

## GENERAL

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<b>Owner:</b>	Business and Development Offices
<b>Primary Contact:</b>	Chief Financial Officer, AVP Development
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<b>Next Review Date:</b>	As Needed
<b>Applies to:</b>	Faculty, Staff, Donors

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## OVERVIEW, PURPOSE, AND DEFINITIONS

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### Overview

This Endowment Policy has been reviewed and approved by the Columbus College of Art and Design Board of Trustees on March 28, 2023, and is subject to regular review and revision by the Board of Trustees for compliance with state and federal laws and other College policies and objectives.

For the purposes of this policy, the name “Columbus College of Art and Design” shall be used interchangeably with and refer to the entity known as “the College” or “CCAD.”

### Purpose

The College’s Board of Trustees has adopted this policy for effective operation and management of CCAD’s endowment and the funds within it. The College’s long-term investment portfolio (LTIP) will be managed to preserve the long-term, inflation-adjusted purchasing power of funds while providing a steady and growing stream of annual distributions to financially support CCAD’s mission.

This policy is intended to allow the College sufficient discretion to capture long-term investment opportunities, yet provide the College with parameters to ensure prudent management of its long-term investments. Standards, objectives, responsibilities, and procedures for the funds within the College’s LTIP are established herein.

This policy does not address short-term investments made by the College. The College’s LTIP is not meant to and should not be used to provide financial solutions for short-term issues.

The College's Gift Acceptance Policy governs all gifts. Gifts to establish endowment funds are subject to the Gift Acceptance Policy regarding general gift provisions, general acceptance guidelines, and gift procedures.

## **Definitions**

The College's LTIP consists of two components:

### **1. Endowment Funds (Donor-Restricted)**

- Endowment funds are defined as gifts or grants designated by a donor or donors for the College's use in perpetuity, unless otherwise noted in the gift agreement, toward a donor-specified but mission-appropriate purpose, such as scholarships, professorships, etc.
- Donors may request that endowment funds be established for the College's benefit and added to the investment portfolio when: a) the gift or grant meets minimum endowment funding levels; and b) a fully-executed gift agreement is filed with the Development Office.
- Endowment funds are restricted. The original principal and any subsequent additions will be preserved and managed as described within this policy and the gift agreement. Any distributed income will be used as prescribed within a fund description as approved by the Board of Trustees.

### **2. Quasi-Endowment Funds (Board-Designated)**

- Quasi-endowment funds are defined as:
  - a. Institutional funds designated by the Board of Trustees for the College's long-term use toward any mission-driven priority, program, or purpose.
  - b. Institutional funds designated by the Board of Trustees for the College's use toward any mission-driven priority, program, or purpose for a stated period of time or until occurrence of a particular event.
- The Board of Trustees, annually and as appropriate, may establish quasi-endowment funds to be added to the LTIP according to the procedures described with this policy.
- The principal of long-term quasi-endowment funds (a. above) is not expendable until further Board action, and distributed income is to be used as prescribed within a fund description as approved by the Board of Trustees.
- The principal of termed quasi-endowment funds (b. above) is not expendable for a stated period of time or until occurrence of a particular event, and distributed income is to be used as prescribed within a fund description as approved by the Board of Trustees.

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## DETAILS

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### **Fiduciary Standards**

The College's invested funds will be managed in accordance with the Ohio Uniform Management of Institutional Funds Act.

The College's Board of Trustees and its Finance and External Relations Committees, College staff, contracted investment managers and consultants, and any custodians are fiduciaries. Therefore, these individuals are required to:

- Act solely in the interest of the College, for the purpose of providing income and maintaining the real purchasing power of the endowment's principal.
- Act with the care, skill, prudence, and diligence under circumstances then prevailing that a prudent investor acting in like capacity and familiar with such matters would use in the conduct of an enterprise of similar character and objectives.

### **Conflicts of Interest**

It is critical that there be no conflicts of interest or perceptions of conflicts of interest when making investment decisions related to the management of the LTIP. Investments will not be made by the College if they would create a conflict of interest under any applicable College policy or ethics law.

