

The University of Auckland Foundation (‘Foundation’)

&

The University of Auckland School of Medicine Foundation (‘SoMF’)

Together the ‘Foundations’

Policy Manual

**Adopted at: SoMF meeting of 14th October 2013;
Foundation meeting of 13th December 2013**

This Policy Manual contains guidelines to assist and guide the Trustees and Management of the Foundations. Such guidelines are subject always to the fiduciary duties of the Trustees to act independently in the governance and operations of the Foundations in respect of the trust property under their control.

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Definitions & Abbreviations

“Available Income”

Means income made available for distribution to the beneficiary of an Endowment or Endowment-Like Fund

“Consumer Price Index” (CPI)

The Consumer Price Index as published by the Reserve Bank of NZ

“Capital Value”

Means the Nominal Value adjusted for inflation, usually measured by CPI

“Chairman”

Means the Chairman of the Foundation

“Current Use Investment Pool” (CUIP)

Means an Investment Pool designed to maintain its Nominal Value and provide liquidity for distributions while returning incidental interest and other investment income

“Current Use Fund”

Means a Named Fund that is invested into, and granted its share of, the CUIP; it may be distributed in its entirety

“Donation”

Means any gift, grant, or bequest made or pledged to the Foundations including all dispositions of property, whether goods, real estate, rights or monies, where there is no consideration made or paid to the donor for that disposition

“Endowment Expenditure Account” (EEA)

Means an account that holds Available Income prior to its distribution

“Endowment Fund”

Means a Named Fund that is invested into, and granted its share of, the EIP, which usually has a minimum requirement to preserve Nominal Value and sometimes, in addition, a requirement to preserve Capital Value

“Endowment Investment Pool” (EIP)

Means an Investment Pool designed to maintain its Capital Value while also generating Available Income that maintains its purchasing power over the long term

“Endowment-Like Fund”

Means a Named Fund that is invested into, and granted its share of, the EIP, which allows for distributions that may, from time to time, reduce its value to below Nominal Value but not usually so as to distribute it in its entirety

“Foundation”

The University of Auckland Foundation

“Goods & Services Tax” (GST)

Means any supply of services or goods by the Foundation, or any related party, whether in substance or form where the Foundation, or the related party, would be bound to charge and account for Goods and Services Tax

“Investment Pool”

Means a collection of assets (including, but not limited to, goods, real estate, rights or monies) that are, in combination, to provide the financial resources to carry out the objectives of the Named Funds invested into the pool

“Named Fund”

Means a fund in the Foundation that is separately named and accounted for that holds: donations or sponsorships given for a specific, general, or discretionary purpose; or any unallocated or residual monies that may be used at the Trustees’ discretion

“Nominal Value”

Means the original dollar value of the Donation or Sponsorship

“Retained Income”

Means income retained to add to the Nominal Value of the Endowment or Endowment-Like Fund

“SoMF”

The University of Auckland School of Medicine Foundation

“Specified Investment Fund”

Means a Named Fund that is invested into, and granted its share of, a SIP

“Specified Investment Pool” (SIP)

Means an Investment Pool whose nature is specified either by the Trustees or the Donor and which is held and accounted for separately from the CUIP or the EIP, usually to deliver specific objectives of the Specified Investment Fund, which could not be achieved by investing into the CUIP or EIP

“Sponsorship”

Means and includes all dispositions of property, whether goods, real estate, rights or monies, where there is a consideration made to the sponsor for that disposition

“Statement of Investment Policies & Objectives” (SIPO)

Means a statement of investment policies and objectives that govern the operation of a given Investment Pool

“Trustees”

Means the Trustees of the Foundations

“University”

The University of Auckland

I Donation and Sponsorship Acceptance

Designation of Donations and Sponsorships in regards to their investment

All funds of the Foundations, that are not its own operating funds, are to be designated as belonging to an Endowment Fund, an Endowment-Like Fund, a Current Use Fund, or a Specified Investment Fund according to the terms of the gift agreement or other acceptable evidence of the donor's intention.

