



## ENDOWMENT POLICY

### Purpose

The purpose of the Endowment Policy is to guide the management and the disbursement of endowment funds held by CFUS.

### Application

This policy applies to CFUS's general endowment funds as well as to funds entrusted to CFUS by third parties (individuals or organizations) to set up endowments to be used for special purposes -- scholarships, bursaries, prizes, etc.

### Components of the Endowment

For the purpose of this policy, the components of an Endowment Fund are defined as follows:

- a) The **Principal** - the fundamental sum of the endowment used as the basis for earning income through investment or deposit;
- b) The **Income** - the amount earned through the investment or deposit of the Principal. "Gross Annual Income" (GAI) refers to the total income before allocation for specific purposes.

### Guiding Principles

The Guiding Principles of the Endowment Policy are:

- a) **Protection of the Principal** - to ensure that the principal is not diminished;
- b) **Growth of the Principal** - to ensure that the Principal is increased through reinvestment of the entire, or part of, Income so that the real value of the endowment grows and is not reduced by inflation;
- c) **Administrative Self-Sufficiency** - that, to the extent possible, Income from an Endowment Fund will cover the costs of administering it;

- d) **Funding Consistency** - that the dollar amount, and real value (where possible) of scholarships, awards, prizes, operations, etc., funded out of endowment income does not diminish, but rather that it increases with time, if and when possible, to compensate for inflation and also to make the scholarships, awards, prizes, etc., so funded more attractive and effective.

#### Financial Guidelines

- a) Every individual endowment fund will be treated as a separate item in the Foundation's accounts. Where it is deemed expedient to consolidate several endowment funds, or to comingle them with other CFUS funds for the purpose of increasing investments/deposits and thus to secure a higher rate of return, the exact worth and income to be apportioned to a specific endowment fund will still be shown separately on the books.
- b) The Principal will not be used for any purpose other than earning of income or diminished, except with the consent of the Funder.
- c) The Income (Gross Annual Income) will be treated as consisting of three parts:
- i. **Disbursement Part** - that part of the Gross Annual Income (GAI) that is to be used directly and specifically for the purpose for which the endowment was made (prize, scholarship, awards, etc.); this amount will be equal to the current year's Gross Annual Income minus the sum of (Re-Investment plus Administration).
  - ii. **Re-Investment Part** - that part of the GAI that is to be added to the Principal for continued investment/deposit; this will normally be at least 20% of the current year's GAI and will in part depend on the maximum allowed for administration;
  - iii. **Administration Part** - that part of the GAI that is the maximum sum derived from the Income to be used to cover all or part of the costs of administering the endowment. The amount currently set aside for administration is 5%. Administration costs include such items as related banking fees, promotion of grant/award/scholarship that is supported by the endowment, printing of application forms, postage, office maintenance, etc.
- d) In all cases, endowments will be administered economically and associated expenses will be kept to the necessary minimum. 5% represents the current maximum of GAI that may be used to administer a given endowment. Where over a number of years, experience shows that the permitted sum is inadequate to

cover administrative expenditures, and the endowment is costly to administer, the percentage may be adjusted upwards by action of the Board of Directors.

Where in a given year a larger than normal administrative expenditure must be made or is anticipated for a specific endowment fund, the Executive Committee may by motion permit the 5% limit to be exceeded on an exceptional basis only. The additional funds required may be accumulated by under-spending for a number of years before the expenditure is to be made, or through economies in years following, so that the average annual expenditure for the period does not exceed the allowable maximum.

- e) Proportion of GAI dedicated to Disbursements, Re-Investment, Administration to be as follows:

<u>Part</u>	<u>% of GAI</u>
Disbursements	75%
Re-Investment	20%
Administration	5%

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