The Board of Trustees abides by the Board Conflict of Interest Policy. In addition, if a member of the Board of Trustees is connected to an investment firm, that member will recuse themselves from any vote pertaining to the College's investment in funds managed by that firm.

College staff abides by the College Conflict of Interest Policy. In addition, no employees of the Finance Office will invest their personal monies in funds in which the LTIP is invested, excluding passively-managed investment vehicles seeking to match returns of a broadly diversified market index (index funds).

### **Investment Responsibilities**

The College's Board of Trustees has overall responsibility for the College's investment program as defined in this policy. Changes to the investment program, as recommended by the Finance Committee and the Chief Financial Officer, require approval by the Board of Trustees.

The Finance Committee of the College's Board of Trustees has strategic responsibility for the College's investment program as defined in this policy. The Finance Committee will:

- Ensure the LTIP operates and is managed in compliance with established policies, objectives, and procedures.

- In consultation with the Chief Financial Officer, review LTIP operations, management, and performance as needed and at least every committee meeting, and report any resulting findings to the College's Board of Trustees.
- In consultation with the Chief Financial Officer, review the LTIP's established policies, objectives, and procedures as needed and at least every two years, and present any resulting recommendations to the College's Board of Trustees for approval.

The College's Board of Trustees and its Finance Committee have entrusted the Chief Financial Officer to oversee the LTIP in accordance with this policy. The Chief Financial Officer will:

- Operate and manage the LTIP in compliance with established policies, objectives, and procedures.
- Routinely report LTIP operations, management, and performance to the Finance Committee of the College's Board of Trustees.
- Review established policies, objectives, and procedures as needed and at least every two years in consultation with appropriate College staff, and present any resulting recommendations to the Finance Committee.

In pursuit of the LTIP's established objectives and effective operations, the College may use external consultants, investment managers, custodian banks, and/or trust institutions to steward the assets of the LTIP. Management of these relationships will proceed as follows:

- External consultants, investment managers, custodian banks, and/or trust institutions will be selected and approved by the Finance Committee, and such selections will be reported to the College's Board of Trustees.
- Upon the Finance Committee's selection and approval, contracts with external consultants, investment managers, custodian banks, and/or trust institutions may be entered into and/or terminated by the Chief Financial Officer.
- The Chief Financial Officer will monitor the performance of external consultants, investment managers, custodian banks, and/or trust institutions, and annually report this performance to the Finance Committee.
- The Finance Committee will meet with and review the performance of external consultants, investment managers, custodian banks, and/or trust institutions annually, and report any resulting findings to the College's Board of Trustees.

## **Shareholder Rights**

The College recognizes that publicly traded securities and other assets of the LTIP may include certain ancillary rights, such as the right to vote at companies' shareholders' meetings and the right to assert claims in securities class action lawsuits or other litigation. The College requires of itself and its external managers the prudent management of these LTIP assets for the exclusive purpose of enhancing the value of the LTIP. The Chief Financial Officer has the authority to delegate proxy voting to external managers to maximize fund value, reserving the

right to direct the voting on specific issues as needed. The Chief Financial Officer will make best efforts to implement this policy in a socially and environmentally responsible manner.

## **Investment Objectives**

The College's Board of Trustees has responsibility for the LTIP's overall investment objectives. Changes to the following objectives, as recommended by the Finance Committee and the Chief Financial Officer, require approval by the Board of Trustees:

1. Preserve the long-term, inflation-adjusted purchasing power of funds while providing a steady and growing stream of annual distributions to financially support CCAD's mission.
2. Maintain an appropriately diversified portfolio across asset classes and investment managers.
3. Maintain reasonable distributions levels so as not to erode the inflation-adjusted assets over time.
4. Maintain adequate liquidity to support expected distributions, portfolio rebalancing, and funding of illiquid mandates, as well as reasonable unexpected needs.

## **Risk Tolerance**

The College recognizes the challenge of achieving LTIP objectives in light of uncertainties and complexities within investment markets. Prudent levels of investment risk will be applied to achieve stated investment goals.

