

ENDOWMENT MANAGEMENT POLICY AND PROCEDURES

Approving Authority: Board of Governors

Policy Lead: Vice President and Chief Financial Officer

Administrative Contact: Finance

Effective Date: 12/09/2024

Revision Date: 12/09/2024

POLICY STATEMENT:

This Policy outlines the objectives and principles by which Conestoga's endowment funds are established, maintained and administered.

SCOPE:

This Policy applies to Conestoga's endowment funds and related gift agreements, unless specifically exempted by the Chief Financial Officer, in consultation with the Director, Donor Relations and Stewardship. It does not apply to Gifts as contemplated in Conestoga's Gift Acceptance Policy.

DEFINITIONS:

Capital Part

The Capital Part of an endowment fund represents the total of all capital contributions, including any allocations transferred in as a result of the periodic review (see Section 10 – Periodic Review), that have been made to that endowment fund.

Conestoga

'Conestoga' refers to The Conestoga College Institute of Technology and Advanced Learning. Conestoga is a registered charity under the Canada Revenue Agency (CRA), with registered charitable number 106966799 RR 0001.

Disbursement Part

The Disbursement Part of an endowment fund represents the amount that is available to be spent in support of the purpose of the endowment fund. It is comprised of the

amount allocated to disbursement in a current fiscal year pursuant to Section 9 (Annual Allocation), plus any accumulated unspent disbursement allocations from previous years.

Disbursement Rate

The Disbursement Rate is the target portion of the net investment return disbursed within the fiscal year to support the terms of each endowment.

Donor

A Donor is a person or entity making a gift to Conestoga.

Endowment Fund

An endowment fund is a fund established by a donor or group of donors and kept in perpetuity for the purpose of generating income to fund charitable objects such as scholarships and bursaries or other commitments from annual earnings. It includes the capital value of all donations as well as income earned on the investment of the funds.

Gift

A Gift is a voluntary transfer of money or other property, sometimes referred to as a philanthropic charitable donation, irrevocably given to Conestoga, without any expectation of benefit to the Donor or to a third party designated by the Donor.

Gift-in-Kind

Also known as a non-cash gift, a gift-in-kind can be a gift of real property or other tangible or intangible items such as artwork, equipment, securities, cultural or ecological property. It is noted that, per the CRA, a contribution of service – that is, of time, skills or efforts – is not property and, therefore, does not qualify as a gift or gift-in-kind for purposes of issuing official donation receipts.

Gift Agreement

A Gift Agreement is a non-binding document that sets out the management and administration procedures of a donor endowment fund.

Investment Income

The investment income is the dollar value of all investment income earned or received on the endowed assets in a specified period of time. These earnings are calculated net of Fund Management expenses.

Pooled Endowment Fund (the Endowment)

The Pooled Endowment Fund (the Endowment) is the collection of all endowment funds held by the College in perpetuity. It is an aggregate of all the endowment funds.

Stabilization Part

The Stabilization Part of an endowment fund represents the proportion of earnings set aside to mitigate interest rate fluctuations and provide a buffer from which the award can be paid if earnings in a given year are insufficient to do so.

POLICY:

1. Policy Objectives

- 1.1. The objectives of this Policy are to:
 - benefit all generations of endowment beneficiaries equally by maintaining the earning power of endowment capital over time;
 - ensure that Conestoga is responsive to changes in the financial markets where possible;
 - achieve stability and predictability in year-to-year disburseable funds;
 - protect Conestoga's competitiveness relative to other comparable colleges; and
 - provide for the periodic review of endowment funds to ensure that the use of such endowment funds provide the maximum benefit for the advancement of Conestoga's academic activities while respecting the intent of the donor.

2. Legislative Requirements

- 2.1. Subsection I of the *Government of Ontario Binding Policy Directive on Banking, Investments and Borrowing* states that:

Every college may invest externally restricted and endowment funds not immediately required, in investments consistent with the requirements for all organizations handling funds or property in trust under the Trustee Act, as amended from time to time.