Donation and Sponsorship Acceptance

1.0 Definitions & Abbreviations

See Definitions & Abbreviations at the beginning of the Policy Manual.

2.0 PURPOSE OF THIS POLICY

- 2.1 This policy seeks to provide procedures, a framework and guidelines under which the Trustees may properly and legally accept Donations and Sponsorships and account for them and to ensure consistent and equitable relationships with Donors and Sponsors.

3.0 POLICY

- 3.1 The Trustees may accept donations and sponsorships that are appropriate to the charitable purposes which are set out in the Trust Deeds establishing the Foundations.
- 3.2 The Trustees shall ensure that they understand the origin, nature and conditions prior to accepting any donation or sponsorship and shall not accept any that are:
- 3.2.1 Inconsistent with the maintenance of the highest ethical standards;
 - 3.2.2 Likely to adversely affect the Foundations' autonomy or good reputation with the public;
 - 3.2.3 Made with a stated purpose or condition which is inconsistent with the Foundations' mission or trust deed;
 - 3.2.4 Likely to incur significant additional costs and liabilities for the Foundations;
 - 3.2.5 Directed to or conditioned on providing benefits that would thereby violate The Human Rights Act 1993, or any other applicable Act of Parliament, or that reserve to the Donor or Sponsor or his/her representative the sole right to designate the recipient of such benefits;
 - 3.2.6 Where the purpose or object of the Donation or Sponsorship cannot in the foreseeable future be reasonably established or sustained from the donated or sponsored funds or where the resources or systems of accountability for such use are not present;
 - 3.2.7 In the case of a Sponsorship not accompanied by a GST payment by the sponsor.
- 3.3 In accepting Donations and Sponsorships the Trustees will, without compromising their independence, have regard to the policies and procedures of the University or any other beneficiary from time to time and the priorities of the University or any other beneficiary as to its mission, including, but not restricted to, its academic pursuits, research, teaching and learning and the construction of facilities.

3.4 In the case of a conflict between this policy and any terms laid out in a deed or agreement governing a particular Donation or Sponsorship, the latter terms will be observed.

4.0 PROCEDURES

- 4.1 Agreements, or an acceptable equivalent, are required for Donations or Sponsorships of \$10,000 or more.
- 4.2 Current Use Donations or Sponsorships of less than \$2,500 and Endowment Donations or Sponsorships of less than \$25,000 can only be considered for acceptance if an appropriate Named Fund already exists (or could reasonably be created) to accept those smaller donations or sponsorships; conversely, new Named Funds will only be created for Current Use Donations or Sponsorships of \$2,500 or more or Endowment Donations or Sponsorships of \$25,000 or more.
- 4.3 The Foundation Manager / SoMF Secretary will prepare all Donation and Sponsorship proposals and draft agreements in consultation with the likely or intended beneficiaries with signatures delegated as follows:
 - 4.3.1 Up to \$250,000: Foundation Manager / SoMF Secretary (or nominee);
 - 4.3.2 Over \$250,000 Chairman (or another nominated Trustee) and another Trustee and the application of the Foundations' Seal.
- 4.4 The processing of all Donations and Sponsorships will be overseen by the Foundation Manager / SoMF Secretary and the risks associated with accepting Donation or Sponsorship types shall be assessed as follows:
 - 4.4.1 Cash, cheques, EFT, and credit card payment – minimal risk; valued at face value;
 - 4.4.2 Publicly traded securities – minimal risk; liquidated at earliest convenience; valued at average of high and low published values on the day it passes to the control of the Foundation. If the publicly valued securities are valued at more than \$1,000,000, they will be liquidated only after approval from the Chairman;
 - 4.4.3 Restricted securities – moderate to material risk; appropriate professional advice as to valuation and liquidation procedure. If the restricted securities are valued at more than \$1,000,000, they will be liquidated only after approval from the Chairman;
 - 4.4.4 Real estate – moderate to material risk; appropriate professional advice as to: valuation procedure; security of title; freedom from environmental risks, limitations and encumbrances; cost & benefits of non-realisation; realisation procedure. If the real estate is valued at more than \$1,000,000, it will be realised only after approval from the Chairman;
 - 4.4.5 In kind property (other than real estate) – moderate to material risk; appropriate professional advice as to how to realise unless the Chairman approves accepting, using and/or caring for the in kind property.

