owner and is responsible for overseeing the implementation, administration and interpretation of this Policy.

Policy

POLICY

The objective of the Endowment Management Policy is to allow annual spending requirements to be met while preserving as much of the purchasing power of the ~~original~~ Endowment ~~funds~~ as possible.

1.5. General

1.15.1. ~~Endowment funds~~ Individual Endowed Funds are established when a ~~Donor~~ donor(s) makes a ~~contribution~~ commitment to contribute a minimum of \$25,000 ~~or more to the Endowment~~. Under exceptional circumstances, this limit may be waived by the Vice- President, Administration and Vice President, ~~External Relations~~ Advancement. In accordance with the Gift Acceptance Policy, a written agreement with the Donor(s) stipulates the purpose and terms of the gift(s). Donors may make contributions of any amount to established Endowed Funds.

1.25.2. Endowed Funds are invested ~~ason~~ a single pool pooled basis in order to optimize net return and the diversification of risk. ~~However, for Donor reporting purposes, each Endowment Fund~~ Net return is accounted

~~for individually,~~ the total gains and losses from the endowment pool after deducting investment and administrative fees. Total gains and losses include interest income, dividend income, and realized and unrealized capital gains and losses.

~~1.35.3. Endowment assets~~ Endowed Funds are managed by the University's external investment ~~managers~~ manager(s) in accordance with the Statement of Investment Policies and Asset Class Management Procedures. (Investment Policy).

~~5. Preservation of Capital~~

~~5.4. In order to avoid a reduction over time in spending in real terms, due to the effects of inflation, annually the net return is allocated to the Endowed Funds to support Spending; Capital Preservation; and Stabilization.~~

6. Capital Preservation

~~5.1. To preserve the purchasing power of the Endowed Fund, a portion of the total net investment return will be added equivalent to the Endowment.~~

~~1.4.6.1. An Endowment investment objective will be to earn, over time, a rate of return at least equal to the total of the annual rate of increase of the Statistics Canada preceding year's Consumer Price Index (CPI) for Ontario as at the preceding December 31st, plus spending and the costs of investing and administering Canada, will be set aside and allocated annually to the funds. Coupled with this investment objective is a spending or disbursement Policy that limits disbursements to an estimated long-term real rate of investment return (total investment return less inflation). Endowed Fund capital.~~

2.7. Spending

~~2.1.7.1. An annual spending level will be authorized by a resolution of the Board of Governors in accordance with the Endowment Management Procedures. In recognition of the reliance the University community places on the annual spending to support student awards, bursaries and scholarships, the Board strives to maintain the stability of the spending level year over year.~~

3.8. Stabilization Fund

~~5.2. The Stabilization Fund will collect earned income, consisting of interest and dividends, from the Endowment on an ongoing basis and will be managed using the authorized short-term instruments outlined in the Statement of Investment Policy and Asset Class Management Procedures.~~

~~3.1.8.1. The Stabilization Fund will not exceed 515% of the inflation-adjusted cost of Endowed Fund. Annually, when a stabilization fund reaches the Endowment and any 15% maximum, excess earnings will be returned to the principle Endowment account balances will be considered for capitalization into the Endowed Fund or for one-time disbursement for the purposes of the Endowed Fund.~~

~~3.2.8.2. Whenever funds in Should the Stabilization Fund are insufficient be insufficient to support committed spending and capital preservation there will may be, after approval by the Board of Governors:~~

~~a. A delay in spending;~~

~~b. a) Execution of unrealized gains; or~~

~~c. Expense(s) paid from operating funds.~~

~~b) Suspension of the capital preservation; or~~

~~c) Encroachment on capital where permitted by the Endowment Fund Agreement~~

4.9. Reporting

4.19.1. An annual Endowment Report will be presented to the Strategy and Planning Committee, and the ~~Investment~~Audit and Finance Committee. This report will highlight additions, earnings, disbursements, and the net position of ~~both~~ the Endowment ~~Fund~~ and the Stabilization Fund.

Monitoring and Review

MONITORING AND REVIEW

5.10. This Policy will be reviewed as necessary and at least every three years. The Vice-President, Administration, or successor thereof, is responsible to monitor and review this Policy.

Relevant Legislation

RELEVANT LEGISLATION

~~6-11.~~ Income Tax Act, RSC, 1985, c. 1 (5th supp.)