## **Reasonable Distributions**

Distributions to the College will be based on a total-return-based spending policy, meaning that distributions will be funded from net investment income, net realized capital gains, and proceeds from the sale of investments.

## **Investment Performance and Benchmarking**

The Finance Committee of the College's Board of Trustees is responsible for monitoring investment performance of the LTIP against its stated objectives. LTIP investment performance, net of fees, will be evaluated using:

1. A long-term, inflation-adjusted, absolute return objective;
2. A composite benchmark consisting of unmanaged market indexes weighted according to the LTIP's target asset allocation stipulated by this policy;
3. A rolling five-year basis minimum evaluation period, consistent with the LTIP's overall long-term investment objectives.

The Chief Financial Officer is responsible for recommending the return objective, composite benchmark, and evaluation period to the Finance Committee as needed and at least every two years. The Finance Committee is responsible for approving the recommended return objective, composite benchmark, and evaluation period, and for reporting these approvals to the Board of Trustees.

The Chief Financial Officer is also responsible for monitoring external investment managers' performance against objectives as stated within their contract. External investment managers will be evaluated based on:

1. A market-based index selected or tailored to the manager's agreed-upon investment objectives and characteristics of the manager's portfolio;
2. Consistency of the manager's investment strategy relative to agreed-upon investment objectives and characteristics;
3. Performance of other investment managers having similar investment objectives.

**Portfolio Management**

**Asset Allocation**

The College's LTIP asset allocation is the most significant determining factor in the long-term investment returns and stability of LTIP assets. It is understood that actual returns and volatility of returns may vary from expectations and return objectives over short periods of time.

Below are the long-term asset allocation guidelines for the LTIP approved by the College's Board of Trustees given the objectives of the LTIP. Under normal circumstances, the LTIP will be allocated across asset classes and sub-asset classes as follows:

ASSET CLASS	TARGET	RANGE
Equity (Stocks)	75%	60-90%
<i>Domestic Equity</i>	60%	40-80%
<i>International Equity</i>	15%	10-20%
Fixed Income (Bonds)	15%	10-30%
Real Estate (REITS)	10%	5-15%
Cash and Cash Equivalents*	0%	0-10%

\*Cash and cash equivalents, including investment-grade fixed-income securities with a maturity of one year or less, are used to fund liquidity needs such as distributions to the College or a planned phasing of investments into the LTIP's other asset classes.

Modification of the above LTIP target asset allocation will be made in the event of material changes to the overall LTIP objectives, assumptions underlying policy spend rates, and capital markets or asset classes in which the LTIP invests. The Chief Financial Officer is responsible for managing the LTIP asset allocation and providing the Finance Committee with regular asset allocation reports. The Finance Committee is responsible for recommending any changes to the LTIP target asset allocation to the Board of Trustees. Any changes in the LTIP target asset allocation must ultimately be brought forward for approval by the College's Board of Trustees.

### **Diversification**

Diversification across and within asset classes is the primary means of avoiding undue risk of permanent capital loss over the LTIP's long time horizon. Consistent with this approach, the LTIP will avoid excessive investment concentrations as follows:

1. No single investment security, excluding those explicitly guaranteed by the U.S. government, will exceed 5% of total LTIP assets.
2. No single investment pool, investment company, or investment fund will exceed 20% of LTIP assets. Excluded from this requirement are passively-managed investment vehicles seeking to match returns of a broadly diversified market index (index funds).

### **Rebalancing**

Market performance will cause the LTIP's actual asset allocation to deviate from the target asset allocation. Under normal conditions, the following procedures will be used to rebalance the LTIP:

1. Incoming cash flows (contributions, transfers from the College) and disbursements will be made such that current LTIP weightings are closer to target weightings.
2. LTIP weightings will be evaluated by the Chief Financial Officer twice each year between March 1 – March 31 and September 1 – September 30 to determine deviation from target weightings. If any asset class is +/- 5% of the target allocation, the LTIP will be rebalanced.
3. The Chief Financial Officer may recommend a rebalancing to the Finance Committee at any time.
4. All rebalancing transactions will occur with oversight from the Chief Financial Officer and will be reported to the Finance Committee upon completion.