Donations that are to become endowments once a certain total is reached

When a Named Fund has been set up with a specific target, such that once that target is reached it will become an Endowment, the following procedure is followed:

a) the initial Named Fund is a Current Use Fund;

b) unless otherwise specified, the Named Fund has five complete calendar years to attain the target (e.g. a fund set up June 30th 2013, will have until December 31st 2018 to attain its target). If it does so within that time period, it will be transferred in its entirety to a new Endowment Fund with identical purposes and the corpus will be set to the original specific target and any extra funds will be treated as reserves unless the Trustees direct otherwise. If it does not attain the target in that time period, the fund may be drawn down as is customary for Current Use Funds. If the gift agreement or other documentation allows for it, the Named Fund may also be drawn upon during the five year period, even though this will reduce its chance of attaining its target.

Bequests that are given as endowments but are insufficient to generate Available Income to support their purpose

From time to time, bequests may be accepted that are not large enough to generate sufficient Available Income to support their stated purposes (e.g. create a new chair). The Trustees may, subject to being entitled to under the terms of the bequest, elect to:

a) create a new Endowment Fund to receive the bequest and let it accumulate income until it is large enough to generate sufficient Available Income to support its purpose;

b) use the Available Income from this fund to support a purpose that is consistent with the bequest (e.g. partial support of an existing chair);

c) add the bequest to another existing Endowment Fund that will carry out the purposes of the bequest.

II Investment & Audit

Powers of the Investment Committee

The Trustees delegate to the Investment Committee the following powers:

- interviewing, recommending as to selection, and monitoring of investment consultant(s)
- interviewing, recommending as to selection, and monitoring of asset classes and fund manager(s)
- recommending as to approval and monitoring of SIPO(s)
- such other responsibilities as from time to time the Trustees shall by resolution record
- the Committee shall report regularly to the Trustees and advise the Trustees of their meetings, deliberations, recommendations and actions taken as a special committee

Investment of payments into Named Funds and allocation of income

All payments into Endowment and Endowment-Like Funds of the Foundation are to be invested as soon as practicable in the EIP (unless the donor instructs otherwise); all payments into Current Use Funds are to be invested as soon as practicable in the CUIP (unless the donor instructs otherwise); and all payments into Specified Investment Funds are to be invested as soon as practicable into the SIP.

Powers of the Audit Committee

The Trustees delegate to the Audit Special Committee ('Committee') responsibility to:

- review the preparation of annual financial statements and their presentation in accordance with generally accepted accounting practice
- recommend the appointment and terms of engagement of auditors and to review with them their findings and audit opinion
- carry out such other tasks as from time to time the Trustees shall by resolution record

The Committee shall report regularly to the Trustees and advise the Trustees of their meetings, deliberations, recommendations and actions taken as a special committee.

Donations of lump sums that are meant to be distributed at a higher rate than the spending rate as defined in the EIP SIPO

In some cases donors make a gift of a lump sum and request that it be paid out at a rate higher than the EIP SIPO spending rate until the lump sum is exhausted (e.g. a gift of \$10,000 to be paid out at \$2,000 p.a.). In these cases, the sum is to be invested in the CUIP, unless the Trustees or the donors direct otherwise.

III Distributions, Refunds, and inter and intra Named Fund Transfers

Limit of distribution delegation

Distribution & Refund requests \$20,000 and over will require approval from a full board meeting of the Trustees and shall be accompanied by evidence that the expenditure took place (or will take place) in conformation with the original purpose of the relevant Named Fund before payment may be made.

