

## ENDOWED FUNDS MANAGEMENT PROCEDURE

This procedure is governed by its parent policy. Questions regarding this procedure are to be directed to the identified Procedure Administrator.

<b>Functional Category:</b>	Operations
<b>Parent Policy:</b>	Donation Policy
<b>Approval Date:</b>	August 9, 2022
<b>Effective Date:</b>	August 9, 2022
<b>Procedure Owner:</b>	Vice President, External Relations and Partnerships
<b>Procedure Administrator:</b>	Director, Fund Development and Alumni Relations

### Overview:

Endowment funds represent contributions which are maintained and invested in perpetuity, with a portion of the investment income earned used to support the specific purpose(s) agreed upon by the donor establishing the fund. This procedure identifies how endowed donations to NorQuest College (college) are received and used, the allocation of investment income, responsibilities for endowment agreement oversight, annual reporting, and ensures that funds are invested in accordance with the college [Investment Policy](#).

Authority to establish this procedure is derived from the [NorQuest College Board of Governors Policy No. 5](#), which delegates authority to the President and CEO to establish policies and procedures for the college's management and operation and NorQuest College Board of Governors Policy No. 7, which delegates responsibility for the college's financial planning and reporting activities to the President and CEO.

### Procedures:

#### Establishment of Endowment Funds

- The minimum amount required to establish an endowment fund is \$20,000 CAD, unless otherwise approved by the Vice President, External Relations and Partnerships. For any legacy endowments, funds may exist at lower principal thresholds.
- An Endowment Agreement must be issued between the donor establishing the fund, the college, and the NorQuest College Foundation, signed by the donor and the appropriate college and Foundation representatives.
- The Endowment Agreement will outline the specific purpose(s) for which the donor intends the endowment fund to be designated.
- If the endowment fund is created in order to support a Scholarship, Bursary, or Award, a separate Scholarships and Bursaries Agreement or Terms of Reference Agreement will be created outlining the criteria for distribution.
- All cash or property gifted to an endowment fund becomes the property of the college and the NorQuest College Foundation.

#### Donations to Endowment Funds

- The college and the NorQuest College Foundation are authorized to receive additional donations from the donor and/or third parties to supplement an endowment. The college has the right to disclose the terms and conditions of an Endowment Agreement with third parties who may wish to make supplemental donations to a fund.
- All additional donations made toward an existing endowment fund will be allocated to either the principal or the expendable of the endowment based upon the agreement between the college and the donor.

### **Agreement Oversight**

- All management practices will comply with legislation and written contractual agreements.
- The college, will ensure appropriate documents are held in accordance with NorQuest College's retention and disposition schedule for all written Endowment Agreements and any related Scholarships and Bursaries Agreements or Terms of Reference.
- Upon initial contribution of establishing a new endowment, or future donations made towards the endowment fund, Advancement will furnish charitable receipts to the donor(s).

### **Annual Reporting**

- Advancement will provide annual endowment reports to donor(s).
- Finance maintains a monthly Continuity Report which will detail both the principal and expendable amounts contained within the endowment funds.

### **Allocation of Investment Income**

- Investment income is calculated monthly, and will be allocated annually as follows:
  - All investment income, up to the target value will be directed to support the purpose of the fund as stated in the Endowment Agreement.
  - Investment income above the target value (net of management fees) will be recorded as endowment capitalized investment income.
  - The endowment capitalized investment income fund will be maintained at an amount which would provide one year's reserve sufficient to support all potential disbursements for the specified purpose(s) of the endowment fund, up to the target value.
  - Accrued capitalized investment income over the one-year reserve amount may be used at the discretion of the college, for an area of greatest need as determined by the college, as recommended by Advancement.

Endowment agreements in existence prior to the effective date of this procedure will, where possible, be modified to reflect the investment earning allocation standard specified above. Where a donor is unwilling to modify the terms and conditions outlined within this procedure, the terms and conditions in the existing agreement will be honored. Where a donor is unavailable for consultation, the existing agreement will be modified to reflect the investment earning allocation standards outlined above. Advancement, External Relations and Partnerships will continue to have annual conversations with donors to discuss the utilization of excess funds.

### **Utilization of Investment Income and Expendable Funds**

- Investment income up to the target rate, which exists in the endowment fund at June 30 of each fiscal year will be used during the next fiscal year to support the purpose of the fund.
- Investment income balances will be monitored by Advancement, External Relations and Partnerships to ensure effective utilization.
- In situations where it has been challenging to fully utilize the available funds, the college will work with the donor, where

possible, to amend the criteria of disbursement (specifically for Scholarships, Bursaries, and Awards) to support increased utilization of available expendable funds.

