



## UArctic Endowment Policies & Procedures

*Accepted on October 14, 2021*

### Overview

UArctic will build endowments with the intent of supporting specific UArctic-related activities or purposes. These endowments will represent contributions which are invested in perpetuity, with a portion of the investment earnings used to support specific UArctic activities, as set out in the purpose of the endowment. Endowments are a source of long-term funding and will play an integral role in supporting UArctic to achieve its goals. By accepting endowment funds, UArctic must adhere to specific legal obligations and financial management and reporting responsibilities.

Endowments are restricted funds in that the principal is not expendable and all revenue on the principal has a restricted use as defined by the terms and conditions of the gift agreement. Expenditures are therefore controlled by the agreement and guided by UArctic's financial policies and procedures.

### Purpose

UArctic's endowment policies and procedures aim to help ensure that endowments are managed effectively and efficiently and to assist the Board of Directors carry out its obligation as managers of the endowments. The purpose of this document is to support UArctic's compliance with its responsibility to properly establish, manage and administer endowments.

These policies and procedures are applicable to all trust funds bequeathed, gifted or otherwise obtained for purposes of purposes as determined from time to time by UArctic. Adherence to these endowment management policies and procedures is subject to UArctic's annual audit review.

### Policies and Procedures

#### 1. Establishment of Endowments

##### a.) New endowment request

The President shall present to the Board of Directors requests for new endowments. The presentation must include the proposed purpose of the

endowment and outline how UArctic can administer and allocate the surplus in accordance with the stated purpose.

To properly establish an endowment, the following information should be provided with each request:

1. Source of funding.
2. Amount of proposed contribution.
3. Purpose of Fund.
4. (a) Restrictions/Conditions regarding principal donations.  
(b) Restrictions/Conditions regarding income earned.
5. Restrictions/Conditions regarding awards given from the fund (if applicable).
6. Reporting Requirements.
7. In the future, if the terms of this trust no longer apply, is the donor willing to authorize the UArctic Board to change the terms? Yes \_\_\_ No \_\_\_
8. A draft governing document.

b.) New endowment approval

The Board of Directors is responsible for approving the establishment of all new endowments and acceptance of endowment funds according to the adopted financial policies and procedures of UArctic. To facilitate the efficient establishment and subsequent administration of endowments, a governing document (gift agreement) is required, outlining the endowment purpose and all associated terms

All endowments must conform to UArctic's policies and procedures, including investment policies included within this document.

c.) Minimum thresholds

To achieve purposes and associated administrative costs with establishing and managing endowments, The minimum threshold amount to establish a new endowment is defined by the UArctic gift acceptance policy ([UArctic Policy on Philanthropic Support](#)) (currently 50,000€). Lower amounts can be added to existing endowments.

d.) Gift Agreement - Governing Document

A gift agreement must be drafted and presented to the Board of Directors as part of the approval process and will serve as the endowment governing document.

2. Endowment Accounts

Each endowment shall have two accounts associated with it:

a.) Capital account for contributions

This account records contributions and transfers, and will be credited with contributions at the time they are received. Only contributions that are to be administered as part of the endowment can be deposited to the capital account.

b.) Unrestricted capital account

This account records the allocation (revenue and expenditures) from the interest of the endowment fund and will include expenditures and transfers for the purposes of the endowment.

3. Disbursements

Disbursement from the fund may be made in accordance with the specific wishes of the donor so long as they meet the policies of UArctic and are based on the approved gift agreement for establishment of the fund.

4. Endowment Investments

a.) Capital Accounts may be pooled for the purposes of investing the funds in various long term investment vehicles as approved by the Board of UArctic. Pooling investments will attempt to generate maximum returns and an even flow of income over the life of the fund.

b.) Investment returns from the pool of funds will be distributed across the participating funds

c.) All endowments fund gift agreements shall contain a clause permitting UArctic to pool the available funds for investment purposes in order to maximize the possible interest income for the endowment fund.

5. Endowment Spending

a.) The approach for spending decisions, in conjunction with UArctic Investment Policy recommendations is to preserve the Real value of endowment assets over time, while maintaining an appropriate and stable level of support from the endowment funds.

b.) The investment goal of UArctic's endowment pool shall be to achieve a long-term Rate of Return that shall equal or exceed the "Effective Rate of Spending".

c.) A prudent level of spending is one that reflects an investment Rate of Return achievable with acceptable levels of risk. The Spending Policy shall be designed to

ensure that it remains appropriate with respect to overall objectives of UArctic's Endowment Pool.

- d.) The annual spending allocation shall be distributed at the beginning of each fiscal year.
- e.) The Investment Committee shall review the spending policy on an annual basis for continued appropriateness. As outlined in the Board Investment Committee's Terms of Reference, any required changes will be presented to the Board of Directors for approval.
- f.) The annual spending amount shall be set appropriate to the average expected investment return, less administrative and inflation costs.

#### 6. Investment Committee

Until such time the Finance Policy Advisory Committee determines the need to establish a separate investment committee, it shall carry out the endowment investment responsibilities including:

- review of the endowment investments annually;
- update the endowment fund investment policy recommendations;
- provide ongoing performance analysis and advice;
- recommend endowment investments to the Board of Directors.

Recommendations of the endowment investments are subject to the approval of the UArctic Board of Directors.

#### 7. Financial Statement

The activities of the endowment fund accounts will be reported upon annually as part of the annual financial statements of UArctic in accordance with accounting principles within UArctic's Financial Policies and Procedures Manual.

#### 8. Donor Reporting

Reports to donors must be sent annually following fiscal year end and preparation of UArctic's financial audit reports. The annual endowment fund report shall include summarized financial activity and basic performance information for the individual endowment. General investment performance information of the endowment pool shall also be provided.

## Definitions

Endowment - A financial endowment is a legal structure for managing, and in many cases indefinitely perpetuating, a pool of financial investments for a specific purpose according to the will of its founders and donors.

Effective Rate of Spending - The total of the Administrative Assessment, Annual Spending Allocation, and Direct Costs expressed as a percentage of the market value of the assets in the Endowment Pool.