Distribution & Refund requests under \$20,000 shall be authorised by a nominated Trustee of the Foundations and shall be accompanied by evidence that the expenditure took place (or will take place) in conformation with the original purpose of the relevant Named Fund before payment may be made.

Inter and Intra Named Fund Transfers, of any size, may be authorised by the Foundation Manager or SoMF Secretary, provided the reasons for the transfer are documented as laid out in a Inter or Intra Named Fund Transfer form (maintained separately from this Policy Manual).

Endowment Fund Distribution

1.0 Definitions & Abbreviations

See Definitions & Abbreviations at the beginning of the Policy Manual.

2.0 Purpose of this Policy

This policy seeks to provide rules for the Trustees to make decisions about which income shall be distributed (as Available Income) to a beneficiary; or retained (as Retained Income) to build up the reserve of an Endowment Fund, hence preserving its Capital Value in the long term.

3.0 POLICY

3.1 The Foundations will determine, and inform the beneficiary of, the next calendar year's (CY2) forecast of funds available for distribution both in aggregate and for each Endowment Fund (i.e. its Available Income) in the middle of the current calendar year (CY1). The Available Income will be calculated as described in the EIP SIPO.

3.2 The Trustees may review and alter this policy from time to time, including the above percentages.

3.3 In the case of a conflict between this policy and any terms laid out in a deed or agreement governing a particular gift, the latter will be observed.

Endowment Expenditure Account (EEA)

On or about the 30th of June, the Foundation will transfer the annual Available Income from each Named Endowment Fund, as cash, into a Named EEA, to be offered to the beneficiary later in that year (CY1) for expenditure in the following year (CY2). If, for whatever reason, the previous year's Available Income was not spent, the transfer will not take place. The funds with a Named EEA will be invested in the CUIP and when called upon will be distributed as appropriate. Any income will not accrue to an individual EEA, but shall be transferred to a Trustees' discretionary account.

Inter-Fund transfers, where no removal of restriction is involved

Requests for inter-Fund transfers where no removal of restriction is involved may be considered and approved or denied by the Foundation Manager / Secretary SoMF provided that action is reported to the Trustees.

This requested change would usually be due to a simple error of attribution or the desire of the beneficiary (or occasionally the original donor) to move the donation from a less restrictive fund to a more restrictive fund (e.g. a gift for the University in general being reclassified as a gift for the Library in particular).

Removal of restriction (Change of Purpose)

A donation may be either unrestricted or restricted to a specific use. If the restriction(s) placed on the use of any funds contributed to the Foundations have been rendered illegal or unable to be fulfilled the Foundations will approach the donor(s) to alter the restriction(s). If the donor(s) are unavailable the Foundations will seek court approval to remove or modify such restriction(s).

If an application to the court is required, the Foundations will seek to use such funds for a purpose that reflects as near as possible the intent of the donor(s).

Restriction(s) will be considered unable to be fulfilled due to circumstances, including, but not limited to: the termination of the supported activity by the potential beneficiaries; a surplus of funds available from other sources to fulfill the designated purpose; the insufficiency of the restricted funds to fulfill the designated purpose where no funds from other sources are available to supplement the restricted funds; and the designated purpose is no longer consistent with the mission(s) of the potential beneficiaries.

Requests to change restriction(s) will be considered by the Trustees at a full Board meeting. If the change is approved by the Trustees the donor(s) will then be approached for their agreement, or if the donor(s) are unavailable, the approval of the court will be sought.