Related Policies, Procedures & Documents

RELATED POLICIES, PROCEDURES & DOCUMENTS

12. Endowment Management Procedures

~~7.~~ Statement of Investment Policy

Asset Class Management Procedures

Naming of Physical University Assets Policy

Gift Acceptance Policy

Gift ~~Acceptance~~Registry Procedures

Signing Authority Policy

Expenditure Signing Authority ~~Registry and Approval~~ Procedures

Planned Giving Program Guidelines

<u>Item</u>	<u>10.9</u>
<u>Framework Category</u>	<u>Legal, Compliance and Governance</u>
<u>Approving Authority</u>	<u>Board of Governors</u>
<u>Policy Owner</u>	<u>Audit & Finance Committee</u>
<u>Approval Date</u>	
<u>Review Date</u>	
<u>Supersedes</u>	<u>Endowment Policy, June 2013</u>

Endowment Management Procedures

Classification number	<u>ENDOWMENT MANAGEMENT PROCEDURES</u>	<u>LCG-1133-01</u>	Deleted Cells
Parent policy		Endowment Management Policy	
Framework category		Legal, Compliance and Governance	
Approving authority		Audit and Finance Committee	
Policy owner		Chief Financial Officer	
Approval date		February 17, 2016	
Review date		February 2019	
Supersedes		Endowment Policy, June 2013	

Purpose

PURPOSE

- The purpose of these Procedures is to ensure the prudent administration of ~~trust~~ Donor and ~~Endowment Board~~ Endowed funds and to provide guidelines for the calculation and distribution of the annual amount available for spending ~~these~~ funds.

Definitions

DEFINITIONS

- For the purposes of these Procedures the following definitions apply:

“Capital Preservation” means protecting the earnings power of the original Endowed Fund by capitalizing a cumulative amount equal to the annual rate of increase of the Consumer Price Index (CPI) Canada.

“Donor” means a person, foundation, or ~~corporation~~ organization that makes a Gift that is eligible for a donation receipt.

“Endowed Fund” means a principal or capital sum and subsequent capital contributions, set aside permanently and invested by the University with only the income (all or a portion thereof) used/disbursed to support ~~specific~~ specific programs or projects, often based on ~~Donor/donor~~ direction in accordance with the Endowment Fund Agreement or terms of reference for the Endowed Fund.

“Endowment” means the total value of the University’s Endowed Funds. The Endowment is ~~made up~~ the sum of individual ~~Endowment Principal Accounts~~ Endowed Funds, each representing the original value of the donation and additions made for inflation and other capitalized amounts as directed.

“Endowed Fund Agreement” or “Gift Agreement” means a document establishing the Endowed Fund and describing the name, purpose, funding and administration of an Endowed Fund, normally signed by the Donor and the University.

“Gift” means a voluntary transfer of cash and/or in-kind, from individuals, industry, foundations, and other sources to the University for either unrestricted or restricted utilization in the operation of the University. Gifts are made without expectation of tangible return; no consideration to the Donor or anyone designated by the Donor may result from these contributions. Gifts may be monetary or non-monetary (e.g. securities, real property).

“Stabilization Fund” means the fund established to smooth the year over year ~~to smooth the year over year~~ ~~fluctuations~~ fluctuations in earnings, ~~as well as provide by providing~~ a reserve to be used when the Endowment ~~fund~~ Fund does not earn sufficient income to cover ~~the~~ approved annual spending amounts.

~~Scope~~ The Stabilization Fund holds cumulative net investment returns above those allocated for spending and ~~authority~~ capital preservation.

SCOPE AND AUTHORITY

3. These Procedures apply to all University Endowed Funds and related ~~Endowment~~ Endowed Fund ~~agreements~~ Agreements, unless specifically exempted by the Audit & Finance Committee of the Board of Governors.
4. The ~~Chief Financial Officer~~ Vice-President Administration, or successor thereof, is the Policy Owner and is responsible for overseeing the implementation, administration and interpretation of these Procedures.

Policy

PROCEDURES

5. Duties and Responsibilities

5.1. **5.1 University Advancement** is responsible for the following, in accordance with the Gift Acceptance Policy and Procedures:

~~a-a)~~ Communicate ~~Communicating~~ with Donors to ensure the donation is of an appropriate size to generate ~~sufficient~~ sufficient annual investment ~~income~~ return to meet the Endowed Fund objectives and that it complies with the minimum threshold as approved within the Endowment objectives ~~Management Policy to establish new named Endowed Fund.~~

~~b.~~ Assist Donors with the transfer of any share donations.

