

Endowment Policy

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PURPOSE

This policy governs the establishment, management, and disbursement of endowments from charitable gifts held by Scarborough Health Network Foundation (“the Foundation”).

SCOPE

This policy applies to all the Foundation endowment funds, unless specifically exempted by the, Finance, Audit and Risk Committee (FARC).

DEFINITIONS

Endowment – A restricted donation made to the Foundation, where the principal is invested, and the annual investment income supports, in whole or in part, a specified purpose.

Permanent Endowment Fund – A type of endowment fund in which the principal is kept intact, while the investment income is available for use to fund grants, programs, or operations in alignment with the Foundation’s mission. This fund is designed for the assets to be held in perpetuity.

Spend-down Endowment Fund – A type of endowment fund in which the principal is invested with the intent to grant the entire amount over a period of time, after a period of time, or at a pre-determined event until it is fully depleted.

Principal – The initial amount contributed to an endowment fund by a donor, plus any additional contributions from any source and any investment income added to the principal.

Stabilization Fund/ Account – The fund containing the amount of money available to fund holders that can be spent for the endowment’s agreed-upon purpose(s).

Investment Income – The value of all investment income earned or received from the Foundation’s investment portfolio. These earnings are calculated net of investment management expenses.

Stabilization Amount – The portion of the investment income added to the principal, which helps maintains the purchasing power of the endowment over time.

Gift Agreement – A written agreement between the Foundation and the donor(s) that documents the terms and conditions of a philanthropic gift to the Foundation.

Endowment Fund Terms of Reference – A document that provides guidance to staff in the maintenance of the fund, to reflect the stewardship role of the Foundation and to reflect the wishes of the donors. It includes information on the gift agreement terms, funding of the endowment, fund administration and investment, expenditure of funds and fund signatories.

POLICY GUIDELINES

Establishment of Endowment

Establishing an endowment fund requires the following:

- Approval from the President and CEO
- Signed Gift Agreement
- Signed Endowment Fund Terms of Reference
- Endowments may be established through:
 - a. Execution of a gift agreement with a donor provided there is a minimum commitment of \$100,000; or
 - b. Conveyance of a bequest with terms set out in a Will

The Foundation may maintain a variety of endowment funds to which the endowed gift may be applied at the Foundation's discretion based on the gift terms outlined by the donor.

The Foundation reserves the right to refuse endowment funds with terms that are onerous, highly restrictive, or for purposes that do not further the mission and/or strategic priorities of Scarborough Health Network Foundation.

Additional Gifts to Existing Endowments

Once established, the Foundation may accept additional gifts into an existing endowment fund, with no minimum threshold.

Terms of Gift Agreement

Terms of gift agreement will be negotiated based on the recommended terms of gift agreement.

Naming and Recognition

The naming of endowments is addressed by the Foundation's Donor Recognition Policy

Investment and Management of Endowment Funds

Endowment funds are pooled together for investment purposes, professionally managed, and maintained according to the Board’s Statement of Investment Policies.

Endowment funds will be invested with a view to both preserve and grow capital such that the future value of disbursements continues to achieve the intended impact. The availability of funds to fulfill spending for an endowment is dependent upon the generation of investment income. The Foundation will commit to making disbursements as soon as it is determined that sufficient investment income has been generated (after the first full fiscal year of investment) for the project being funded as laid out in and agreed to in the gift agreement and the relevant Terms of Reference.

The Investment Committee of the Board of Directors will approve distributions of the endowment funds on an annual basis. Such distributions will be consistent with terms of this Endowment Policy, the Foundation’s Statement of Investment Policy, and the relevant Terms of Reference for each endowment fund.

REPORTING AND ACCOUNTABILITY

The Foundation will produce and publish the audited financial statements that will be publicly available and posted on the Foundation website annually.

Every year, donors can expect an annual endowment report. The Foundation will make reasonable efforts to reach donors. If after such reasonable efforts and the donor is unreachable, the Foundation will cease regular reporting until the donor requests a resumption of the annual reports.

REVIEW OF POLICY

This Policy will be reviewed by the FARC every three years at minimum, or sooner if warranted by internal or external events or changes. Changes to the Policy will be recommended by the FARC to the Board of Directors.

