

Endowment Management Guidelines

Effective Date: January 29, 2016

1. PURPOSE

- a. These Endowment Management Guidelines provide direction for all Endowment funds held and restricted for the benefit of The Banff Centre (the “Centre”), including those held by The Banff Centre Foundation and the Banff Canmore Community Foundation (collectively referred to as the “Foundations”).
- b. The Centre and Foundations receive Endowment funding from donors and other sources (e.g., government matching funds) for various unrestricted and restricted purposes, including but not limited to, program participant awards/scholarships, program enrichment and/or other operational or capital support for the Centre’s needs. The Centre and Foundations are charged with investing and managing Endowment funds responsibly and prudently in order to optimize the financial benefit to the Centre and in accordance with donor intention as applicable. Responsible administrative and financial Endowment management is important in maintaining existing Endowments and in attracting future Endowments.
- c. The objectives of these Endowment Management Guidelines are:
 - i. to administer Endowment funds in compliance with the Endowment terms and all laws and regulations governing these funds, including (where applicable) Section 76 the *Alberta Post-Secondary Learning Act*, which includes provisions allowing the Centre Board of Governors to pool endowment funds for investment purposes and to regulate the distribution of earnings on endowments;
 - ii. to administer Endowments with the intent that annual spending requirements will be met while protecting as much of the purchasing power of the original Endowment funds as possible; and
 - iii. to ensure Endowment expenditures are made in accordance with all relevant restrictions.

2. DEFINITIONS

- a. An “Endowment” is a fund that is derived primarily from donations made to the Centre and Foundations where the long-term objective is for capital to be preserved and the income earned on the capital is to be used, in most cases, for a specified purpose. An Endowment may be created by bequest in a will or other testamentary disposition, a Memorandum of Understanding, a Board resolution, a grant and/or contractual agreement or another similar document (in writing or otherwise).
- b. “Endowment Capital” includes all Endowment contributions, matching contributions and other amounts designated as such by the Centre’s Board of Governors. It is the intent of the Centre’s Board of Governors to include the Purchasing Power Adjustment in Endowment Capital, where deemed prudent

and reasonable to do so by the Centre's Board in its sole and absolute discretion, but there shall be no obligation to do so.

- c. "Investment Earnings" refers to the Realized and Unrealized Investment Earnings/Losses on the Endowment assets.
- d. A "Memorandum of Understanding" is a written agreement with the donor or contributor that establishes the purpose, terms and conditions of the Endowment.
- e. "Purchasing Power Adjustment" refers to the excess of the Real Economic Value of Endowment over the original Endowment contributions. It is the intent of the Centre's Board of Governors to include the Purchasing Power Adjustment in Endowment Capital, where deemed prudent and reasonable to do so by the Centre's Board in its sole and absolute discretion, but there shall be no obligation to do so
- f. "Real Economic Value of Endowment" refers to endowment contributions indexed for inflation on a cumulative and compounded basis using the Canadian Consumer Price Index.
- g. "Realized Investment Earnings" include all realized income on Endowment fund assets, typically made up of interest, dividends, capital gains and losses arising upon the sale of investments less direct costs.
- h. The "Spending Allocation" refers to the amount allocated annually by the Centre's Board of Governors (usually from Undistributed Investment Earnings) to each Endowment for use in accordance with the relevant restrictions of the Endowment.
- i. "Undistributed Investment Earnings" refers to the excess of Endowment asset fair market value over Endowment Capital. Undistributed Investment Earnings are available to the Centre for current and future year Spending Allocations in accordance with the original restricted/unrestricted use designated by donors.
- j. "Unrealized Investment Earnings/Losses" is the change in fair market value of the Endowment assets.

3. GUIDELINES

- a. Governance
 - i. The responsibility for the stewardship of Endowment funds and related Spending Allocations rests with The Board of Governors of The Banff Centre, in addition to the related oversight provided by the Foundations.
 - ii. The Centre Board of Governors has transferred the investment of the Centre's direct Endowment assets to The Banff Centre Foundation Board of Directors. The Banff Centre Foundation is responsible for managing the investment of those Endowment assets in accordance with the related Investment Policy Statement (the "IPS") approved by the Banff Centre Foundation and Centre Board of Governors. While the Centre does not have direct authority over the assets held and managed by The Banff

Canmore Community Foundation for the benefit of the Centre, it is the intention to provide the Board of The Banff Canmore Community Foundation with a copy of these Endowment Management Guidelines and the IPS, asking them to adhere to the Guidelines.