~~c-b)~~ Ensure ~~Preparing the Gift Agreement or other instrument establishing the Endowed Fund and ensure~~ Donor(s) understands and agrees to the terms and conditions of the Gift Agreement.

~~d.~~ Agreement or other instrument establishing the Endowment.

~~c)~~ Confirm ~~Assisting Donors with the transfer of any share donations.~~

~~e-d)~~ Confirming that accepted donations to existing ~~Endowments are in~~ Endowed Funds are in compliance with the pre-existing terms and conditions.

~~f-e)~~ Issue ~~issuing~~ charitable tax receipts in accordance with Canada Revenue Agency policy and guidelines.

~~g-f)~~ ~~Maintain~~ Maintaining the Donor database.

~~h-g)~~ ~~Provide~~ Providing a copy of the Endowed Gift Agreement to Finance to enable Finance to appropriately administer the finance department fund within the financial system.

~~i-h)~~ In consultation with the Office of the Registrar and/or appropriate faculty and staff, ~~set~~ setting the ~~specific~~ specific terms of reference for a scholarship/student award or area of purpose, and subsequently communicating with Donors as to the names of award recipients and/or the availability of funds to support the award. For all Endowed Funds, the terms of reference should include the name of the fund; purpose; intended distribution; other relevant historical information.

~~j-i)~~ ~~Distribute Endowment~~ In conjunction with Finance, preparing and distributing Endowed Fund stewardship reports, on an annual basis, in conjunction with the finance department.

~~5-2~~5.2. **Finance** is responsible for:

- ~~a-a)~~ a-a) Establishing a unique account for each Endowed Fund in the ~~finance~~financial system.
- ~~b-b)~~ b-b) Accounting for investments and allocating investment earnings in accordance with the Endowment Management Policy and these Procedures, as may be amended from time to time.
- ~~c-c)~~ c-c) Communicating with the external investment manager, and reporting on status of investments and related issues to the ~~Investment~~Audit and Finance Committee.
- ~~d-d)~~ d-d) ~~Monitoring Endowment spending in accordance with the Statement of Trust, Endowed Fund Agreement or other instrument establishing an Endowed Fund. In case of a disagreement with the account holder in connection with the eligibility of expenditure, Financial refers the matter to the CFO.~~
- ~~e-e)~~ e-e) ~~Monitor the availability of expendable student award funds.~~
- ~~f-f)~~ f-f) ~~Control over expenditure of funds.~~ Maintaining financial records that track for each Endowed Fund the capital contributions, accumulated capital preservation and stabilization, and the balance available for disbursement.
- ~~g-g)~~ g-g) ~~Ensuring the annual spending from the Endowment does not exceed funds available.~~
- ~~h-h)~~ h-h) ~~Office~~ Providing direction to the Investment Manager to meet the Spending cash requirements including crystallization of unrealized gains when appropriate.

~~5-3~~5.3. **Office of the Registrar** is responsible for:

- ~~a-a)~~ a-a) Understanding and complying with the terms and conditions specified in the Endowed Fund Agreement, or other instrument establishing an Endowed Fund, and all applicable University policies and procedures.
- ~~b-b)~~ b-b) Reporting any circumstances that have resulted in the inability to meet the terms and conditions of the Endowed Fund Agreement to ~~the~~ Advancement.
- ~~c-c)~~ c-c) Communicating the availability of student awards and other relevant information to the student body.
- ~~d-d)~~ d-d) Disbursing the award to the selected recipient in accordance with the terms of the Endowed Fund Gift Agreement.
- ~~e-e)~~ e-e) Providing a listing of student award recipients, each year, to University Advancement.

6. Endowed Funds and Allocation of Investment Returns

6.1. Each ~~Endowment~~Endowed Fund account will track

- a) Capital: original and subsequent contributions, disbursements and a proportional plus capital preservation

b) Spending: allocation and amounts spent, and

6.1c) Stabilization Fund: share of total net investment return-~~after allocations for capital preservation and spending.~~

6.2 ~~The annual investment net~~ return available for disbursement is calculated on a total return basis and is comprised of realized gains and losses, including interest, dividends, adjusted cost base changes, and the pooled fund distribution of realized and unrealized capital gains/losses.

