



POLICY

Title: Management of Endowments and Special Purpose Funds

Policy Statement:

The Board of Governors encourages the establishment of endowments and the acquisition of funds that advance the College's vision and mandate.

Approved: **(Original signed by Chair of the Board)**
(Daniel Vandermeulen, Chair of the Board)

(May 21, 2015)
(Date)

Sponsorship: Finance

To Be Reviewed: December 2019

Review and Revision Date(s): September 18, 2013, May 12, 2014, December 8, 2014

First Approval Date: March 11, 2004

Stakeholders Consulted:

Senior Management Team - January 27, 2010, February 10, 2010; Senior Leadership Team - December 8, 2014; Operations Policy Review Committee – September 11, 2013, April 8, 2015

Reference to other Documents:

Gift Acceptance Policy
Gift Acceptance Procedure
Investment of Funds Policy

Definitions:

Endowment is an investment fund set aside for the long-term support of a charitable organization. The fund principle is protected and a portion or all of the income is expended. Endowment funds are controlled either by donor restrictions or by the charitable organization's governing board.

A fund that is actively being contributed to but has not yet reached an agreed-upon minimum is considered an emerging endowment. Emerging endowments are frequently established through a blend of annual and one time gifts.

Special Purpose Funds (Restricted Funds) are funds that have a specific purpose and upon completion of that purpose, the fund is expected to be zero. Any unused balance is to be returned to the donor or, if agreeable to the donor, the money's can be used for some other college purpose. This is different from an Endowment where the principle is expected to be preserved.

Guidelines:

1. Endowments

The Board of Governors must approve all endowments.

Any amount may be contributed, to any previously established endowment. The minimum required to establish a new endowment is \$50,000. Upon recommendation from the President, and approval from the Board of Governors, new endowments may be established with a smaller principle. Some endowments may require a higher minimum.

The Board can review aged endowments, under \$50,000. In consultation with the donor and the original intention of the gift, the Board reserves the right to request a change to the terms or combine endowments.

Endowment Investment Management

All endowments shall be managed in accordance with the Investment Management Policy. The investment objective is to enhance the value of endowments, and in time, to provide a dependable source of income that will directly or indirectly support the work of Northern Lakes College.

Endowment funds will be combined and not segregated for investment purposes. All interest, dividends, other non-capital gain revenue and management fees expense will be applied to the Endowment funds with values over \$50,000 on a dollar value pro-rata basis to be utilized in accordance with the endowment agreement. Revenue may be applied to an endowment fund under \$50,000 if these terms are specified in an agreement with donor.

Realized gains or losses attributable to endowment portfolio investments will be recognized as an increase in endowment principle when received or receivable on the same pro-rata basis as described above.

Realized gains or losses will be allocated by dollar averages to the individual endowment funds.

Unrealized gains or losses will be recorded as a liability attributable to endowments but will not be allocated to individual endowment funds until realized.

There shall be no encroachment on this principle except as may be necessary to satisfy the disbursement quota from a capital account, or as required by law.

2. Endowment Spending Policy

Funds available for distribution will be tracked by Endowment Fund.

The College will strive to use endowment revenue balances to its fullest each year. For example, no bursaries or awards will be withheld, if funds are available and there are students who qualify.

3. Special Purpose Funds

Special purpose funds can be established by the President, as delegated by the Board of Governors, for any amount or purpose consistent with college business.

Contributions can be made to a fund after being established. Only special purpose funds with a balance greater than \$50,000 will have interest revenue accumulate to the fund. The interest revenue will commence with the start of a fiscal quarter (July, October, January or April) when the balance exceeds \$50,000. The interest rate applied to a special purpose fund will be equal to the rate received by the College on an interest bearing checking account.

Interest may be applied to a fund under \$50,000 if these terms are specified in an agreement with participating contributors.

Special purpose funds will be accounted for as a liability. Any interest earned from a particular special purpose fund will be added to special purpose fund. This interest will be deferred (moved to balance sheet) from the bank interest revenue first. If the bank interest revenue is insufficient, excess deferral will come from Operating Investment interest revenue and then Operating Investment Dividend revenue.