### **Closure of Long-Term Investment Portfolio**

Should extenuating circumstances require closure, in part or in whole, of the College's LTIP, a formal governance process is required. Such a process should include but is not limited to: an impact review report to the Finance and External Relations Committees from the Chief Financial Officer and Associate Vice President for Development regarding the potential effects of the proposed closure, opportunity for donor input regarding that impact review report, and

appropriate government oversight of any closure. Any recommendation for LTIP closure must ultimately be brought forward for approval by the College's Board of Trustees.

## **Fund Establishment**

### **Fund Minimums**

The College's Board of Trustees has responsibility for establishing minimum funding levels for endowment and quasi-endowment funds. Changes to these minimums, as recommended by the Finance and External Relations Committees of the Board, in consultation with the Chief Financial Officer, Associate Vice President for Development, and the President, require approval by the Board of Trustees.

To endow or quasi-endow a fund for the College's use, a gift, group of gifts, or institutional funds must meet the following minimum funding levels:

<b>FUND TYPE*</b>	<b>FUND MINIMUM*</b>
Undesignated Fund	\$25,000
Designated Fund	\$50,000
Endowed Scholarship	\$50,000
Endowed Professorship	\$300,000
Endowed Chair	\$1,000,000

\*Additional fund types and/or fund minimums, which may be set from time to time to promote special initiatives or campaigns, require approval by the Board of Trustees. Any additional fund types and/or fund minimums will be recommended by the Finance and External Relations Committees of the Board, in consultation with the Chief Financial Officer, Associate Vice President for Development, and the President.

Exceptions to minimum endowment funding levels may be permitted for certain gifts, including but not limited to estate gifts intended for endowment and/or gifts endowed prior to implementation of the minimum funding levels above. Such exceptions, as recommended by the Finance and External Relations Committees of the Board, in consultation with the Chief Financial Officer, Associate Vice President for Development, and the President, require approval by the Board of Trustees.

Donors may contribute the minimum corpus required for an endowment fund over a pledge period of up to five years, as scheduled within a fully-executed gift agreement. Such pledged gifts intended for endowment will be held in suspension until the minimum corpus has been reached. If the minimum corpus is not reached within the scheduled pledged period, the Development Office will first consult the donor to determine a current and immediate use of the suspended funds. If the donor is not available, the Board of Trustees may, in its discretion and in



consultation with the President and the External Relations Committee, direct the current and immediate use of the suspended funds to carry out, as nearly as circumstances permit, the original intent and purpose of the donor.

### **Endowment Fund Establishment**

When a donor, donor's estate, or group of donors intends to endow a fund for the College's use in perpetuity, the Development Office will work with the donor, donor's estate, or group of donors to document the gift or group of gifts through a gift agreement. This documentation must include:

- A description of the gift and the proposed endowment fund;
- Any donor restrictions on use of the fund;
- Any other information necessary to fully carry out the donor's wishes.

The President, in consultation with the Associate Vice President for Development and Chief Financial Officer, may recommend funds for endowment when:

1. A gift agreement, including endowment fund description, is fully executed.
2. The corpus equals or exceeds the appropriate endowed fund minimum.

The External Relations Committee and Finance Committee will review funds recommended for endowment. If the Committees approve such recommendations, then the recommendations will be brought forward for approval by the Board of Trustees.

The Finance Committee approves distributions from endowed funds annually. An endowed fund will be eligible for distribution if the corpus equals or exceeds the appropriate endowed fund minimum at least 12 months prior to the annual distribution and the Board of Trustees approves the endowment prior to the first distribution.

### **Quasi-Endowment Fund Establishment**

The President, in consultation with the Associate Vice President for Development and Chief Financial Officer, may recommend funds for quasi-endowment when:

1. A quasi-endowment fund description is prepared, outlining the College's proposed use toward any mission-driven priority, program, or purpose.
2. Institutional funds proposed for quasi-endowment, which may include unrestricted gifts, equal or exceed the appropriate endowed fund minimum.