Refunds to donors or transfers to another charitable organisation

The Foundations only make a refund of a donation to the original donor(s) or a transfer to another charitable organisation in exceptional circumstances. All requests for a refund or transfer must be considered by a full Board meeting of the Trustees and any relevant regulations and legislation (including but not restricted to the: Anti Money Laundering Act 2009 and its subsequent amendments) must be taken into account. A majority of the Trustees may choose to make a refund or transfer, at all times exercising their absolute discretion, provided that all of the following conditions have been met:

- i) the original donor has requested the refund or transfer in writing;
- ii) the beneficiary confirms in writing that the activity that the donation was meant to support never took place or has permanently ceased and no claim has been or will be received from the beneficiary for that activity that would draw upon the donation;
- iii) EITHER if the original donor is a non-zero-rated taxpayer in New Zealand and is requesting a refund (as opposed to a transfer), he or she agrees in writing either to return the tax receipt provided by the Foundation and make no claim to the IRD for a charitable donation rebate; or if the original donor has already used the tax receipt to make a claim to the IRD for a charitable donation rebate, he or she agrees in writing to declare the refund as income to the IRD and does not object to the Foundations informing the IRD of the refund;
OR if the original donor is requesting a transfer to another New Zealand charitable organisation (which must be registered with the New Zealand Charities Commission) including conditions as to the use of the monies, that organisation must agree in writing to accept the transferred sum and the conditions attached to its use and to indemnify the Foundations against any claim the original donor may bring against the Foundations in relation to the transfer or the subsequent use of the monies by that organisation.

Committees which may advise the Trustees as to distributions

The Trustees will solicit, or receive, advice from the following (sub) committees as to distributions from specific Foundation / SoMF Funds from time to time.

1. **Business School Endowment Fund (BSEF) Committee**
This committee was set up by the deed of 9th May 2006 (BSEF Deed). It offers advice on any of Foundation funds coded: F-FBE-BSEN**, commonly known as “BSEF” funds.
2. **The University of Auckland School of Medicine Foundation (SoMF)**
SoMF offers advice on any Foundation funds coded F-FMH-*****, or any other Foundation fund where the Faculty of Medical & Health Sciences (FMHS) is recorded as the benefitting entity (usually F-USO-***** scholarship funds that benefit FMHS students).
3. **Charles Bidwill Entrepreneurial Challenge (CBEC) Committee**
This committee is set up within the University’s Business School to run the CBEC and offers advice on the Foundation fund coded F-FBE-CBEC, known as the “Charles Bidwill Entrepreneurial Challenge Fund”.
4. **Hood, DVA, and Seelye Fellowship Committees**
These committees are set up within the University and offer advice on suitable Fellows to be supported by the Foundation funds coded: F-UOA-HD, F-UOA-LFH, F-UOA-DVA, F-FBE-DMD, F-FAR-DAG, commonly known as “Hood” funds; and F-UOA-SCT, known as “Seelye Charitable Trust Fund”.
5. **The University of Auckland Society (The Society)**
The Society offers advice on the Foundation fund coded F-UER-UAS.
6. **The Liggins Institute Trust (LIT)**
LIT offers advice on any Foundation funds coded F-ILG-*****, or any other Foundation fund where the Liggins Institute is recorded as the benefitting entity (usually F-USO-***** scholarship funds that benefit Liggins Institute students). This advice is governed by the MOU of 16th May 2013 (LIT MOU).
7. **Auckland University Engineers Association Board (AUEAB)**
This committee was set up by the Deed of 31st August 2007 (AUEAB Deed). It offers advice on any Foundation funds coded F-FEN-AUEA**, as well as F-USO-CSS & F-USO-ARD, commonly known as “AUEA” funds.

Reports from beneficiaries

Requests for distributions over \$100,000 (singly or cumulatively in one calendar year) from any given Fund must be accompanied by a report of the activities supported by the expenditure where appropriate or reasonable, or by the promise of a report at a later agreed date.

