

Policy Name:	Annual and Endowment Fund Management Policy		
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Volume:	7, Office of Advancement	Responsible Party:	Chief Financial Officer; Advancement Director
Chapter:	4, Annual and Endowment Fund Management Policy	Responsible Office:	Office of Advancement
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Policy Statement

NSCAD understands the responsibility of effectively managing the charitable contributions it receives. All those involved in the administration and management of the Annual and Endowment Funds are required to follow the stipulations and processes contained in this policy.

Reason for Policy

The appropriate management and investment of NSCAD’s funds are important to the ongoing provision of services within the University. The purpose of this policy is to provide guidelines for the segregation of annual and endowment funds and for the spending or “pay-out” policies and responsibilities for investment oversight of the University’s endowment funds.

Policy Applies to

- All units of the University

Who Should Read this Policy

- All members of the University involved in any aspect of Annual and/or Endowment Funds
- Regular staff members
- Directors, and division heads
- Unit human resource representatives

Contacts

Inquiries regarding the interpretation, practices and procedures to be followed in administering matters relating to this policy should be directed to the Chief Financial Officer finance@nscad.ca, 902-494-8119, or the Advancement Director: give@nscad.ca, 902-494-8175

Definitions

Account holder The Account Holder is defined as individual with budgetary signing authority for the Department, Division, or Area overseeing the funds received as outlined in the Gift Agreement.

Annual Fund Annual funds include funds received from external sources restricted for specific purposes and not to be considered as endowments, such as to pay one-time scholarship awards, to fund other special purpose or program expenditures, or through the Annual Fund’s Area of Greatest Need (to be determined by the President in consultation the Management Team and the Board of Governors).

Endowment Fund Endowment funds are funds received from external, non-operating fund sources, restricted to provide financial support for a specific purpose in perpetuity.

Policy

1. Principles

- 1.1. NSCAD University manages its investment funds to balance a conservative approach while seeking the best return on investment to protect the principal. Endowments are funds with provisions that prohibit encroachment of the donor’s capital contribution.
- 1.2. All endowment funds received shall be invested on a quarterly basis so as to maximize earnings from the investments and to fulfill commitments related thereto. Annual funds are expended based on donor direction and are not typically invested.
- 1.3. This policy supersedes any previous practices and agreements applied to the Annual and Endowment Funds.

2. Investment

Unless otherwise specified by the donor, only the investment income earned on the donor’s endowment capital contribution may be used to support the purpose designated by the donor. NSCAD University’s Finance Office consults with its investment advisor and the Financial and Physical Resources Committee of the Board of Governors on investment decisions.

3. Endowment Fund

3.1. Description of Endowment Fund

NSCAD University receives endowment funding from donors for a variety of purposes including student awards, bursaries, scholarships and program enrichment. The University is charged with investing endowment funds in order to maximize the benefit to both current and future beneficiaries. Responsible administrative and financial endowment management is important in maintaining existing endowments and in attracting future endowments. For purposes of managing the endowed funds, this policy refers to the collective funds received from external sources for endowments as the “Endowment Fund.”

3.2. Objectives

The major objectives of the endowment fund are to protect the donors' capital contributions and to provide a perpetual annual flow of return from investments, which revenue shall be spent in accordance with the directions of donors. A further objective is to avoid a reduction of spending in real terms over time due to the effects of inflation.

3.3. Spending or pay-out allocation

3.3.1. Net investment income is earned on the endowment fund capital accounts during the University's fiscal year. At the end of each fiscal year, net investment income is determined and is allocated to each individual donor's capital account by the Controller. The Financial and Physical Resources Committee of the Board of Governors determines the payout of the net investment income using a three-year rolling average calculation adjusted for Statistics Canada Consumer Price Index (CPI) so that the capital endowment balance is preserved and there are scholarship funds to distribute during periods of adverse market conditions.

3.3.2. If the portion of investment income allocated to a particular individual endowment account is not sufficient to grant as a scholarship in any given year, the Advancement Director may recommend that the unexpended amount be carried forward from year-to-year to build to an appropriate amount for an award to be made. The carrying forward of unexpended amounts will only apply to endowment funds that pre-date this policy and do not have the minimum capital amount of \$20,000 or a new minimum established by the University.

3.3.3. In order to properly prepare for student award payouts and any other disbursement requirements stipulated by donors of endowed funds, a payout allocation up to the amount specified in Article 3.3.1 shall be calculated in approximately July of each year by the Financial and Physical Resources Committee of the Board of Governors. The resulting amounts will be provided to the members of the Student Awards Tripartite Committee (See DUTIES AND RESPONSIBILITIES: 5) for planning for the upcoming Academic Year.)

