
Endowment Management Procedure

Policy Sponsor:	Vice-President, Finance and Administration
Name of Parent Policy:	Endowment Management Policy
Policy Contact:	Director, Financial Services
Procedure Contact:	Director, Financial Services
Effective Date of Procedures:	March 24, 2014
Review Date:	This procedure will be reviewed annual

Purpose

Under the authority of the Endowment Management Policy, this Procedure provides the limitations, guidelines, and processes for the management of endowment funds held by Athabasca University.

Definitions

Donation	A voluntary transfer of assets of value for which the donor receives no personal benefit either directly or indirectly.
Endowment	A restricted donation made to the University where the endowment principal value is invested, and the annual investment income supports, in whole or in part, a specified purpose. It is a legal arrangement known as a “charitable purposes trust”. Funds are usually held in perpetuity unless the Statement of Trust designates a specific period of time or occurrence of a specific event or circumstance.
Endowment administrative recovery fee	An administration fee assessed to help offset the University’s costs of managing investments, levied on the year-end book value of each endowment fund.



Endowment Manager	The operational unit or individual charged with implementing the charitable purpose of the endowment and ensuring compliance with the terms of the Statement of Trust.
Endowment principal	The original amount of all donations to an endowment.
Endowment spending allocation	An amount of investment income of an endowment fund that can be spent for the designated purpose as stated in the Statement of Trust.
Extinguishment clause	Outlines the circumstance under which an endowment can be dissolved and the process to be followed in dissolution of an endowment.
Inflation adjustment amount	An addition to the endowment principal of an endowment fund calculated as the latest calendar year percentage change in the Consumer Price Index (CPI) for Alberta times the weighted average quarterly endowment balances in the previous fiscal year.
Investment income	The money earned or received from the endowment portfolio in a specified period of time. These earnings are calculated net of: a) direct costs incurred in managing the underlying investments, b) the annual endowment administration recovery fee, c) the inflation adjustment amount , and d) necessary accumulated amounts to fund obligations.
Real return	The total annual return on investments less the inflation adjustment amount.
Rate of inflation	For the purposes of this policy, the annual (December) increase in the Consumer Price Index for Alberta expressed as a percentage.
Real value	The endowment principal plus the annual inflation adjustment.
Statement of Trust	A legal document that sets out the terms and conditions of the endowment, identifies trust objects (e.g., special purpose, scholarship, bursary, or research), and establishes the University as trustee.



Procedure

- 1) All Donations are to be in accordance with the Athabasca University Donation Acceptance Policy.
- 2) It is recognized that it may take some time to raise funds to meet the minimum endowment threshold. The endowment will not be created until this threshold is met. In the interim funds raised will be held in Deferred Contributions (Deferred Revenue). If the threshold is not met and it becomes clear that it will not be met the Athabasca University Donation Acceptance Policy donation will be followed, including consultation with the donor(s).
- 3) The Vice President Advancement will, in consultation with the appropriate Executive Officer and the Director, Financial Services and the donors develop the Statement of Trust.
- 4) The Vice President, Advancement will, in consultation with the appropriate Executive Officer, designate an operational unit of the University as the "endowment manager" of an endowment fund.
- 5) The endowment manager will ensure that the terms and conditions of the Statement of Trust are met and that the stewardship of the endowment fund in accordance with all relevant AU policy and procedures;
- 6) The annual endowment spending allocation will be calculated based on a three-year rolling average of net investment income from the endowment fund, calculated as annual investment income net of:
 - a) Direct costs incurred in managing the underlying investments;
 - b) The annual endowment administrative recovery fee;
 - c) The inflation adjustment amount; and,
 - d) Necessary accumulated amounts to fund obligations.
- 7) The endowment manager will ensure that:
 - a) the respective investment income is retained to meet the cost and spending allocations decisions which are made.
 - b) the spending allocation from each endowment is appropriate and sufficient to support the intended use.
 - c) the endowment spending allocation(s) takes into consideration the requirement for each endowment fund to be self-sustaining and retain sufficient investment income to meet direct cost and administrative fees obligations;



- d) the endowment spending allocation does not exceed the available investment income and does not exceed the average real return over the immediately preceding three years.
- 8) The Inflation adjustment is calculated annually by the Director, Financial Services at the end of the fiscal year based upon the January CPI change for Alberta.
- 9) An endowment administrative recovery fee equal to 0.5% of the endowment fund value as at March 31 of each year is deducted from the investment income of the fund.
- a) the assessment of the endowment administrative recovery fee will be limited to available investment income of the Endowment and will not reduce the capital value of the Endowment.
 - b) the endowment administrative recovery fee is directed to Financial Services to offset costs related to administering the endowment.
- 10) The Director, Financial Services provides the financial management and reporting services for all University endowment funds. Reports including the budgeted spending allocation and actuals year to date will be available to the Endowment Manager on a monthly basis through the Athabasca University online financial reporting system.
- 11) The Director, Financial Services and is responsible to ensure that:
- a) the investment income from endowment funds is maximized, within the boundaries of the Athabasca University Investment Policy;
 - b) the endowment principal is maintained;
 - c) the real value of an endowment fund is maintained;
 - d) any direct costs associated with investing (administering) an endowment will be deducted from the investment income of the fund and will be credited against the expense;
- 12) Where the specified purposes and objectives of an endowment can no longer be met, the Statement of Trust terms will direct the disbursement of the fund and its accumulated investment income and obligations.

Applicable Legislation and Regulations

[Alberta Post-Secondary Learning Act](#)
[Freedom of Information and Protection of Privacy Act](#)

Related References, Policies, Procedures and Forms

[Endowment Management Policy](#)
[Athabasca University Donation Acceptance Policy](#)



[Athabasca University Library Collections Development Policy](#)

[Athabasca University Art Collection Policy](#)

[Investment Policy](#)

History

The Governors of Athabasca University, March 24, 2014, Motion # 187-07 (Associated policy revised)