

ENDOWMENT POLICY



CALGARY PUBLIC LIBRARY FOUNDATION
APPROVED: FEBRUARY 21, 2023

Purpose:

The purpose of this Policy is to establish certain internal controls and procedures to govern the establishment, administration, and management of the Endowment Fund.

The acceptance and receipt of donations which are applied to the Endowment Fund will be governed in accordance with this Policy.

Definitions:

Annual Allocation Rate – means the percentage used to calculate the Annual Allocation Spend.

Annual Allocation Spend – means the amount allocated from the Endowment Fund in a given year to be disbursed to the Library to support the Priority Initiatives.

Board – means the board of directors of the Foundation.

Endowed Funds – means the amount of a donation made by a donor to the Endowment Fund in accordance with the Endowment Agreement.

Endowment Fund – means the aggregate value of the Endowed Funds. The Endowment Fund is made up of individual principal accounts each representing Endowed Funds from one donor and any increase in value of such Endowed Funds over time and such decreases resulting from all Spending Allocation Disbursements associated with such individual principal accounts.

Endowment Agreement – means an agreement between the Foundation and a donor whereby the donor agrees to donate the Endowed Funds to the Foundation as part of the Endowment Fund.

Foundation – means the Calgary Public Library Foundation.

Library – means the Calgary Public Library.

Policy – means this Endowment Policy of the Foundation adopted by the Board on February 21, 2023.

Priority Initiatives – means the initiatives and projects to which the Spending Allocation Disbursement must be applied by the Library, as determined by the Board from time to time and always in support of the Foundation's charitable purposes.

Spending Allocation Disbursement – means the amount of the Annual Allocation Spend actually disbursed to the Library in a given year.

Stabilization Fund – means the reserve fund established by the Foundation, the funds of which are to be used to offset any difference between the Annual Allocation Spend and the Spending Allocation Disbursement and to provide access to funds for use by the Board to meet the required charitable and/or administrative expenditures of the Foundation in furtherance of its charitable objectives on an "as needed" basis.

Underwater – in respect of an asset, means the circumstance where the then current value of an asset is less than the aggregate amount that has been invested in that asset. In this case, the Endowment Fund would be Underwater where the market value of the Endowment Fund is less than the capital account of the Endowment Fund.

Policy:

The Endowment Fund is a permanent fund set up to hold Endowed Funds in perpetuity to support the Priority Initiatives. The Endowment Fund provides a sustainable source of funding by generating annual income to support the Priority Initiatives and maintain the Endowed Funds' real value, after inflation, in perpetuity.

The Foundation will enter into an Endowment Agreement with each donor which will specify the amount of the Endowed Funds and the specific purpose for which the Endowed Funds are being donated, such purpose to be aligned with the Priority Initiatives. Any donor-directed projects will proceed only with the approval of the Library and Library Foundation. Endowed Funds may be contributed in cash or other eligible form and official donation receipts will be issued for all eligible donations in accordance with the *Income Tax Act* (Canada).

The Board, under the guidance of the Finance Committee, will carefully monitor the impact of market conditions and the financial performance of the Endowment Fund. The investment objectives of the Endowment Fund shall be governed by the Foundation's Investment Policy.

The Foundation will use a total return on investment approach that does not distinguish between capital and income of the Endowment Fund. Realized capital gains may, at the discretion of the Board, be included in income of the Endowment Fund for the purposes of calculating the Annual Allocation Spend and the Spending Allocation Disbursement. Unrealized capital appreciation shall not be treated as income of the Endowment Fund because it may not represent actual income available for distribution.

The Finance Committee will review and set the Annual Allocation Rate annually. A rolling four-year average will be used when setting the Annual Allocation Rate to protect the Endowment Fund from short term market fluctuations.

The Annual Spending Allocation is the amount allocated each year from the Endowment Fund that can be spent to support the Priority Initiatives. The Spending Allocation Disbursement will be set annually by the Foundation's CEO and published in the annual Grant Letter from the CEO to the Library. Where the Spending Allocation Disbursement is less than the Annual Spending Allocation, the difference in such amounts will remain in the Endowment Fund.

The Stabilization Fund is intended to safeguard the long-term sustainability of the Foundation.

The maximum value of the Stabilization Fund will be 15% of the inflation adjusted cost of the Endowment Fund (the "**Maximum Value**"). At any time that the Stabilization Fund meets the Maximum Value, any earnings of the Stabilization Fund resulting in the value of the Stabilization Fund exceeding the Maximum Value will be contributed directly to the Endowment Fund.

Circumstances may arise when the Endowment Fund is Underwater. In this situation, the Board may, in its discretion, that a distribution of a specified amount be made from the Stabilization Fund to fund the difference between the Annual Spending Allocation and the Spending Allocation Disbursement in a given year. In the event that there are inadequate funds in the Stabilization Fund at that time to cover such difference, the Board may reduce or suspend the Annual Spending Allocation until such time as the Endowment Fund or the Stabilization Fund contains adequate funds.

To meet the required charitable and/or administrative expenditures of the Foundation in furtherance of its charitable objectives, the Board may also direct, from time to time on an “as needed” basis, that a distribution of a specified amount be made from the Stabilization Fund to the Library or the Foundation, as the case may be.

A designated, named endowment (“**Named Endowment**”) may be established, at the donor’s discretion, where a given donor’s Endowed Funds is valued at \$50,000 or more. A Named Endowment is required to vest for a full calendar year before a Spending Allocation Disbursement will be made in respect of such Named Endowment. Any further amounts may be contributed for any previously established Named Endowment, with no minimum contribution amount required. Each Named Endowment will be governed by a Terms of Reference which specifies the purpose and Priority Initiatives that will be supported.

The Board shall review this Policy annually and if it becomes impossible or impractical to administer or manage the Endowment Fund in accordance with the terms of this Policy, the Board may, at its discretion, modify the terms of the Policy as it sees fit.

This Policy was last reviewed on February 21, 2023.