3.4. Management of endowment accounts

3.4.1. In order to ensure sufficient capital to support a reasonable annual expenditure, the minimum contribution required to establish a named endowment is \$20,000. An annual spending or "pay-out" allocation will only be applied once the fund has reached the minimum capital amount of \$20,000, and has been invested for a full year. The total investment income earned will be returned to the donor's capital fund until the fund reaches \$20,000.

3.4.2. The Office of Advancement will be responsible for the general management of endowment accounts in terms of: tracking fund balances and establishment criteria outlined in Article 3.5.1 – 3.5.4 allocating the annual "pay-out" for individual funds based on Article 3.3.1; and requesting the recapitalizing unexpended amount noted in Article 3.3.2. All background documentation for named endowment funds, including correspondence with donors and lawyers, copies of bequests and so forth, will be kept and maintained in separate files in the Office of Advancement.

3.4.3. If the University is no longer able to operate as a University, or can no longer meet its obligations under the gift agreement, for whatever reason, the University will first attempt to return the original endowment funds, net of transaction and administration fees, to the donors, their heirs, agents or assigns. If the original donor(s), their heirs, agents or assigns cannot be contacted by the University, a public notice of claim shall be made and provide for a 90 days response. After 90 days, if no claim has been made, the endowment funds should be placed "in trust", under the administration of an

independent trustee for a further 5 years. Such trustee may invest the funds in a manner it sees fit to protect endowment capital and may deduct reasonable management expenses from the funds. At the end of 5 years if no claim has been made by either the original donor(s), their heirs, agents or assigns, the trustees may distribute the funds to a Nova Scotia public registered charity that has an academic or artistic mission.

3.5. Criteria to establish an Endowment Fund

3.5.1. The following criteria must be used in establishing an endowment fund:

- 3.5.1.1. A gift agreement, will or statement of gift signed by the donor and/or appropriate University representative shall be required prior to establishing a new endowment fund. This agreement must be organized through the Office of Advancement.
- 3.5.1.2. A minimum of \$20,000 is required to establish a new endowment fund. The minimum may be comprised of cash or a gift agreement/statement of gift outlining the payment schedule to reach the minimum required amount.
- 3.5.1.3. In the event that the required minimum principal is not realized according to the agreed upon payment schedule, University Relations will contact the donor to arrange a revised schedule. If, after six months from that time, the donor has not resumed payments or has not indicated an intention to revise the payment schedule, NSCAD University, with the approval of the Office of Advancement and in consultation with the donor where possible, is authorized to transfer realized installments to the University's General Endowment Fund.
- 3.5.1.4. No disbursements will be made from the endowment fund until the minimum has been received and adequate interest earned, in accordance to Article 3.4.1.
- 3.5.1.5. The standard gift agreement shall contain a "power to vary purpose" clause directing the University in the event that the original terms of the agreement cannot be fulfilled. The clause shall read:
 - 3.5.1.5.1. Academic priorities at the University may shift over time, and it may become impossible, inadvisable or impracticable to apply the annual income from the Fund for the purpose set out above. If the University is of the opinion that a revised purpose is appropriate, the University shall exercise its discretion, in consultation with the Donor(s) when at all possible, and use the annual income from the Fund to the best advantage of the University for other purposes consonant with the spirit and intent of the Donor's gift. The identity of any named funds will be retained and will always bear the name indicated by the Donor(s).
- 3.5.1.6. In the event that it is determined that a gift agreement has been requested which deviates from the standard, it will be reviewed by the Chief Financial Officer and the Advancement Director.

4. Annual Funds

4.1. Description of Annual Funds

Annual funds include monies received from external non-operating fund sources restricted for specific purposes and not to be considered as endowments, such as to pay one-time scholarship awards, to fund other special purpose or program expenditures, or through the Annual Fund's Area of Greatest Need (to be determined by the President in consultation the Board of Governors).

4.2. Management of Annual Funds

- 4.2.1. Annual donations for non-endowed awards and other specific purpose or program expenditures are typically disbursed in accordance with the donor's gift agreement or the fund restrictions within the same fiscal year so there is typically no need to invest these funds nor are there any external restrictions that require the funds to be invested.
- 4.2.2. In situations where non-endowed annual donations received accumulate over a number of fiscal periods (i.e., in situations where the purpose of the donation has not occurred, such as capital building projects), it is at the discretion of the Chief Financial Officer whether the amounts should be invested until the related disbursements are required. These funds appear on the University's balance sheet as deferred income until such time as they are expended.
- 4.2.3. If invested, these funds should be invested in term deposits, GICs or other highly liquid investments that are not subject to any major risk of loss in value and are available for use on short notice.
- 4.2.4. Individual gifts designated for scholarships and bursaries, but not directed towards a named annual fund, are deposited to the Other Annual Awards account and administered by the Student Awards Tripartite Committee. A minimum of \$25,000 is to be maintained in the Other Annual Awards account to assist with years when there is an inadequate pool of scholarship awards for distribution from other sources.