- In cases where additional investment income is available within a fund, either due to expendable amounts not having been fully utilized, or where additional expendable funds have been provided by donors to support the purpose(s) of a fund, the college may provide additional awards in any year to students who meet the specified criteria to further support the purpose(s) of the fund. Where there is both investment income and expendable balances, the investment income will be utilized first.

#### **Losses on Investments**

- Under the *Post-Secondary Learning Act*, the College has authority to alter the terms and conditions of endowments to enable encroachment on the capital of the endowments to avoid fluctuations in the amounts distributed and generally to regulate the distribution of investment income earned by the endowments if, in the opinion of the Board of Governors, the encroachment benefits the college and does not impair the long-term value of the fund.
- The college will first utilize any capitalized investments to address investment under performance before encroachment would take place.

#### **Amendment, Reapplication or Dissolution of Endowment Agreements**

Endowment Agreements may be amended by the College and the NorQuest College Foundation in consultation and with mutual consent from the donor or their representatives.

- If changed circumstances should, at some future time, make it impossible, inadvisable, or impracticable to continue using the income from the fund for the designated purpose(s), and/or the donor should not be available for consultation about an amendment, then the college may alter the designated purpose of the fund to a consistent purpose, providing that the fund shall continue to bear the name of the "Fund" and the amended terms shall adhere as closely as possible to the donor's original intent for this fund.
- If, in the opinion of the college, there is no further need for a particular fund, and if the college is not successful in its efforts to contact the donor (or representative) to discuss an alternate use of the endowment, then the endowment may be wound up and all of the assets may be distributed at the college's discretion and subject to legislative regulations which may then apply. Said distribution will, where possible, be in a manner compatible with the original intent of the donation.
- In the case of legacy endowment funds with lower principal amounts, where the investment income earned on the principal does not result in sufficient funds to support the purpose of the endowment fund, the college may consult the donor regarding the dissolution of the fund. The principal amount would be reallocated to expendable income and utilized over a set period to support the purpose(s) for which the endowment was originally created.

#### **Definitions:**

**Capitalized Investment Income:** Investment income earned in a fiscal year that exceeds the annual amount required to fund the purpose of an endowment. Funds are capitalized and placed in a reserve for use

when investment income in a future year fails to fully fund the purpose(s) of an endowment.

**Donation:** A voluntary transfer of property without valuable consideration. In order for a gift to qualify for a charitable tax receipt the following three conditions must be satisfied:

- 1) some property, usually cash, is transferred by the donor to the college,
- 2) the transfer is voluntary, and
- 3) the transfer is made without expectation of return.

In alignment with Canada Revenue Agency (CRA) guidelines: it may be permissible for donors to receive recognition for their gift, including donor wall listing, signage and plaques, or naming opportunities for buildings, displays, education programs, etc.

Donations can be in many forms including: cash, gift in kind, planned gift, and endowment.

**Endowment Principal:** A restricted donation made to the college where the capital is invested, and the annual investment income (residual) is used for a specified educational purpose. All cash or property gifted to the college for the purposes of an endowment fund becomes the property of the college. The principal of the endowed fund is retained, administered, and managed by the college in accordance with its investment policy. Endowed funds generally are meant to exist in perpetuity; therefore, the specified educational purpose must be funded from the annual residual that is generated from the principal investment.

**Expendable Funds:** Donations made to the college which are available for use immediately. These may or may not be allocated to a specific purpose. When expendable funds are received into endowment funds they are allocated to and used for the purpose set by the endowment donor, and supplement the investment income earned by said fund.

**Investment Income:** Interest, dividend, and capital gain income earned from endowment principle balances held in college bank accounts or as portfolio investments specifically held for endowments.

**Target Value:** The target rate as outlined within the individual endowment agreements.

**Related NorQuest College Information:**

- [Donated Funds Management Procedure](#)
- [Donation Acceptance Procedure](#)
- [Donation Policy](#)
- [Donation Receipting Procedure](#)
- [Investment Policy](#)
- [Net Assets Policy](#)
- [Scholarships, Bursaries and Awards Policy](#)

**Related External Information:**

- *Post-Secondary Learning Act*

**Next Review Date:**

March 2026

**Revision History:**

June 2022: New