- iii. The President of the Banff Centre, on behalf of the Board of Governors, shall delegate responsibility for the overall oversight and stewardship of Endowments to appropriate Banff Centre officers or personnel.
- b. Where applicable, the clauses in this Section 3 are subject to legal requirements and the specific terms and conditions of existing Endowment agreements, and to various matching fund agreements signed from time to time by the Centre with the Government of Alberta and Government of Canada. Where conflicts exist between the policies in this document and the requirements of Endowment and government agreements, the requirements of the specific Endowment and government agreements will take precedence over these Guidelines.
- c. In order to ensure sufficient capital to support a reasonable annual Spending Allocation, the minimum contribution required to establish an endowment is \$50,000, excluding potential government matching funds. Smaller gifts may be added to existing Endowment funds. This provision applies from the Effective Date of these Guidelines and does not alter previously established Endowments.
- d. Endowment funds may allow for a re-designation of the intended purpose of an Endowment fund if at any time after the creation of the fund, it is no longer feasible or possible to apply the Spending Allocation to the intended purpose. Under these circumstances, the Board of Governors of the Centre may approve the use of the capital or Spending Allocation for another purpose that most nearly fulfills the original intended purpose and honors the spirit of the original donation or gift. Whenever possible, the Centre will make reasonable efforts to contact and consult with donors or their heirs or successors (where commercially reasonable) regarding a change to the intended purpose of an endowment fund. The Centre will consult as appropriate with external advisors prior to re-designations to determine any specific requirements or to obtain any specific direction required by law.
- e. For maximization of investment return, risk diversification, economies of scale and distribution of income for spending, Endowment funds are combined into one or more Endowment pools. For various purposes (including reporting to donors), each Endowment is tracked individually.
- f. Endowment investment assets are managed by external investment managers in accordance with the Investment Policy Statement, unless otherwise required by law or agreement, and the specific provisions therein relating to the investment of Endowment funds.
- g. The direct costs of managing investment assets, custodial services and performance measurement shall be deducted from Investment Earnings of Endowment funds.

- h. In addition to all direct costs, a recovery of all or part of the Centre's costs to administer the Endowment may be deducted from the investment return of the fund.
- i. The Spending Allocation for all Endowment funds is intended to support direct program costs, related capital support and associated costs. The spending Allocation is to be determined as follows:
 - i. At the beginning of each fiscal year of the Centre, a minimum of 3.5% is usually allocated for spending from the current year's Investment Earnings based on an eight quarter rolling fair value average of the Endowment funds as of the end of the previous fiscal year. The actual percentage allocated is approved annually by the Centre Board of Governors as part of the annual budgeting process. The allocated amount is then distributed to the Centre for spending in accordance with Endowment restrictions.
 - ii. Additional or lesser amounts may be distributed from Undistributed Investment Earnings at the discretion of the Centre's Board of Governors.
- j. Should Undistributed Investment Earnings in any particular year be insufficient to fund the Spending Allocation, the Board of Governors of The Banff Centre may approve encroachment of the Purchasing Power Adjustment. The Centre's Board of Governors may also request, where permissible, the Foundations to encroach on the remaining components of Endowment Capital, with the expectation that such amounts will be recovered from future Investment Earnings. Subsection 76(2)(c.1) of the *Post-Secondary Learning Act* allows the Centre's Board of Governors to encroach on certain components of Endowment Capital to avoid fluctuations in amounts distributed if the encroachment benefits the Centre and does not impair the long-term value of the Endowment.
- k. Where, on occasion, amounts previously allocated or distributed for spending cannot be expended within the reasonably foreseeable future (due to such circumstances as the lack of participants that meet the restrictions for endowed scholarship awards), all or a portion of these amounts may be reinvested in the Endowment fund, either as Endowment Capital or as Undistributed Investment Earnings, at the discretion of the Board of Governors of the Centre.
- l. The Centre may, from time to time, choose to capitalize operating funds for the future and permanent benefit of the Centre. The Centre may consider this option when it has a surplus of funds after meeting all other obligations to fund operating requirements. Approval by the Board of Governors of the Centre is required to capitalize operating funds.
- m. In certain circumstances it may be appropriate to capitalize non-endowed restricted funds, subject to approval of the Board of Governors of the Centre. This may apply to situations where sponsored grants or restricted donations have not been fully expended and the residual is not expected to be needed in the near term due to lower levels of expenditures. The terms and conditions of these

restricted funds must allow for, and be consistent with, a transfer of residual amounts to Endowment.

- n. The Centre Board of Governors and The Banff Centre Foundation Board of Directors shall both review these Endowment Management Guidelines and the IPS periodically to ensure their objectives remain relevant and that the Spending Allocation is appropriate and allows as much of the Real Economic Value of Endowments to be maintained as possible.
- o. Unless otherwise indicated, these Endowment Management Guidelines are to be applied retroactively to all contributions received prior to the Effective Date.