5. Duties and responsibilities

The following parties share responsibility for the management of annual and endowment funds:

5.1. University Relations is responsible for:

5.1.1. Communicating with donors to:

- 5.1.1.1. Ensure the donation is of an appropriate size to generate sufficient investment income to meet the endowment objectives (e.g., a scholarship to be awarded annually);
- 5.1.1.2. Ensure the donor understands and agrees to the terms and conditions of the Gift Agreement or other instrument establishing the endowment;
- 5.1.1.3. Make certain subsequent donors to an established annual or endowment fund agree to the existing terms and conditions;
- 5.1.1.4. Sharing the names of award recipients and/or the lack of a suitable candidate;
- 5.1.1.5. Providing fund stewardship reports as requested by donors.
- 5.1.1.6. All the activities re: account tracking, allocation management reporting to Tripartite, etc. as outlined above

5.1.2. Approaching the donor regarding revisions to the original terms of the donation agreement or other instrument if required;

5.1.3. Maintaining the donor database;

5.1.4. Preparing charitable tax receipts in accordance with Canada Revenue Agency policy and guidelines;

5.1.5. Providing a copy of the Gift Agreement, as required, to the Office of Finance and Administration, Office of Student Experience, and Account Holder;

5.1.6. Monitoring endowment allocation in accordance with the Gift Agreements or other instrument establishing the endowment. In case of a disagreement with the account holder in connection with the eligibility of an expenditure, the Advancement Director may consult with the Chief Financial Officer;

5.1.7. In consultation with the Office of Student Experience and appropriate faculty and staff, setting the specific terms of reference for an award/bursary/scholarship;

- 5.1.8. Allocating the total amount of endowment investment income that can be paid from the endowment fund (as approved by the Investment Committee) across the individual endowment accounts to determine the amount available for scholarship payout for each individual endowment;
 - 5.1.9. Reporting and generating proposals for consideration by Tripartite committee.
- 5.2. Finance and Administration is responsible for:
- 5.2.1. Setting up individual endowment and annual accounts in the Enterprise Resource Planning System (ERP) as required;
 - 5.2.2. Assisting donors with the transfer of share and publicly listed securities;
 - 5.2.3. Approving charitable tax receipts in accordance with Canada Revenue Agency policy and guidelines;
 - 5.2.4. Accounting for investments and investment income allocation as determined by the Office of Advancement in accordance with this policy;
 - 5.2.5. Communicating with the external investment manager and performance measurement consultant, and reporting on status of investments and related issues to the Board of Governors and its Investment Committee;
 - 5.2.6. Investing endowment donations with investment manager on a quarterly basis (June, September, December and March);
 - 5.2.7. Requesting reimbursement for endowed scholarships paid from investment manager twice per year (Fall semester and Winter semester);
 - 5.2.8. Notifying the Office of Advancement and the Office of Student Experience of the amount of the investment income allocation that can be paid from the endowment fund for endowed scholarships;
 - 5.2.9. Providing ERP system reports and user support.
- 5.3. The Office of Student Experience is responsible for:
- 5.3.1. Communicating the availability of student awards and other relevant information to the student body;
 - 5.3.2. Providing information on award availability and eligibility requirements, and qualified candidates to the Scholarship Committee;
 - 5.3.3. Disbursing the award to the selected recipient;
 - 5.3.4. Notifying the Office of Advancement and Office of Finance and Administration if unable to identify a qualified candidate for an award;
 - 5.3.5. Informing Office of Advancement of the name of the scholarship recipients in advance of the student being notified so that donors can be notified in advance of receiving thank you letters from recipients.
- 5.4. Account Holder is responsible for:
- 5.4.1. Understanding and complying with the terms and conditions specified in the Gift Agreement or other instrument establishing the annual and endowment fund and with University policies and procedures;
 - 5.4.2. Reporting to Office of Advancement any circumstances that have resulted in an inability to meet the terms and conditions of the Gift Agreement.
- 5.5. Student Awards Tripartite Committee's goal is to foster communication and collaboration among all parties linked with annual and endowment student awards. The overall objective of this group is to offer competitive and timely scholarships to NSCAD students while meeting terms of donor gift agreements.
- 5.5.1. The Student Awards Tripartite Committee shall meet at least twice per year to discuss the scholarship allocations. Meeting Dates of the Student Awards Tripartite Committee are: July for Winter and Fall

endowment awards and Winter annual awards (of the following year); and November for Fall annual awards (of the following year).

