

## ENDOWMENT MANAGEMENT POLICY

### PURPOSE

This Policy establishes the rules and principles of endowment management as follows:

- To set expectations for the preservation of capital and its purchasing power.
- To establish guidelines for direct cost recoveries associated with the administration of the funds.
- To outline criteria for the endowment funds income and spending eligibility.
- To establish spending guidelines.
- To ensure that there is appropriate segregated fund record keeping and that information is shared with Donors.

### SCOPE

This policy applies to all endowments made to Brock University.

### POLICY STATEMENT

#### Background

The University's programs and activities are funded from public sources (i.e. government and government sponsored agencies), students' tuition fees, ancillary user fees, and the generosity of individuals, corporations, foundations, and other donor organizations most often in the form of an endowment. These gifts are essential to the University and its students.

Endowments are designated to support their identified programs and activities in perpetuity

To ensure endowments are effectively managed the University has adopted the following Endowment Management Policy.

#### Investments

1. The funds for each endowment will be pooled for investment purposes; however, each individual endowment fund will be accounted for separately. Pooled endowment funds will be invested in accordance with the University's Investment Policy.

#### Spending & Reimbursement Guidelines

2. Spending decisions impacting the funds will endeavor to

ensure that the original donated capital (capital value) maintains its purchasing power. Therefore, if the market value of each individual endowment fund does not equal or exceed the capital value plus inflation that has occurred since the establishment of the fund, the decision to spend from that fund should be withheld unless otherwise agreed to by the Donor.

3. The costs directly related to the administration of the endowment funds may be recovered each year by the University. The costs of fundraising for new and existing Donors are not eligible for recovery. The direct costs of the endowment fund administration will be restricted to:
  - a. External fees for items such as Investment Management/Custody/Consulting/Audit, etc.
  - b. Financial services administration,
  - c. Advancement administration,
  - d. Communication with Donors

#### **Accounting**

4. The accounting, reporting, and internal controls of endowment funds will be performed by Financial Services.
5. On the first day of the first month following receipt of cash, the endowment fund will become eligible for:
  - a. investment income,
  - b. gains and losses (both realized and unrealized) and
  - c. Brock University direct cost recoveries outlined in section 3 above.
6. All investment income, gains and losses (both realized and unrealized) and direct cost recoveries will be proportionally allocated to each eligible endowment fund account. This allocation will occur monthly and will be proportioned to eligible funds using the beginning market value ratio of individual eligible funds over all eligible funds.

#### **Spending Rate**

7. Each year the Financial Planning and Investment Committee will approve a spending rate for the following fiscal year, in time to meet recruitment offers. The

spending decision will take into consideration all objectives of the endowment policy, along with investment fund performance, economic conditions, and other relevant factors.

### **Spending Eligibility**

8. Individual endowment funds eligible for spending in the upcoming fiscal year will be those that:
  - a. were in existence at the beginning of the current fiscal year, and
  - b. have a market value at the beginning of the current fiscal year that is greater than the current fiscal year beginning capital value plus inflation that has occurred since the establishment of the fund.

Alternative arrangements may be made with the Donor to fund spending if the above two criteria are not satisfied.

9. A fund eligible for spending, as described in 8 above, will have a spending dollar amount for the upcoming fiscal year calculated by taking the lesser of the following two calculations:
  - a. Multiplying the current fiscal year's beginning book value by the approved spending rate.
  - b. The excess of the fund's market value at the beginning of the current fiscal year less the current fiscal year beginning capital value including inflation that has occurred since the establishment of the fund.

### **Reporting**

10. Brock University will inform Donors annually of the investment performance of the fund, as well as the financial status of their individual endowment fund.

### **Internally Restricted Endowment Reserve**

11. An internally restricted endowment reserve account has been established. The approved spending allocation from this reserve may only be dispersed at the discretion of the Financial Planning and Investment Committee. If no spending requirement exists, the approved spending allocation will remain invested in the reserve account for

future use.

12. This internally restricted endowment reserve account may be segregated from the pooled fund of the endowment and invested separately at the discretion of the Financial Planning and Investment Committee.

## DEFINITIONS

In this policy,

**“Beginning of Fiscal Year”** means May 1<sup>st</sup>.

**“Book Value”** means the accounting balance of endowment fund excluding unrealized gains and losses since inception.

**“Capital value”** means the original donated capital and any subsequent donated capital.

**“Fiscal Year end”** means April 30<sup>th</sup>.

**“Inflation”** means Canada CPI as published by Statistics Canada.

**“Market Value”** means the accounting balance of endowment fund including unrealized gains and losses since inception.

## COMPLIANCE AND REPORTING

The Vice President, Administration is responsible for maintaining compliance with the Policy.

Policy Owner:	Vice-President, Administration
Policy Lead:	Associate Vice-President, Financial Services Associate Vice-President, Advancement & External Relations
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