The External Relations Committee and Finance Committee will review funds recommended for quasi-endowment. If the Committees approve such recommendations, then the recommendations will be brought forward for approval by the Board of Trustees.

## **Fund Management**

### **Fund Valuation**

Endowment and quasi-endowment funds will be pooled within the College's long-term portfolio for investment purposes, but will maintain fund separation for recognition and reporting purposes. Each fund will "own" a proportionate share of the endowment in the same manner that an individual investor owns a share of a mutual fund.

Endowment funds invested within the LTIP are allocated a number of units based on the fund's principal. The Chief Financial Officer will calculate fund values monthly. At the end of each month, LTIP investments are valued and a unit value calculated based on the aggregate number of units assigned to each LTIP fund. The unit value calculation also takes into account earnings and reinvestments.

New LTIP funds and additions to the principal of established funds are processed at the end of each month. Endowment fund additions will be allocated units only with the addition of cash. Non-marketable gifts will be liquidated first, and units allocated based on cash proceeds.

Notwithstanding the foregoing, the Board of Trustees may direct that quasi-endowment funds be invested at its discretion in compliance with this policy. Such LTIP funds will not be allocated units in the LTIP, and any investments made using such funds will not be included in the unit value calculation referred to above. Such LTIP funds will constitute a separate component fund of the LTIP and will receive distributions in the amount of and only to the extent of distributions from the underlying investments made using such funds.

### **Fund Distribution**

In order to maintain the purchasing power of the endowment and in an effort to preserve the principal of each endowment fund, income will be distributed on an annual basis for use as indicated in the endowment fund's description.

Distributions of LTIP assets are permitted to the extent that such distributions do not exceed a level that would erode the inflation-adjusted value of the LTIP's assets over time. To meet this objective and reduce the variability in annual LTIP distributions, the formula for calculating distributions is a weighted-average comprised of:

- 75% of the prior year's distribution amount adjusted for inflation as measured by the average year-over-year percent change in the Consumer Price Index for All Urban Consumers (CPI-U) as published by the U.S. Bureau of Labor Statistics for the calendar year of the prior year's distribution;
- 25% of the long-term target distribution rate multiplied by the average monthly fair market value of the LTIP for the 12 months preceding the most recent fiscal year end.

The long-term target distribution rate is 4%. The long-term target distribution rate will be reviewed annually by the Chief Financial Officer, in consultation with the Associate Vice President for Development, and any modifications will be approved by the Finance Committee, in consultation with the External Relations Committee.

Distributions will be calculated annually by the Chief Financial Officer and approved by the Finance Committee as part of the annual budgeting process. The Finance Committee may deviate from the formula to further reduce the variability of annual LTIP distributions or respond to changes in asset market conditions.

### **Fund Reinvestment**

If the College is unable to use a fund's annual distribution for the purpose stated within the endowment fund description, that annual distribution may be reinvested into principal per the terms of the gift agreement. Any reinvested distribution cannot be redistributed or withdrawn at a later time.

### **Fund Modification or Closure**

#### **Endowed Fund Modification or Closure**

If circumstances no longer allow for the effective administration of an endowed fund according to its original terms, the Development Office will first consult the donor to determine a modified use of the fund under the changed circumstances. If the donor is not available, the Board of Trustees may, in its discretion and in consultation with the President and the External Relations Committee, modify the terms of the agreement in order to carry out, as nearly as circumstances permit, the original intent and purpose of the donor. Fund modifications, whether initiated by the College or by the donor, must be approved by the Board of Trustees.

Should extenuating circumstances require closure of an endowed fund, the Development Office will first consult the donor to determine a current and immediate use of the fund balance. If the donor is not available, the Board of Trustees may, in its discretion and in consultation with the President and the External Relations Committee, direct the current and immediate use of the fund balance to carry out, as nearly as circumstances permit, the original intent and purpose of the donor. Fund closures, whether initiated by the College or by the donor, must be approved by the Board of Trustees.