- 5.5.2. Once the Committee determines the allocations, Office of Advancement will provide a final list of awards to the Office of Student Experience and the Office of Finance and Administration.
- 5.5.3. Membership:
 - 5.5.3.1. Chief Financial Officer – Co-Chair
 - 5.5.3.2. Controller
 - 5.5.3.3. Advancement Director – Co-Chair
 - 5.5.3.4. Advancement Services Officer
 - 5.5.3.5. Registrar
 - 5.5.3.6. Staff Supporting Student Financial Aid and Mentoring
- 5.5.4. Terms of Reference
 - 5.5.4.1. The Investment Committee of the Board of Governors meets once annually to determine the amount that can be paid from the student awards endowment fund. This is based on a three-year rolling average adjusted for CPI. This formula ensures that the donor’s capital balance is preserved while also ensuring that there are funds for scholarships even during adverse market conditions. Finance and Administration will notify Advancement and Student Experience once this amount has been determined. (See ENDOWED FUND section 3)
 - 5.5.4.2. Unless otherwise specified by Office of Advancement (through their direct communications with donors and using information in the donors’ records), the student awards endowment amount is allocated on a proportionate basis across the entire student awards endowment portfolio to determine the amount that can be distributed per each respective endowment account.
 - 5.5.4.3. Office of Advancement and Office of Student Experience will distribute student awards over the Winter and Fall terms. The split will be determined based on donor wishes as outlined in gift agreements or communications with Office of Advancement and to create a balance of awards based on needs as determined by Student Experience.
 - 5.5.4.4. Unless donor documentation indicates “preference given to” or contains a “power to vary purpose” clause, the University must award based on specific donor wishes. Furthermore, a suitable student (based on predetermined donor specifications) may not be identified in any given year to receive the particular endowment donor’s proportionate share of the annual investment return allocation. In such a case, the University will re-invest the respective endowment donor’s proportionate share of the annual investment return allocation back into the respective capital endowment account until such a time as a student is identified as per the donor’s wishes. (See ENDOWED FUND section 3.3.2)
 - 5.5.4.5. In some cases, there are endowments held that were created before the endowment threshold of \$20,000 was established. Office of Advancement may recommend to temporarily re-invest a particular endowment donor’s proportionate share of the annual investment return allocation back into the respective capital endowment account until such a time the award builds to a reasonable size to be awarded in the donor’s name as determined by Office of Advancement. (See ENDOWED FUND section 3.4)
 - 5.5.4.6. Office of Advancement solicits annual scholarship donations to enhance the amount awarded via the endowments.
 - 5.5.4.7. Student Experience will post the awards in the ERP and Finance does the respective journal entries to allocate the proportionate share of the annual investment return to each of the

endowment general ledger accounts to offset the scholarship paid. Except in the circumstances where by Office of Advancement has requested that capital be enhanced or eroded, the proportionate share of the annual investment return will net against the award issued so that the net effect in any given endowment account will be nil and the endowment balance in the GL will remain at the original amount donated. If the portion of income distributed to a particular endowment account is not expended, the unspent amounts will be capitalized. (See ENDOWED FUNDS section 3.3.2)

5.5.4.8. If the proportionate share of the endowment investment return on any given endowment fund is less than \$300 in any given year, Office of Advancement will hold the respective investment allocation amount for a year or two so that the account can build up to a named award of at least \$300 or, in accordance to ENDOWED FUND article 3.4.1, return the total investment income earned to the donor's respective capital endowment account.

6. Monitoring and reporting

6.1. The Finance Office meets regularly with NSCAD's investment counsel and at least three times a year with the Financial and Physical Resources Committee of the Board of Governors.

6.2. The Tripartite Committee meets twice a year and confirms award amounts.

6.3. The policy will be reviewed periodically and may be revised to reflect changes in objectives, fund risk characteristics, and business and financial market conditions.

7. Compliance

7.1. Failure to comply with this policy may result in disciplinary action, up to and including termination, in accordance with the relevant collective agreement or employment guidelines. NSCAD also retains the right to pursue any action, including criminal prosecution and civil remedies, when misuse of its information or resources is suspected either during the course of employment or after the termination of employment.

7.2. This policy is intended to be complementary to other policies and collective agreements governing the conduct of faculty and staff. In situations where this policy may be in conflict with Collective Agreements, the Collective Agreements shall prevail.

Forms and Tools

N/A