PROCEDURES:

1. Establishing an Endowment Fund

- 1.1. To establish an endowment fund, a gift agreement must be signed between a donor and Conestoga. In alignment with Conestoga's Gift Acceptance Policy, the value thresholds at which gift agreements may be approved and executed are as follows:
 - Gifts up to \$25,000 can be approved by the Director, Donor Relations & Stewardship;
 - Gifts over \$25,000 but under \$1 million dollars must be approved by the Vice President & Chief Financial Officer;

- Gifts of \$1 million dollars and over must be approved by the President and the Vice President & Chief Financial Officer.
- 1.2. The College may accept or decline any donation at its sole discretion. The circumstances under and principles upon which the Board and its delegates may elect to decline a donation are outlined in Conestoga's Gift Acceptance Policy.

2. The Endowment

- 2.1. The Endowment is the aggregate of all named endowment funds established and pending and is to be held in perpetuity as per each gift agreement. All endowment funds are restricted and are not available for general use by Conestoga. Conestoga agrees to endeavor to maintain the principal amount and will use only the investment income earned (after Fund Management expenses) for the specific purposes agreed to in the gift agreements.
- 2.2. The capital of each endowment fund will be held in perpetuity by Conestoga in accordance with the *Income Tax Act* and CRA guidelines, and any other applicable legislation having regulatory authority.

3. Endowment Minimum

- 3.1. The minimum required amount to establish an endowment fund must be attained within three years of the initial contribution. Should the minimum amount required to establish an endowment fund increase within this period of time, only new endowments established after the change will be subject to the new endowment minimum.
- 3.2. An endowment fund will be classified as "Pending" until such time as the minimum required balance is reached. All investment income earned while the endowment fund is considered Pending will be allocated to the Capital Part until the minimum endowment balance is achieved.
- 3.3. Should the minimum required contribution not be reached within three years, Conestoga may choose to 1) allow the endowment fund to continue with all investment income and subsequent donor contributions being allocated to the Capital Part until the minimum endowment balance is achieved or 2) pool the endowment fund with Conestoga's general Endowment fund.

4. Additional Contributions

- 4.1. Conestoga may accept further contributions to individual endowment funds from any source, including by gift or bequest, or may add to the capital of an individual endowment fund, provided that any such further contribution or addition is made in accordance with the original endowment fund agreement.

5. Changes in Terms

- 5.1. If, through the passage of time, the needs of Conestoga or the community could be better served by altering or changing the use of any named endowment fund, Conestoga may revise the use of the endowment fund after consultation with the donor, heir, or designated successor. If no such contact is possible, Conestoga will make the change, adhering as closely as possible to the donor's original intent.

6. Dissolution and Merger of an Endowment Fund

- 6.1. There are circumstances where it may be prudent to dissolve a named endowment fund. In these instances, the endowment fund balance will remain within the total Endowment but will cease to exist separately under the prior endowment fund agreement. This situation may occur when a program supported by the endowment fund is cancelled.
- 6.2. In circumstances where it may be prudent to dissolve a named endowment fund, Conestoga will consult with the donor, heir or designated successor. If no such contact is possible, Conestoga will make the change, adhering as closely as possible to the donor's original intent.
- 6.3. The final decision to dissolve and merge an endowment fund will require the approval of the Chief Financial Officer and the Director, Donor Relations and Stewardship or designate.

7. Investment of the Endowment

- 7.1. The total Endowment comprises all of the individual endowment funds established and pending at Conestoga. Responsibility for investment of the Endowment rests with the Board of Governors, which has delegated responsibility for investment of the Endowment to the Finance and Audit Committee.
- 7.2. Investment of the Endowment is governed by Conestoga's Investment of Operating and Endowment Funds Policy and Procedures.

8. Target Rates for the Endowment

- 8.1. Disbursement
 - 8.1.1. The target Disbursement Rate is established by the College to provide a guideline on the amount of the award that could be disbursed while still allowing maintenance of the value of the Endowment over time and protecting against the impact of inflation and negative market performance.
 - 8.1.2. Minimum distributions for the Endowment funds must comply with CRA regulations.