#### **Quasi-Endowed Fund Modification or Closure**

If circumstances no longer allow for the effective administration of a quasi-endowed fund according to its original intent, the President, in consultation with the Chief Financial Officer and Associate Vice President for Development, may recommend to the External Relations and Finance Committees either modifications to the purpose of the quasi-endowed fund or an immediate use of the fund balance to close the quasi-endowed fund. The External Relations Committee and Finance Committee will review the recommendation to ensure the modification or closure carries out, as nearly as circumstances permit, the original intent of the

quasi-endowed fund. If the Committees approve the recommendation, then the recommendation will be brought forward for approval by the Board of Trustees.

### Policy Modifications or Exceptions

This policy is in effect until modified by the Board of Trustees. While material changes are expected infrequently, the Chief Financial Officer and Associate Vice President for Development will review the Endowment Policy at least annually for continued appropriateness and recommend any changes to the Finance and External Relations Committees. If the Committees approve such recommendations, then the Committees will bring the recommendations forward for approval by the Board of Trustees.

Exceptions to this policy will be reviewed by the Chief Financial Officer and Associate Vice President for Development for appropriateness. If appropriate, such exceptions will then be recommended to the Finance and External Relations Committees for approval. If the Committees approve such exceptions, then the Committees will bring the recommended exceptions forward for approval by the Board of Trustees.

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## ROLES AND RESPONSIBILITIES

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Role	Responsibilities (refer to listed section for details)
<b>Board of Trustees</b>	<ul style="list-style-type: none"> <li>• Review, revision, and approval of policy</li> <li>• Fiduciary Standards</li> <li>• Investment Responsibilities, Objectives, Performance and Benchmarking</li> <li>• Portfolio Management</li> <li>• Fund Establishment, Management, Modification or Closure</li> <li>• Policy Modifications or Exceptions</li> </ul>
<b>Finance Committee</b>	<ul style="list-style-type: none"> <li>• Review and revision of policy</li> <li>• Fiduciary Standards</li> <li>• Investment Responsibilities, Objectives, Performance and Benchmarking</li> <li>• Portfolio Management</li> <li>• Fund Establishment, Management, Modification or Closure</li> <li>• Policy Modifications or Exceptions</li> </ul>
<b>External Relations Committee</b>	<ul style="list-style-type: none"> <li>• Review and revision of policy</li> <li>• Fiduciary Standards</li> <li>• Portfolio Management (Closure)</li> <li>• Fund Establishment, Management, Modification or Closure</li> <li>• Policy Modifications or Exceptions</li> </ul>
<b>President</b>	<ul style="list-style-type: none"> <li>• Fund Establishment, Modification or Closure</li> </ul>
<b>Chief Financial Officer</b>	<ul style="list-style-type: none"> <li>• Review and revision of policy</li> <li>• Fiduciary Standards</li> <li>• Investment Responsibilities, Objectives, Performance and Benchmarking</li> <li>• Portfolio Management</li> <li>• Fund Establishment, Management, Modification or Closure</li> </ul>

	<ul style="list-style-type: none"> <li>• Policy Modifications or Exceptions</li> </ul>
<b>Associate Vice President for Development</b>	<ul style="list-style-type: none"> <li>• Review and revision of policy</li> <li>• Fiduciary Standards</li> <li>• Portfolio Management (Closure)</li> <li>• Fund Establishment, Management, Modification or Closure</li> <li>• Policy Modifications or Exceptions</li> </ul>
<b>Development Office</b>	<ul style="list-style-type: none"> <li>• Fund Establishment, Modification or Closure</li> </ul>

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**RELATED DOCUMENTS**

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Gift Acceptance Policy  
Board Conflict of Interest Policy  
College Conflict of Interest Policy

Ohio Uniform Management of Institutional Funds Act (Ohio Revised Code § 1715.51 to 1715.59)  
U.S. Bureau of Labor Statistics Consumer Price Index for All Urban Consumers (CPI-U)