



## Management of Endowments and Special Purpose Funds Policy

This document is the parent policy for any College procedures or regulations. Questions regarding this policy are to be directed to the identified Policy Administrator.

**Policy Statement:**

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

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| <b>Sponsor:</b>              | Finance                              |
| <b>Policy Owner:</b>         | President & CEO                      |
| <b>Policy Administrator:</b> | Executive Director, Finance Services |
| <b>Approved By:</b>          | Board of Governors                   |
| <b>Approval Date:</b>        | March 17, 2021                       |
| <b>Effective Date:</b>       | March 17, 2021                       |

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| <b>Objective:</b>  | <p>The purpose of this policy is to:</p> <ol style="list-style-type: none"> <li>1. Preserve the real value of endowment assets over time, while maintaining an appropriate and stable level of support to the objectives of the endowment agreements.</li> <li>2. Create overarching principles of management special purpose funds.</li> </ol>  |
| <b>Guidelines:</b> | <p><b>1. Endowments</b><br/>The Board of Governors must approve all endowments.</p> <p>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.</p> <p>The Board of Governors can review aged endowments, under \$50,000. In consultation with the donor and the original intention of the gift, the Board of Governors reserves the right to request a change to the terms or combine endowments.</p> <p><b>Endowment Investment Management</b><br/>All endowments shall be managed in accordance with the Investment Management Policy. Endowment funds will be combined and not segregated for investment purposes.</p> <p>The College will manage endowments to preserve and grow the real value of endowment assets over time, while maintaining an appropriate and stable level of support to the objectives of the endowment agreement.</p> <p>Growth of endowment assets and revenue are going to be managed as follows:</p> |

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|                            | <p>All interest, dividends, other non-capital gain revenue and net of management fees expense will be applied to endowments on a dollar value pro-rata basis to be utilized in accordance with the endowment agreement.</p> <ul style="list-style-type: none"> <li>- Realized gains or losses attributable to endowment portfolio investments will be recognized as an increase in endowment principle when received on the same pro-rata basis as described above.<br/>Realized gains or losses will be allocated by dollar averages to the individual endowment funds.</li> <li>- Unrealized gains or losses will be recorded as a liability attributable to endowments but will not be allocated to individual endowment funds until realized.</li> </ul> <p><b>2. Endowment Spending Policy</b><br/>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.</p> <p><b>3. Special Purpose Funds</b><br/>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.</p> <p>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 annual average interest rate on a chequing account.</p> <p>Interest may be applied to a fund under \$50,000 if these terms are specified in an agreement with participating contributors.</p> <p>Special purpose funds will be accounted for as a liability. Any interest earned from a particular special purpose fund will be added to the special purpose fund. This interest will be allocated from investment revenue.</p> |
| <p><b>Definitions:</b></p> | <p><b>Endowment</b> is an investment fund which is invested in perpetuity, with a portion of the investment earnings used to support specific college initiatives as set out in the purpose of the endowment.</p> <p><b>Special Purpose Funds (Restricted Funds)</b> 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.</p>   |

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| <p><b>Related Northern Lakes College Documents:</b></p> | <p>Finance – Donation and Gift Acceptance Policy<br/>Finance – Investment of Funds Policy<br/>Finance – Donation and Gift Acceptance Procedure</p> |
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| <b>Related External Information:</b> | N/A   |
| <b>Stakeholders Consulted:</b>       | Operations Policy Review Committee: Sep 11, 2013; Apr 8, 2015 (defunct)<br>President's Advisory Team: Mar 10, 2021<br>Senior Leadership Team: Dec 8, 2014<br>Senior Management Team: Jan 27, 2010; Feb 10, 2010 (defunct) |
| <b>Next Review Date:</b>             | March 17, 2026  |
| <b>Revision History:</b>             | March 11, 2004: New<br>September 18, 2013<br>May 12, 2014<br>December 8, 2014<br>May 21, 2015<br>February 24, 2020: New template<br>March 17, 2021: Reaffirmation; minor changes to reflect current practices             |