



**ST. CLAIR COLLEGE**  

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**FOUNDATION**

<b>Policy Title:</b>	<b>ENDOWMENT MANAGEMENT POLICY</b>	<b>Area of Responsibility:</b>
<b>Effective Date:</b>	<b>2017 06 27</b>	<b>EXECUTIVE DIRECTOR, ST. CLAIR COLLEGE FOUNDATION</b>
<b>Supersedes:</b>	<b>N/A</b>	<b>Page: 1 of 12</b>

**A. Preamble**

- St. Clair College Foundation (“Foundation”) actively seeks and welcomes donations to provide financial support to The St. Clair College of Applied Arts and Technology (the “College”) and/or directly in the way of scholarships and bursaries to students attending the College to assist with the cost of education as well to recognize students for their academic merit, or College community involvement.
- This policy is subject to and consistent with the Foundation’s Investment Policy, as amended from time to time.

**B. Purpose**

- The Foundation, together with donors, create endowment funds from time to time, to preserve the endowed capital and provide annual distributions of all or part of the net income thereon by way of scholarships and bursaries to recognize academic achievement, College community involvement and to support students with the cost of education.

**C. Scope**

- This policy applies to the assets of the endowment fund only.

**D. Roles & Responsibilities**

- Roles and responsibilities pertaining to this Endowment Management Policy are consistent with the Investment Policy. The Chief Financial Officer is responsible for clarifying all aspects of this policy as required. A frequently asked questions (FAQ) document has been developed (see Appendix 3).

## Endowment Management Policy

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- The Executive Director, St. Clair College Foundation cannot independently make monetary decisions for the Foundation. Monetary decisions concerning the Foundation must be approved by the Foundation Board of Directors, with recommendation by the Chief Financial Officer and Senior Operating Group (SOG).
- The Foundation Board of Directors is responsible for endowments.

### E. Definitions

- Endowment: Funds received and invested on a permanent or long-term basis for the purpose of generating income to fund charitable objects such as scholarships and bursaries or other commitments from annual earnings
- Donor Restricted Endowment: Funds received and invested on a permanent or long-term basis for the purpose of generating income to fund charitable objects such as scholarships, bursaries and/or other commitments from annual net income, sometimes subject to restrictions imposed by the Donor.
- Board Restricted Endowment: Institutional funds or unrestricted donations earmarked for a specific purpose by the Foundation Board of Directors, rather than restricted by a donor, that are invested on a permanent or long-term basis for the purpose of generating net income to fund charitable objects such as scholarships, bursaries or other commitments from annual earnings.
- Endowment Donation Agreement: A written donation agreement with a donor, setting out the donated endowment principal and fund accounts.
- Contribution: Initial and any subsequent donation received from a donor to an endowment fund.
- Matching Contribution: Contribution received to match original contribution from donors- usually from a matching program, and are generally government sponsored. Current matching contributions held by St. Clair College Foundation are Ontario Student Opportunity Trust Fund Phase 1 (OSOTF1), Ontario Student Opportunity Trust Fund Phase 2 (OSOTF2) and the Ontario Trust for Student Support (OTSS). Under these programs, the government matched funds raised by the Foundation. The purpose of the programs is to assist academically qualified individuals who, for financial reasons, would not otherwise be able to attend college. These matching programs have been discontinued.
- Principal Amount: The total of all principal donor contributions made to an endowment.
- Fund Account: Account holds the total amount that is available to be spent in support of the purpose of the endowment fund. The account includes net investment allocations,

annual spending allocations and any unspent investment allocations carried forward and accumulated from previous years.

- **Annual Spending Allocation:** The annual spending amount allocated to the fund account is determined by the Foundation Board in compliance with the applicable endowment donation agreement, with recommendation of the Foundation Investment and Audit Committee, Foundation Executive Director, Chief Financial Officer and Senior Operating Group (SOG) of the College. Annual spending allocations are also subject to any conditions or restrictions imposed by the donor in the endowment donation agreement and the disbursement quota required by the Canada Revenue Agency each year.
- **Disbursement Quota:** The minimum amount a registered charity is required to spend each year on its own charitable activities, or on gifts to qualified donees. The disbursement quota calculation is based on the value of a charity's property not used for charitable activities or administration. If the average value of a registered charity's property not used directly in charitable activities or administration during the 24 months before the beginning of the fiscal period exceeds \$100,000, the charity's disbursement quota is 3.5% of the average value of that property. Each year on the annual Charity Return filed with the Canada Revenue Agency the disbursement quota is calculated for the filing year and the next fiscal year. For additional information on calculating the disbursement quota, visit the Canada Revenue Agency website.
- **Net Investment Income:** The total investment income (i.e. interest, dividends, capital gains and losses) from the endowment fund pool after deducting investment management expenses and other permitted expenses.
- **Investment Management Expenses:** All direct expenses incurred to manage, control and report on the investment activities of the endowment fund. This includes custodial expenses, investment management fees, performance measurement fees and auditing or other specifically related fees.
- **Investment Allocation:** Each year all or a portion of the net investment income of the endowment fund pool is allocated to each endowment's fund account for spending. The amount allocated is a fixed amount or a percentage of the prior year's principal book value of the endowment as of March 31, as determined by the applicable endowment donation agreement and/or the Foundation Board of Directors.
- **Endowment Financial Report:** Annual financial report to donors outlining the principal balance, market value, investment allocations and disbursements (scholarships and bursaries).