IV Misc

Foundation / SoMF Trustee Indicative Meeting Agenda Items

IC = Investment Committee

AC = Audit Committee

At every quarterly meeting

- i) Apologies and previous Trustee meeting minutes
- ii) Manager's / Secretary's report
- iii) Management accounts
- iv) IC minutes and reports
- v) AC minutes and reports
- vi) Delegations (Banking, Distributions, Investments, Seals)
- vii) University report

Meeting 1 (Feb/Mar)

- i) Projected Available Income for following year (from IC)
- ii) Financial statements (draft; from AC)
- iii) Confirmation of Delegated Authorities
- iv) Directors & Officers insurance certificates
- v) Trustee interest statements

Meeting 2 (May/Jun)

- i) Transfer of Available Income into Endowment Expenditure Accounts
- ii) Annual Report (draft)
- iii) Financial statements and audit report (final; from AC)
- iv) Annual return to Charities Commission

Meeting 3 (Aug/Sep)

- i) Indicative expenditure for following year (draft)
- ii) Annual Report (final)

Meeting 4 (Nov/Dec)

- i) Indicative expenditure for following year (final)
- ii) Engagement letter from auditor (from AC)
- iii) Trustee terms & re/appointments if necessary
- iv) Fund review and transfer of residual balances

Delegated Authorities

Signatories and Delegated Authorities must be confirmed at the first Trustee Board meeting of each year.

Beneficiary Request for Payment or Grant

Less than \$20,000: Each Foundation request requires the approval of both the Manager and the Accountant and a nominated Foundation trustee; each SoMF request requires the approval of both the Secretary and the Accountant and a nominated SoMF trustee.

\$20,000 or more: Each request requires the approval of the Trustees by resolution.

Inland Revenue Department Returns (Goods & Services Tax)

Payment to the IRD for Foundation GST requires the approval of both the Manager and Accountant; SoMF GST requires the approval of both the Secretary and the Accountant.

Bank Account Holders

Foundation Chair and Chair of Audit Committee are the delegated Foundation account holders; SoMF Chair and Dean of the University Faculty of Medical & Health Sciences are the delegated SoMF account holders. They have authority to:

- Establish bank accounts with the banks approved by the Trustees
- Delegate Dealing Authority
- Authorise Fax and telephone indemnity (which allows the bank to take instruction by fax or telephone from a Dealing Authority)
- Authorise Direct Debit Authority (whereby the bank can direct debit a nominated account to transfer funds to their investment account)

Bank Signatories

The authority requires two signatures; with at least one from list (A). The lists are as follows:

- Foundation List A: Chair, Chair of Audit Committee, Chair of Investment Committee
- Foundation List B: Manager, Accountant
- SoMF List A: Chair, Dean of the University Faculty of Medical & Health Sciences
- SoMF List B: Secretary, Accountant

Internet Banking

Delegated Authority: The Foundation / SoMF Accountant is appointed as administrator to operate the Foundations' internet account with the BNZ.

Delegated Authority: The Foundation Manager / SoMF Secretary is appointed as authoriser for internet banking to approve the internet GST payments to the Inland Revenue.

The operations are limited to viewing the account transactions, transferring funds between the Current Call Account and Treasury Call Account, transferring funds between the Foundation and SOMF bank accounts (with transfer in excess of \$20,000 requiring the email approval of the two of the delegated bank signatories from source account) and issuing of IRD GST payments.

Bank term deposit dealing authority

The authority to negotiate, invest and terminate term deposits with the banks approved by the Trustees.

Delegated Authority: The Foundation Manager / SoMF Secretary or Foundation / SoMF Accountant have been delegated term deposit Dealing Authority with approved banks.

Delegated Authorities to communicate with the Investment Managers

These are the delegated authorities to approve the deposit and withdrawal of funds from the Foundation investment managers.

Delegated Authority: Foundation Chair, Chair Foundation Audit Committee, Chair Foundation Investment Committee, Foundation Manager as the delegated authority to communicate with the investment managers, with each request requiring the approval of at least two delegated authorities.

The following are maintained separate of this Policy Manual:

Endowment Investment Pool SIPO

Current Use Investment Pool SIPO

Specified Investment Pool SIPO(s)

Custodial investment agreement(s) between the Foundation & SoMF

Inter or Intra Named Fund Transfer Forms