

Section:	External Relations (ER)
Subject:	Fundraising
Legislation:	<i>Trustee Act</i> (RSA 2000 cT-8)
Effective:	January 25, 2011
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APPROVED: _____
President and CEO

POLICY

The policy of the Board of Governors is to permit the establishment of endowment funds, through donation and internal restrictions, to provide a strong and stable level of support for specified charitable purposes that reflect SAIT's mission and students' scholarship needs.

DEFINITIONS

Capitalized investment income	Net investment income that has been added to the total endowment balance.
Charitable purpose trust	A trust established for a specified charitable purpose. Three parties must be clearly defined in this agreement: the donor, the trustee (SAIT) and the beneficiary or object of the endowment (the specified charitable purpose).
Distribution reserve	Funds allocated by the Board of Governors to help meet endowment goals and objectives in years of insufficient investment returns.
Endowment	A donation made with the expectation and understanding that the principal amount will be invested, the investment earnings generated will be used to advance a specified charitable purpose, and there will be no encroachment on the original donated gift principal.

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Endowment principal	Original amount(s) of donation or resources transferred, excluding accumulated capitalized investment income.
Expendable portion	Funds available for disbursement (for example, scholarships) in accordance with the terms of the endowment.
Externally restricted endowment	An endowment subject to externally imposed stipulations specifying that the donation be maintained permanently. An externally restricted endowment is considered a charitable purpose trust.
Internally restricted endowment	<p>Resources transferred to endowments by SAIT's Board of Governors. These may take one of two forms:</p> <ol style="list-style-type: none">1. Established as a charitable purpose trust. These endowments typically exist in perpetuity and the Board permanently changes the nature of ownership of the funds from owner to trustee.2. Established as a quasi-endowment over which the Board retains ownership, and therefore the ability to reallocate the principal and/or investment returns in future for another purpose should circumstances change.
Investment Committee	A standing committee of the Board of Governors.
Net investment income	Revenue, gains and losses earned on the total endowment balance, net of fees for external investment management services.
Reserve fund	Funds allocated by the Board of Governors to help meet endowment goals and objectives.
Total endowment balance	The sum of endowment principal and accumulated capitalized investment income.
Trust	<p>A legal relationship where a donor transfers fiduciary responsibility of assets to a person or institution, the trustee, to be managed for the benefit of designated beneficiaries. Trusts are subject to provisions of Alberta's <i>Trustee Act</i>.</p>

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Unrestricted endowment

An unrestricted endowment contribution is one where the beneficiary or object is defined in broad terms, essentially supporting SAIT's mission and the activities conducted in pursuit thereof.

PROCEDURE

A. Governing Principles

1. The overall goal of endowment fund management is proper stewardship of the endowed funds and amounts available for spending.
2. The primary objectives for endowments are:
 - a) To protect the donors' endowment principal.
 - b) To grow the economic value of endowment principal over time.
 - c) To provide an annual amount to be expended in support of the specified charitable purpose.
3. Funds may be invested as a single pool in order to optimize net return and the diversification of risk. Funds are invested as established in procedure [FN.9.1.1 Investment of Funds](#).

B. Allocations to Funds

1. In order to achieve the primary objectives for endowment funds, the following guidelines have been established:
 - a) The annual expendable portion will be calculated as a percentage of the total endowment balance, subject to specific provisions in individual endowment agreements. This spending rate is determined by the Investment Committee, in consideration of relevant factors including investment performance and cumulative capitalized investment income, and reviewed annually by the Investment Committee with the objective of maintaining the rate over a three to five-year period.
 - b) For the purposes of paragraph A.2.c) of this procedure, the Investment Committee will set aside funds from investment income in excess of the annual expendable

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amounts to establish a Distribution Reserve. The Distribution Reserve target is set at two years' expendable balance and will be utilized to fund endowment spending in years when actual investment returns are below the approved spending rate.

- c) For the purpose of paragraph A.2.b) of this procedure:
 - i) In each year, net investment income earned in excess of the expendable portion will be allocated evenly between the Distribution Reserve with the remainder capitalized to the individual endowment funds and reinvested. Once the Distribution Reserve has attained the target threshold, any remaining excess investment income will be capitalized to the individual endowment funds and reinvested, except for those amounts necessary to maintain the target balance.
 - ii) Amounts available for spending may be limited.
 - iii) The amount of cumulative capitalized interest is targeted to equal at least the spending allocation of the previous year.
 - d) The objectives in paragraphs A.2.b) and A.2.c) of this procedure may be accomplished using the following sources of funding: capitalized investment income; unrestricted donations; allocation from new donations received, where allowed; subsidy from operating funds; requests to the original donor or the reserve fund, if available.
2. The Investment Committee will meet annually to determine the annual allocation of funds to achieve the requirements as outlined above.

C. Unrestricted Endowment

1. A general unrestricted endowment may be created and named based on the decision of Executive Management Council. The fund's name and objective may be changed from time to time at the discretion of Executive Management Council in order to meet SAIT's strategic goals.
2. Any name change will comply with procedure [ER.3.1.2 Naming and Renaming of Buildings and Facilities](#).

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D. Administration and Compliance

1. All endowment management practices will comply with legislation and contractual agreements.
2. In circumstances where donor understanding may be different from SAIT's guidelines or understanding on an agreement, SAIT will attempt to maintain the endowment's original spirit and intent.
3. SAIT will ensure appropriate record keeping of endowments and donor agreements, and will ensure transparency to answer donor questions and resolve issues.
4. Exceptions to this procedure must be approved by the Investment Committee.

POLICY/PROCEDURE REFERENCE

ER.3.4 [Endowment Management policy](#)