### F. Policy

#### Objective:

- The endowment fund is designed for the collection of assets held in perpetuity or for a long-term basis to support the objects of the Foundation. The endowment fund is made up of individual endowment principal amounts each representing initial and subsequent donor contributions to the fund. Once an endowment is established, the funds received are invested on a permanent or long-term basis and are governed by each individual donor endowment donation agreement (see Appendix 2), and applicable law including, but not limited to, the Trustee Act (Ontario), the Memorandum of Understanding, and section 3 of the Financial Administration Act (Ontario). At a minimum, the endowment investment objective is to earn, over time, a total rate of investment return at least equal to the annual spending allocation, plus the investment management expenses to support annual spending allocations.

#### Establishing an endowment:

- In order to establish an endowment fund, an initial principal donation of \$20,000 or more is required and an endowment donation agreement must be completed. Where any contributions donated are non-cash such as securities or real property, the assets are valued and converted to cash for investment purposes, where feasible. Generally, any non-cash contributions will be directed to The St. Clair College of Applied Arts and Technology and not St. Clair College Foundation.
- The donor endowment donation agreement is completed by the Advancement Office prior to the acceptance of the donation. The endowment donation agreement is signed by the Donor and approved by the Foundation Executive Director and the Chief Financial Officer. Terms and conditions outlined in the endowment donation agreement between the St. Clair College Foundation and the Donor cannot be altered without consent from the Donor or as otherwise provided by the endowment donation agreement. The Foundation Executive Director is responsible for confirming the endowment donation agreement agrees to the department receipts from Finance.

#### Investment of endowment funds:

- Endowment contributions donated each year are invested by the Foundation Investment and Audit Committee within 90 days of the donation being received. The Foundation Executive Director is responsible to bring the endowment contributions detail to the Foundation Investment and Audit Committee.

## **Endowment Management Policy**

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- Endowment contributions made by donors to individual endowment funds are pooled together and invested permanently or long-term basis in accordance with the Foundation's Investment Policy, and the terms of the endowment donation agreement.
- At a minimum, the endowment investment objective is to earn, over time, a total rate of investment return at least equal to the annual spending allocation, plus the investment management expenses. Costs related to the investment management are covered by the endowment investment income.
- Each year the net investment income earned from the pooled investments is allocated to each individual endowment fund account based on the endowment's principal fund book value as of March 31 of the previous year, using a weighted basis allocation. For first year contributions, net investment income is allocated in the fiscal year following the fiscal year the donation was received. The delayed investing of the funds is due to the timing of investing the funds during the current year and the little to no investment return being generated in the first year.

### **Annual spending allocations:**

- Spending from an endowment fund commences once the fund has been held for at least one full fiscal year.
- Annual spending allocations from the fund account are established by the Foundation Board of Directors, with the recommendation of the Foundation Investment and Audit Committee, Foundation Executive Director, Chief Financial Officer and Senior Operating Group (SOG) of the College. Annual spending allocations are based on the specifications outlined by the donor in the endowment donation agreement and the disbursement quota required by the Canada Revenue Agency.
- The annual spending allocation should be predictable and stable, even if financial markets perform below the minimum investment objective of this policy.
- After allocating the net investment income allocation and disbursing the annual spending amount, any remaining funds in the fund account are accumulated in the fund and carried forward into the next fiscal year for future spending.

### **Endowment Financial Report:**

- On an annual basis, the St. Clair College Foundation will provide each individual endowment donor with an Endowment Financial Report. The report must be issued by July 31 of each year. This report provides the donor with information on the endowment activity for the year including the principal balance, market value opening and closing balances, annual investment allocation, and annual spending allocations (bursaries paid). See Appendix 1.



**ST. CLAIR COLLEGE**  


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**FOUNDATION**

**Annual Endowment Financial Report**  
**April 1, 201\_ to March 31, 201\_**

Donor Name:  
 Donor Address:

**Endowment Fund Name**

Opening Balance: April 1, 201_	\$100,000
Donations Received	\$1,000
Disbursements (Scholarships Awarded)	(\$1,000)
Net Investment Income/(Loss)	\$2,000
Closing Balance: March 31, 201_	\$102,000
Principal Balance: March 31, 201_	\$90,000

Note:

Scholarships are funded, as per the terms of the endowment, by allocating a percentage of the total net investment income earned on your endowment.