6.2. ~~The actual annual investment return for disbursement, as at March 31st (~~ net of investment manager fees, custodial fees, and other administrative fees).

6.3 ~~6.3.~~ The annual investment return as at March 31st is allocated to each Endowment/Endowed Fund Stabilization account in proportion to the total Endowment account/Fund balance. On an annual basis an allocation will be made from the Stabilization Fund for Spending and for Capital Preservation.

~~6.4.~~ In the case of funds endowed during a fiscal year, the total annual investment return allocation will be ~~allocated based on~~ prorated to the number of months in the fiscal year the funds were endowed.

~~7.~~ Spending

~~7.~~

~~7.1.1.~~ The Spending level will be recommended to the Board of Governors for Approval by the Strategy and Planning Committee on the recommendation of the CFO, Vice-President, Administration. The spending level will be reviewed annually on the basis of the long-term investment earnings return experience of the Endowment.

~~7.2.2.~~ Spending level for each Endowed Fund is Spending levels are calculated using a percentage of a four-year rolling average of the inflation adjusted capital value of the Endowment. The spending level enables investment income return to be used to support the Endowment commitments over the long term.

~~7.3~~ The spending rate must be consistent with the federal government's prescribed minimum annual payment percentage to retain the charitable tax status.

8. Disbursement

~~8.1.~~ A Disbursement Committee will be convened with membership from Finance, Advancement, and the Office of the Registrar. The Disbursement Committee provides recommendations on the annual individual disbursements to the Vice-President, Administration.

The Disbursement Committee's recommendations will consider the spending level; prior year approved funding that was not distributed; requirements of each Endowed Fund as per their Gift Agreement; and the status of the Stabilization Fund. The Committee will consider and recommend, when appropriate, permanent increases to individual Endowed Funds for award amount and/or number of awards. Any changes to amount or number of awards will be made in consultation with the applicable Gift Agreement.

Should the Stabilization Fund be insufficient to meet the spending level plus capital protection, the Committee will make recommendations for alternatives requiring Board and/or Management approvals.

~~8.2.~~ All Endowed Fund cash outflows required for disbursement purposes are to be met, first, from the Stabilization Fund first, from the realized annual net investment returns. If realized investment income is insufficient to fund the required awards, Management has the authority to crystallize unrealized capital gains to fulfil this mandate.

~~8.2~~ The fund's cash required to meet approved disbursement spending will be transferred from the Stabilization account to the Advancement Cash account, leaving the principle investment intact.

~~8.3.~~ If funds are insufficient the award is not made, and account information is passed on to Endowment investment to the Advancement cash account.

b. Conversely, as the spending allocation permits, the Advancement office may recommend increasing the value of awards to time to maintain their real value.

~~8.3 At any time, the board has the option to top-up the Stabilization Fund provided the 5% cap, as set out in the Endowment Management Policy, is not exceeded.~~

Monitoring and review

MONITORING AND REVIEW

9. These Procedures will be reviewed as necessary and at least every three years. ~~The Chief Financial Officer~~ The Vice-President Administration, or successor thereof, is responsible to monitor and review these Procedures.

Relevant legislation

RELEVANT LEGISLATION

10. This section intentionally left blank

Related policies, procedures & documents

RELATED POLICIES, PROCEDURES & DOCUMENTS

11. Endowment Management Policy

~~11.~~ Statement of Investment Policy

Asset Class Management Procedures

Naming of Physical University Assets Policy

Gift Acceptance Policy

Gift ~~Acceptance~~Registry Procedures

Signing Authority Policy

Expenditure Signing Authority ~~Registry and Approval~~ Procedures

Planned Giving Program Guidelines

<u>Classification</u>	<u>LCG xxxxx</u>
<u>Parent Policy</u>	<u>Endowment Management Policy</u>
<u>Framework Category</u>	<u>Legal, Compliance and Governance</u>
<u>Approving Authority</u>	<u>Audit & Finance Committee</u>
<u>Policy Owner</u>	<u>Vice President, Administration</u>
<u>Approval Date</u>	<u>xxx</u>
<u>Review Date</u>	<u>xxx</u>
<u>Supersedes</u>	<u>Endowment Policy, June 2013</u>