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## Endowment Management Policy

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<b>Policy Sponsor:</b>	Vice-President, Finance and Administration
<b>Policy Contact:</b>	Director, Financial Services
<b>Policy Number:</b>	N/A
<b>Procedure Contact:</b>	Director, Financial Services
<b>Effective Date:</b>	March 24, 2014
<b>Approval Group:</b>	Board of Governors
<b>Approval Date:</b>	March 24, 2014, Motion # 187-07
<b>Review Date:</b>	This policy will be reviewed annually.

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### Purpose

This policy states the guidelines for managing endowments held by Athabasca University, and for establishing endowment spending allocation amounts. All new endowments will be managed according to this policy. No retroactive application will be made to existing University endowment funds.

### Definitions

<b>Donation:</b>	A voluntary transfer of assets of value for which the donor receives no personal benefit either directly or indirectly.
<b>Endowment:</b>	A restricted donation made to the University where the endowment principal value is invested, and the annual investment income supports, in whole or in part, a specified purpose. It is a legal arrangement known as a “charitable purposes trust”. Funds are usually held in perpetuity unless the Statement of Trust designates a specific period of time or occurrence of a specific event or circumstance.
<b>Endowment Administrative Recovery fee:</b>	An administration fee assessed to help offset the University’s costs of managing investments, levied on the year-end book value of each endowment fund.



<b>Endowment Manager:</b>	The operational unit or individual charged with implementing the charitable purpose of the endowment and ensuring compliance with the terms of the Statement of Trust.
<b>Endowment Principal:</b>	The original amount of all donations to an endowment.
<b>Endowment Spending Allocation:</b>	An amount of investment income of an endowment fund that can be spent for the designated purpose as stated in the Statement of Trust.
<b>Extinguishment Clause:</b>	Outlines the circumstance under which an endowment can be dissolved and the process to be followed in dissolution of an endowment.
<b>Inflation Adjustment Amount:</b>	An addition to the endowment principal of an endowment fund calculated as the latest calendar year percentage change in the Consumer Price Index (CPI) for Alberta times the weighted average quarterly endowment balances in the previous fiscal year.
<b>Investment income:</b>	The money earned or received from the endowment portfolio in a specified period of time. These earnings are calculated net of:  a) direct costs incurred in managing the underlying investments, b) the annual endowment administrative recovery fee, c) the inflation adjustment amount , and d) necessary accumulated amounts to fund obligations.
<b>Real return:</b>	The total annual return on investments less the inflation adjustment amount.
<b>Rate of inflation:</b>	For the purposes of this policy, the annual (December) increase in the Consumer Price Index for Alberta expressed as a percentage.
<b>Real value:</b>	The endowment principal plus the annual inflation adjustment.
<b>Statement of Trust:</b>	A legal document that sets out the terms and conditions of the endowment, identifies trust objects (e.g., special purpose, scholarship, bursary, or research), and establishes the University as trustee.

## **Policy**

- 1) Endowments are initiated under the University's [Donation Acceptance policy](#) to fund a specified purpose, such as a scholarship, award, bursary, academic chair, research program, fellowship, library materials, building, or equipment.
- 2) Endowments must be administered according to the Statement of Trust document.



- 3) At the time the Endowment Fund is established it must be determined that it will be self-sustaining, such that the endowment principal value will not be reduced in order to meet the endowment spending allocations.
- 4) On establishment the acceptable minimum endowment principal amount of an endowment is \$ 25,000 CDN.
- 5) Endowment funds are to be invested in accordance with the University's [Investment Policy](#), unless otherwise bound by contract or donor specifications. Endowment funds may be pooled with other funds to maximize investment income.
- 6) The Vice President, Advancement designates an operational unit of the University as the "endowment manager" of an endowment fund.
- 7) The investment income from endowment funds should be maximized, within the boundaries of the University's [Investment Policy](#).
- 8) The endowment principal of an endowment fund must be maintained.
- 9) The real value of an endowment fund must also be maintained.
- 10) Any direct costs associated with investing (administering) an endowment will be deducted from the investment income of the fund.
- 11) In addition to any direct costs, an endowment administrative recovery will be deducted from the investment income of the fund. The endowment administrative recovery fee will not reduce the endowment principal value of the Endowment.
- 12) Investment income may be accumulated to ensure adequate funding prior to initiating a spending allocation for the intended purpose of an endowment.
- 13) The spending allocation from each endowment must be appropriate and sufficient to support the intended use.
- 14) The endowment spending allocation must not exceed the available investment income and it will not exceed the average real return over the immediately preceding three years.
- 15) The annual endowment spending allocation will be calculated based on a three-year rolling average of investment income from the endowment fund and this serves as the budgeted spending guideline for the endowment manager.
- 16) An extinguishment clause will be included in all Statement of Trust documents to provide for the wind-up of an endowment fund in cases where the original objectives of the endowment can no longer be met.



- 17) The Terms and Conditions of the Statement of Trust are to be written such that the University is permitted to pool the resources with other restricted funds, close out the fund entirely, or renegotiate the terms with the donor, in accordance with the [Athabasca University Donation Acceptance Policy](#).

### **Applicable Legislation and Regulations**

[Alberta Post-Secondary Learning Act](#)  
[Freedom of Information and Protection of Privacy Act](#)

### **Related References, Policies, Procedures and Forms**

[Endowment Management Procedures](#)  
[Athabasca University Donation Acceptance Policy](#)  
[Athabasca University Library Collections Development Policy](#)  
[Athabasca University Art Collection Policy](#)  
[Investment Policy](#)

### **History**

The Governors of Athabasca University, March 24, 2014, Motion # 187-07 (Revised)  
July, 2006 (Reformatted)  
Athabasca University Governing Council, March 26, 2004, Motion # 145-6 (Approved)