RELATED DOCUMENTS

Gift Acceptance Policy

Donor Recognition and Naming Policy

Endowment Funds Terms of Reference

Statement of Investment Policies and Procedures

VERSION HISTORY

VERSION	DESCRIPTION OF CHANGE	APPROVED BY	APPROVAL DATE
1.0	First version.	Board of Directors	October 2, 2025

APPENDIX 1

Terms of Gift Agreement

Where endowments are established through gift agreement with donors, the following terms are recommended:

- Purpose of the endowment;
- Naming and recognition commitments;
- Minimum amount required to start funding for the specified project or initiative
- Notation that Board-approved nominal administration fees be applied annually;
- A provision allowing the donor and Foundation to amend the executed agreement by mutual consent;
- A permission to alter clause allowing the Board of Directors to vary the terms or the purpose of the endowment and a force majeure clause. Only the Board of Directors has the authority to waive the requirement for a right to vary clause in a gift agreement.
- A reference that endowments are accepted and managed in accordance with this policy and other pertinent Foundation and Board policies; and
- A term that endowments are administered in accordance with all laws and regulations, which prevail over terms in the endowment agreement.

Beyond these mandatory terms, the gift agreement will contain standard terms and conditions (such as donor information, payment terms, signatories, etc.).

APPENDIX 2:

Accounting of Endowment Funds

While the investments are pooled for investment management purposes, the general ledger will maintain accounting and reporting for each distinct endowment fund.

Each endowment fund is to be accounted in the general ledger as follows:

- (1) The original endowment contributions are to be maintained in capital accounts housed within the overall endowment fund.
- (2) A stabilization account will record all net investment income (dividends, interest, realized and unrealized capital gains and other investment income, net of investment fees) less cumulative investment appropriations. The stabilization account is also housed within the overall endowment fund.
- (3) Investment appropriations represent withdrawals from the endowment fund for:
 - (a) the annual expendable allocation for the designated purpose of the fund, which is transferred from the stabilization account to the respective restricted fund, and
 - (b) the administration fees, which are transferred from the stabilization account to the unrestricted fund.

Purpose of Stabilization Account

The stabilization account is intended to:

- Preserve the purchasing power of the endowment funds on an inflation-adjusted basis;
- Ensure the long-term capacity of the Foundation to pay the annual expendable allocations, even in a particular year where the investment return is below the annual expendable rate or a negative return;
- Grow the long-term value of the endowment fund to support higher expendable allocations in future years (depending on market returns).

Based on its review, the Investment Committee may, from time to time, choose to endow funds available in the stabilization account. In other words, transfer funds from the stabilization account to the endowment's permanent capital. Likewise, the Investment Committee may choose to endow any unexpended allocations.

Annual Expendable Allocation

The annual expendable allocation or distribution will occur at the start of each fiscal year and will be calculated as the lesser of:

- 3.5% of the fiscal year's opening market value
- The fund's stabilization balance

The annual expendable allocation cannot encroach on the capital of the endowment funds.

The distribution rate will be reviewed and approved annually by the Investment Committee to ensure that it is reflective of market returns and the stated intention to maintain the real value of the endowments.

A nominal administration fee of up to 1.5% shall be deducted annually from the investment returns before they are distributed. This percentage will be approved by the Investment Committee annually based on the distribution rate per above. The Investment Committee may forfeit the admin fee fully or partially. The said administrative fee shall be calculated on the balance of the Foundation's endowment funds as of the fiscal year's opening market value. The calculated amount will be transferred to the Foundation's unrestricted operating fund.

GRANT DISBURSEMENT PROCEDURES

Authorized signatories or their delegates must submit requests for disbursement of funds to the Foundation's Finance & Accounting Department.

Before processing disbursements, the Finance & Accounting Department must confirm that disbursement requests are:

- For an eligible expenditure that is in accordance with the fund's terms of reference;
- Approved by the current fund signatories;
- For an amount that will not overdraw the fund account; and
- Approved by the Foundation's management team.

Fund disbursements will be made via grant request form.

Management of Endowment Inflows and Outflows

The Vice President, Finance & Operations has the discretion to manage the cash inflows and outflows of the endowment funds within the parameters of this policy. The VP may choose to offset endowment contributions to the pooled investment portfolio against withdrawals for payouts. The VP may also choose to fund the payout from operating cash balances and later make a recovery from the endowment funds based on operational needs or investment performance.

Any funds due to/from the endowment will be reflected in the interfund cash position. All transactions will be appropriately documented in the Foundation's general ledger.