By: \_\_\_\_\_

Date: \_\_\_\_\_

Executive Director, St. Clair College Foundation

By: \_\_\_\_\_

Date: \_\_\_\_\_

Chief Financial Officer



**ST. CLAIR COLLEGE**

**FOUNDATION**

**ENDOWMENT DONATION AGREEMENT**

THIS INDENTURE effective as of the \_\_\_\_day of \_\_\_\_\_, 20\_\_.

**B E T W E E N:**

**[INSERT DONOR NAME]**  
(hereinafter called the "Donor")

**OF THE FIRST PART**

- and -

**ST. CLAIR COLLEGE FOUNDATION**  
(hereinafter called the "Foundation")

**OF THE SECOND PART**

**WHEREAS** the Foundation is a non-share capital charitable corporation incorporated pursuant to the laws of the Province of Ontario and is a registered Public Foundation with the Canada Revenue Agency;

**AND WHEREAS** the Donor wishes to voluntarily convey, transfer and gift all amounts and/or things described in, and subject to the terms of, this Agreement (the "Gift") to the Foundation;

**AND WHEREAS** it is intended that, upon this Gift being effected, the Foundation shall be seized and possessed of both legal and beneficial interest in the Gift, for its own use, for the furtherance of its charitable objects and subject to the terms of this Agreement;

**AND WHEREAS** there is no consideration whatsoever paid to the Donor for the Gift.

**NOW THEREFORE THIS AGREEMENT WITNESSETH AS FOLLOWS:**

1. The Donor hereby voluntarily, gifts, transfers and conveys to the Foundation the sum of \_\_\_\_\_ (\$\_\_\_\_\_ .00) DOLLARS (the "Gift") for the purposes and subject to the provisions set out in Schedule A attached hereto and forming part of this Agreement, to be paid to the Foundation on \_\_\_\_\_ (the "Donation Date").
2. The Foundation accepts the Gift effective as of the Donation Date.
3. The Foundation will issue a charitable donation receipt to the Donor for the amount of the Gift.
4. The recitals set out above are true and form part of this Agreement as fully and effectively as if set out in full in the body hereof.

5. This Agreement constitutes the entire agreement between the Parties with respect to the Gift and supersedes all prior agreements, understandings, negotiations and discussions, whether written or oral. There are no restrictions, conditions, limitations, covenants, agreements, representations, warranties or other provisions, express or implied, collateral, statutory or otherwise, relating to the Gift except as expressly provided in this Agreement. There has been no warranty, representation, opinion, advice or assertion of fact made by the Foundation or its Directors, officers, employees or agents to the Donor, except as expressly set out in this Agreement.
6. The Donor acknowledges that the Foundation is relying on this Agreement to make binding commitments for the use of the Gift.
7. The Gift shall be subject to all laws applicable to the Foundation including, without limiting the generality of the foregoing, the Foundation's investment policy, as amended from time to time. This Agreement shall be construed in accordance with the laws of the Province of Ontario and of Canada applicable therein.
8. Neither Party shall make any public announcement or issue any media release concerning the Gift without the prior consent of the other Party.
9. Time shall in all respects be of the essence hereof provided that the time for doing or completing of any matter provided for herein may be extended or abridged by an agreement in writing signed by the Parties.
10. This Agreement shall ensure to the benefit of and be binding upon the heirs, executors, administrators, successors, legal representatives and assigns of the Parties.

**IN WITNESS WHEREOF** the parties hereto have executed this Indenture on the date first above written.

**SIGNED, SEALED AND DELIVERED**

- in the presence of -

\_\_\_\_\_

Witness

\_\_\_\_\_

[Name of Donor]

**ST. CLAIR COLLEGE FOUNDATION**

\_\_\_\_\_  
 Name:  
 Title: Executive Director

\_\_\_\_\_  
 Name:  
 Title: Chief Financial Officer



## SCHEDULE A

TO AN AGREEMENT BETWEEN

ST. CLAIR COLLEGE FOUNDATION AND [NAME OF DONOR]

DATED \_\_\_\_\_, 20\_\_.

