

TRUST & ENDOWMENT MANAGEMENT POLICY

Category: Finance & Administration Number: 4.1

Responsibility: Vice-President, Finance & Approval: Financial Planning,
Administration Investments & Human

Resources Committee

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Next review: October 2014

Background

Brock University's core educational 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.

Donations are made for both current use and to provide support in perpetuity. Many endowments are designated for students in the form of scholarships and bursaries, or to support both regular and special academic activities and research.

To ensure these funds are effectively managed to enable their growth and perpetuity, the University has adopted the following policy.

Purpose

To establish objectives of fund management based on principles approved by the Board of Trustees.

PRIMARY OBJECTIVES

- 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 both the short-term and long-term trusts and endowments made to Brock University and any foundation or trust established by Brock University.

Policy

- 1. The funds for each endowment will be pooled for investment purposes; however, each individual fund will be accounted for separately.
- 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. Finance administration.
 - c. Advancement & Faculty support administration,
 - d. Communication with Donors
- 4. On the first day of the first month following both receipt of cash and the finalization of the terms of reference from the Donor, 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.
- 5. 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 annually at the fiscal year end and will be proportioned to eligible funds using the beginning book value ratio of individual eligible funds over all eligible funds.
- 6. Each year the Financial Planning, Investment, and Human Resources 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.
- 7. 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.

- 8. A fund eligible for spending, as described in 7, 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.
- 9. Brock University will inform Donors annually of the investment performance of the fund, as well as the financial status of their individual endowment fund.
- 10. 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, Investment and Human Resources Committee. If no spending requirement exists, the approved spending allocation will remain invested in the reserve account for future use.

DEFINITIONS

Capital value - Defined as original donated capital and any subsequent donated capital. Inflation - Canada CPI as published by Statistics Canada.

Book Value - Accounting balance of endowment fund excluding unrealized gains and losses since inception.

Market Value - Accounting balance of endowment fund including unrealized gains and losses since inception.

Fiscal Year end - April 30th Beginning of Fiscal Year - May 1st

Related policies

Donations Policy
Donor Relations Policy
Endowment Fund Investment Policy

Amendments (revision history)

Date revised	Responsible
October 4, 2012	Vice-President, Finance & Administration
April 18, 2013	Vice-President, Finance & Administration