



## Endowment Management

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Category:	BCIT Foundation
Approving Body:	BCIT Foundation Board of Directors
Executive Division:	Board of Governors
Department Responsible:	BCIT Foundation
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### Policy Statement

The BCIT Foundation manages Endowed funds in accordance with Policy 3020, BCIT Foundation Investment Management, and the individual donor Endowed Fund Agreements.

### Purpose of Policy

The purposes of this policy are:

- To establish the manner in which endowed funds are managed
- To communicate these fund management requirements
- To provide the template for endowed fund agreements

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### Application of this Policy

This policy applies to:  
 The Board of Directors of the BCIT Foundation  
 BCIT employees  
 Endowed Fund donors

## Related Documents and Legislation

Policy 3020, BCIT Foundation Investment Management

## Definitions

**capital allocation rate:** a rate set by the Foundation's Board of Directors upon recommendation of the Investment Committee.

**disbursement rate:** a rate established by BCIT's Board of Governors upon recommendation by the BCIT Foundation Board of Directors, reviewed annually.

**endowed funds:** the individual endowment funds established by donors. They include the capital value of all donations and any capitalized amounts.

**Endowed Fund Agreement:** a legally binding document, which sets out the management and administration procedures of each donor-endowed fund. The BCIT Vice-President, Development or designate is authorized to sign endowed fund agreements that are consistent with BCIT Foundation policies and relevant BCIT policies.

**endowment minimum:** The endowment minimum will be the minimum donation amount required to establish a donor endowed fund. Effective in the year 2000, the minimum was set at \$10,000 (\$20,000 for funds providing entrance awards). This is subject to change at the direction of the BCIT Foundation.

**endowment recapitalization:** an amount added to the capital of a donor endowment fund. It is calculated by applying a rate established by the Foundation to the donor endowment fund balance.

**investment income:** The dollar value of all investment income earned or received on the Pooled Endowed Fund portfolio in a specified period of time. These earnings are calculated net of investment management expenses.

**Pooled Endowment Fund:** A fund designated for the collection and use of economically valuable assets held in perpetuity to support a variety of activities of the Institute. It is an aggregate of all the donor endowment funds.

## Guidelines

### 1. Establishing an Endowed Fund

To establish an endowment, an Endowed Fund Agreement (as shown in the appendix) must be signed by the donor and the BCIT Foundation. The agreement is legally binding, and outlines how the endowed funds are to be administered. The BCIT Vice-President, Development or designate is authorized to approve and sign the Endowed Fund Agreements.

### 2. Endowment Minimum

**2.1** The endowment minimum will be the minimum amount required to establish a donor endowed fund. This minimum amount will be established by the BCIT Foundation in accordance with minimum award amounts identified by the BCIT Student Awards Sub-Committee of Education Council.

**2.2** The minimum amount required to establish an endowed fund at the BCIT Foundation must be attained within two years of the initial contribution. If the minimum requirement is increased within this two-year period, the donor will be notified and will be required to meet the new minimum, being permitted one additional year to do so.

**2.3** An endowment will be classified as "pending" until such time as the minimum amount required to establish the endowment is reached.

## Guidelines

*Note: No interest income is to be disbursed as awards on pending endowments. In the case where a donor has not reached the required minimum but wishes to provide an award for disbursement, the donor can establish an annual award and donate the additional required amount until such time as their endowment has reached the required minimum.*

**2.4** If the minimum amount required is not reached within the agreed time frame, all donations received for the specified endowment account may be:

- a) transferred to the BCIT Foundation Endowed Scholarship and Bursary account or
- b) transferred to an annual award account for disbursement over a period of time in the name of the donor.

### 3. Endowed Fund Restrictions

The Pooled Endowed Fund is the aggregate of all individual donor endowed funds held in perpetuity. All endowed funds are restricted and are not available for general use by the BCIT Foundation or BCIT. The Foundation agrees to maintain the principal amount and use only the net income earned for the specific purposes agreed to in the endowed fund agreements.

### 4. Endowed Fund Investment Income

**4.1** All endowed funds will be held in a pooled fund account (The Pooled Endowed Fund), and invested under the policy guidelines and objectives as set out in Policy 3020, BCIT Foundation Investment Management. Some contracts may have additional stipulations or terms.

**4.2** All individual endowments including pending endowments will receive interest calculated as follows:

- Interest is allocated to the endowment balance held at the beginning of the Foundation's fiscal year, and pro-rated on any new donations received within the 12 month period, based on the receipt date of the donation. All interest calculations are based on the Foundation's fiscal year of April 1 to March 31.
- The interest rate is established by the BCIT Board of Governors. It is not the actual interest earned by the endowed fund. This is to ensure that a stable award disbursement rate is maintained regardless of the prevailing investment market environment.

### 5. Endowment Stabilization Fund

**5.1** The Foundation will maintain an Endowment Stabilization Fund. The purpose of the Endowed Stabilization Fund is to ensure that funds are available to meet the required award disbursement obligations in the event that the endowed fund earns insufficient returns.

**5.2** The stabilization fund will provide a three (3) year cushion against market vulnerabilities. The value of the stabilization fund must not exceed 15% of the aggregate value of the Pooled Endowed Fund.

### 6. Dissolution and Merger of an Endowment Fund

There are circumstances when it may be prudent to dissolve an individual endowed fund. In these instances, the fund balance will remain within the "pooled" endowed fund portfolio but will cease to exist under the prior endowed fund agreement. This may happen when the endowment balance is not large enough to support the minimum award disbursement or where a program designated by the fund is cancelled. In these circumstances, the Foundation will make all reasonable attempts to contact the donor to amend their original fund agreement and will ensure that any changes that are made will reflect the original intent of the fund as much as

## Guidelines

final decision to dissolve and merge an endowed fund will require the approval of the Vice-President, Development.

### 7. Endowment Recapitalization

The Board or its designate may decide to recapitalize excess interest income to increase the capital base of donor endowed funds. The decision to recapitalize can only be made once the requirements of the Stabilization Fund are met. If a capital allocation is approved, the capital allocation rate will be calculated equally for all donor endowed funds and applied accordingly.

### 8. Endowments held by the Vancouver Foundation

The Vancouver Foundation holds some endowed funds on behalf of the BCIT Foundation. This fund is comprised of several endowments which were previously established by BCIT and later transferred to the Vancouver Foundation. The BCIT Foundation receives quarterly interest income from the Vancouver Foundation. This interest income is administered under the BCIT Foundation's investment policy guidelines and objectives. These funds are subject to the management policies of the Vancouver Foundation.

## Duties and Responsibilities

### BCIT Foundation Board of Directors

The Foundation Board of Directors is responsible for Endowed Fund Management. This responsibility includes the appointment or removal of Investment Managers (the "Fund Managers") and any other advisors.

The Foundation Board of Directors or designate is also responsible for setting Foundation investment policies.

### The Vice-President, Development

The Vice-President, Development is authorized to approve and sign the Endowed Fund Agreements.

## Procedures Associated With This Policy

None

## Forms Associated With This Policy

Endowed Fund Agreement

## Amendment History

In February, 2011, the Endowment Fund Agreement template was removed from this policy document and created as a separate document.

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|---------------|-------------|
| 1. Created    | 2008 Apr 01 |
| 2. Revision 1 | 2009 Dec 04 |
| 3. Revision 2 | 2011 Feb 18 |

## Scheduled Review Date

2016 Feb 01