1. The principal amount Gift shall be retained by the Foundation for the purpose of establishing a fund to generate income annually to be paid, in whole or in part, to The St. Clair College of Applied Arts and Technology (the "College") which shall, in its sole and final discretion, award scholarship(s) and bursaries annually to student(s) in financial need or who show superior academic merit or volunteer community involvement at the College, **[insert any terms, conditions or eligibility restrictions on receipt of the scholarship, etc.]**
2. Despite Section 1 of this Schedule, the Foundation may, from time to time, award scholarships and bursaries directly to students.
3. The scholarship or bursary awarded shall, subject to Agreement by the College, be known as the **[insert name of scholarship]**.
4. The amount awarded from the Gift in any year will be determined by the Board of Directors of the Foundation in each year, and will be based primarily on the current and accumulated net investment returns of the Gift. . All net investment returns received as income on the Gift will be used solely in accordance with the terms of this Agreement. It is intended by the parties that scholarship(s) will be paid annually based on income estimated at a minimum 3.5% of the Gift's principal, however no payment will be made that will encroach upon the endowment principal without the approval of the Foundation's Board of Directors. Therefore, the amount paid from the Gift in each year is subject to change. Income on the Gift will be retained by the Foundation and not paid for one fiscal year before any scholarship or bursary is paid from the Gift. Realized and unrealized capital gains in any year will be included in income of the Gift for that year, which may be disbursed in the current or future years, and are not required to be added to the capital of the Gift.
5. For purposes of investment, the Gift may be pooled with other restricted gifts held by the Foundation. The Gift will be separately accounted for in the Foundation's books and records. Each year the net investment return of all Foundation investments pooled together, including capital gains and losses, will be proportionately allocated to each gift's separate account. The amount allocated will be based proportionately on the value of the Gift as of March 31 of the prior year. The fiscal year of the Gift shall be from April 1 to March 31 in each year.
6. If the conditions or restrictions for the Gift are no longer necessary, practical, desirable, or possible to perform, the Foundation's Board of Directors may in its sole and absolute discretion, but after consultation with the Donor if still living, terminate this Agreement and designate the Gift for any substitute charitable purpose consistent with the Foundation's charitable objects and may, in the Foundation's absolute discretion, also transfer the Gift to a successor Trustee by appointment.

7. When the College or the Foundation awards scholarships at a presentation event, the Donor or a representative will be invited to present the **[Name of Scholarship]**.

8. Except as expressly provided to the contrary, the terms and conditions of this Agreement may not be amended, modified, or altered except in writing signed by the parties.

**Donor Contact Information**

**Name:** \_\_\_\_\_

**Company:** \_\_\_\_\_

**Scholarship Name:** \_\_\_\_\_

**Address:** \_\_\_\_\_

**Phone Number:** \_\_\_\_\_

**Email Address:** \_\_\_\_\_

**Written Bio** *(This will be read during the presentation of the scholarship) (Max. 200 words)*



# ST. CLAIR COLLEGE

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## FOUNDATION

### Endowments - Frequently Asked Questions

#### 1. What is an endowment?

Financial endowments are funds donated to an institution which are invested to create an enduring stream of revenue, year after year. The principal of the gift is invested and a portion of the investment income is used annually to fund specific initiatives.

Endowment principal is held on a permanent or long-term basis. Endowments may be restricted, meaning the endowment is subject to restrictions, limitations, etc. if requested by the donor and agreed to by the Foundation.

#### 2. How does an endowment strengthen the Foundation?

A sizeable endowment creates sustainability and affords the Foundation the opportunity to plan strategically for the long term. It provides the stability to advance the Foundation's place in the community. A strong endowment is a key component to assist the Foundation in attracting potential new donors.

#### 3. Who oversees the endowment?

The Foundation Board is responsible for the oversight of its endowment investments with advice and recommendations from its Investment and Audit Committee. All members of the Investment and Audit Committee bring financial expertise and experience. The committee is supported by St. Clair College administration and an investment manager.

#### 4. What are the minimum endowment levels?

The minimum initial principal donation to establish an endowment is \$20,000.

#### 5. When will an endowment start providing funding?

Payouts from an endowment will not begin for at least one year from creation. This will permit the fund to generate revenue to allow a payout to be made. While the endowment is growing, donors could make regular contributions to support payouts until the time when the endowment can generate enough income to sustain the donor's intentions.

#### 6. What is the endowment spending policy?

The overall objective is to achieve an annual realized income that provides both spending and principal maintenance. It is necessary to preserve the principal of the endowment, not only for current needs, but for future needs as well. Each year, the income for spending will be allocated across individual endowments to support the cause for which the fund was created at a rate that is established annually,

based on investment returns. The allocation to each endowment account is based on the weighted average principal of the endowment for the fiscal year. Unspent expendable income amounts will be accumulated and carried forward for future expenditures at the end of the fiscal year.

#### **7. Once an endowment is established, can it be dissolved?**

Once funds have been endowed, the endowment may be dissolved if permitted by the donation agreement and otherwise by trust law.

Due to an endowment being a restricted charitable gift that is subject to limitations, these imposed limitations constrain how the Foundation may use the gift (i.e. limit its financial flexibility). This differs from unrestricted charitable gifts which have no restrictions imposed either directly or indirectly by the donor, and the Foundation can apply the unrestricted gift to its charitable purposes in whatever manner it deems appropriate.