



ENDOWMENT MANAGEMENT PROCEDURE

PROCEDURE #:	200.02.02.01
SECTION:	Finance
RELATED POLICY:	200. Financial Management
ORIGINAL APPROVAL DATE:	September 27 2018
LATEST APPROVAL DATE:	September 27 2018
APPROVING AUTHORITY:	Original signed by President + CEO

Purpose

The Alberta College of Art and Design (ACAD) has created an Endowment Fund to ensure that it is able to maintain the quantity and quality of projects and programs that are possible through the generosity of donors and supporters. Thus, the Endowment Fund should generate sufficient investment earnings to serve those purposes.

ACAD actively seeks and welcomes donations in support of the activities of the institution. The Board of Governors has the responsibility to oversee the endowment as per the Investment Procedure (200.02.01.01). The purpose of this procedure is to describe the objectives by which the institution's endowment funds are established, maintained and administered.

This procedure is subject to and consistent with 900. Advancement Gift Acceptance Policy and Procedure.

Definitions

- Endowments:** Externally restricted donations, gifts and bequests received by the institution and the internal allocations of the institution's Board of Governors to support student scholarships and awards or other donor specified purposes (i.e., research, institution operations etc.), the principal of which is required to be maintained intact in perpetuity. Each endowment will have two (2) primary funds:
- Indexed (principal and reinvested)
 - Un-indexed (reinvested)



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Indexed (principal and reinvested) fund:	The total of all the capital contributions made to an endowment, including but not limited to charitable donations, government matching contributions, internal allocations and a share of all annual investment earnings.
Unindexed (reinvested) fund:	The total of a share of annual earnings, less the annual spending allocation disbursed to fulfill the endowed direction as per the Gift Agreement/Terms of Reference.
Annual Spending Allocation:	The amount allocated by the institution's finance department each year to fulfill the endowed direction as per the Gift Agreement/Terms of Reference. The annual spending allocation is based on the total value of the endowment (Indexed and Unindexed funds) and is determined by the Distribution Rate (see below).
Gift Agreement:	A formal document between a donor and the institution. The agreement sets out what the gift is, how it will be given, used and acknowledged and how it might be amended in the future.
Distribution Rate:	The annual distribution rate is established on a yearly basis effective July 1 of each fiscal year in accordance with the investment procedure. This rate is the spending rate for the institution's endowments that are used to support the long-term objectives of donors and supporters. The intent is to provide a distribution, which is a percentage of the market value of the endowment while preserving its purchasing power over the long term.

Procedures

1 Principles

- 1.1 Donations, in the form of endowments, must be subject to capital preservation and inflation protection. The investment horizon for endowments will be in perpetuity and, accordingly, it is anticipated that realized returns and earning streams would be sufficient to meet the purposes specified in the Gift Agreement/Terms of Reference.
- 1.2 As per the Donor Endowed Gift Agreement, donor endowed funds are subject to changes in the investment policy and changes to the distribution rate without prior donor approval. The Engagement Department will endeavor to contact donors about changes whenever possible.



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2 Endowment Distributions

- 2.1 Distributions from new endowments will only be possible if the endowment is established with a minimum principal amount of \$25,000 and sufficient returns have accumulated for the initial disbursement. All newly established endowed funds must earn interest for a full fiscal year prior to initial disbursement.
- 2.2 Annual spending allocations from endowments will be based on a targeted distribution rate set by the institution on an annual basis. The rate may vary based on market conditions and future earnings and will be set initially at 4% of the market value of each endowment. Market value will be based on the prior sixteen quarter rolling market value average or the period of the endowment on record, whichever is less.
- 2.3 The annual spending allocation will be directed to a deferred revenue account(s). All expenses associated with the spending allocation (and in keeping with the Gift Agreement/Terms of reference) will be tracked.
- 2.4 On or before August 15th of each fiscal year the Chief Financial Officer (CFO) and the Vice President, Advancement, will review all annual spending allocations to determine whether there is a sufficient expendable balance to warrant a allocation in support of the Gift Agreement/Terms of Reference in the current fiscal year.
- 2.5 In any particular year, should the available amount in the annual spending allocation not be sufficient to fund its intended purpose, no spending distribution will be made for that year. If no distributions are made the annual spending allocation will be retained with the unindexed fund to support future allocations. Over the long term, the value of the endowment fund for each endowment should change by the increase in market value and capitalized interest less amounts used to support the annual spending allocation as set by the institution's distribution rate.
- 2.6 In no case will the institution permit expenditure from an individual endowment that would result in the value of the principal and the accumulated earnings and gains to be less than the original donated endowment. The institution may, however, supplement the expenditure with other operating funds or external grants to fulfill the endowment's purpose and thereby avoid fluctuations in the amounts distributed. Supplemental expenditures to be authorized by the President and CEO or the Vice President, Administration.
- 2.7 The institution reserves the right to alter or eliminate a targeted distribution rate in a given year for any endowment, should extenuating circumstances warrant.



Reference/Related Documents

Post-secondary Learning Act (PSLA)

100. Board of Governors: Code of Conduct

200. Finance: Financial Management Policy

200. Finance: Investment Procedure

900. Advancement: Student Awards Procedure

900. Advancement: Gift Acceptance Policy

900. Advancement: Gift Acceptance Procedure