- 8.1.3. The College has established an annual Disbursement Rate of 4 per cent.
- 8.1.4. In years where the approved disbursement quota of 4 per cent of the smoothed market value of the Endowment fund is not met due to reduced demand, Conestoga may add the disbursement shortfall to the accumulated Capital Part.
- 8.1.5. The smoothed market value will be calculated by taking an average of the market value of the assets over the previous two fiscal years, as of March 31 each year. Using this framework should allow Conestoga to distribute a consistent, and ideally rising, dollar amount from the endowment assets on an annual basis, regardless of the rate of return earned in the most recent year.

8.2. Stabilization

- 8.2.1. The target Stabilization Rate is a rate established by Conestoga to provide a guideline on the amount that should be set aside as a reserve for rate stabilization. This is to ensure that sufficient funds would exist in the Stabilization Part to cover the amount of the award even if earnings in a given year are insufficient to do so.

9. Annual Allocation of Income

9.1. Income

- 9.1.1. Each Endowment Fund within the total endowment will be made up of three parts, namely Capital Part, Disbursement Part, and Stabilization Part.

9.2. Expenses

- 9.2.1. The college does not draw any operating expenses from the Endowment. Expenses related to the management of Endowment assets are taken before income is disbursed, so the funds allocated to the balance are net of expenses.

9.3. Allocation

- 9.3.1. The investment income will be allocated first to the Disbursement Part in support of the terms and conditions of the endowment. The amount allocated is the lesser of the earnings for the year and the Disbursement Rate.
- 9.3.2. Any earnings in excess of the Disbursement Rate will next be allocated to the Stabilization Part. The amount allocated is the lesser of the earnings for the year after contribution to the Disbursement Part and the targeted rate for the stabilization fund as may be determined from time to time by the Chief Financial Officer, in consultation with the Director, Donor Relations and Stewardship.

9.3.3. Any earnings in excess of the Disbursement Rate and allocation to Stabilization Part will be added to the Capital Part.

9.4. Disbursement

9.4.1. The amount of the annual award is paid from the Disbursement. If the Disbursement has insufficient monies to pay the award, the balance may be taken from Stabilization. Should the Stabilization Fund be insufficient to support committed spending, the Finance & Audit Committee will make recommendations for alternatives requiring Board approval. Recommendations may include a delay or reduction in disbursement or encroachment on capital where permitted by the Endowment Fund Agreement.

10. Period Review

10.1. The Chief Financial Officer and Director, Donor Relations and Stewardship will undertake a periodic review of the balances in Stabilization to determine if there are sufficient funds in excess of the stabilization target amount to add to the capital and/or increase the amount of the award.

11. Preservation and Encroachment of Capital Account

11.1. The Capital Part of each endowment fund will be credited with each capital contribution at the time that the capital contribution is received.

11.2. Although uncommon, circumstances may arise where it is prudent (if permitted by the terms of the endowment fund) to vary the terms of an endowment fund or permit an encroachment of its capital. For the purposes of this Policy, encroachment on an endowment fund means a transfer from Capital to either Stabilization or Disbursement of the endowment fund, or to the Capital, Stabilization, or Disbursement part of another endowment fund. Due to the extraordinary nature of such a request, variation of and encroachments on the Capital Part of an endowment fund, where permitted by the terms of that endowment fund, may only occur upon the approval of the President.

11.3. The Stabilization Part serves to mitigate the impact of year-over-year fluctuations in earnings and provide a reserve to be used when the endowment does not earn sufficient investment income to cover the approved Disbursement amount.

11.4. The target size of the Stabilization Part will be 4% of the aggregate value of the endowment fund.

12. Adoption of the Endowment Management Policy

12.1. The Board of Governors of Conestoga has adopted this Policy and Procedures by way of resolution at its meeting on December 9, 2024.

RELEVANT LEGISLATION AND RELATED DOCUMENTS

- [Conestoga Gift Acceptance Policy](#)
- [Conestoga Investment of Operating and Endowment Funds Policy and Procedures](#)
- [Conestoga Naming Policy](#)
- [Conestoga Naming Procedure](#)
- [Conestoga Student Awards Policy](#)
- [Conestoga Student Awards Procedure](#)
- [MCU Minister's Policy Binding Directive on Banking, Investments and Borrowing](#)

REVISION LOG

12/09/2024	Board of Governors Approval
10/07/2024	Finance and Audit Committee Approval