**Instructions for Preparation of Endowment Fund document**

* Endowment Deed should be on the e-stamp worth Rs 1000/-
* Endowment Deed should be registered with the relevant registrar under the registration Act.
* Endowment Deed should be accompanied with one original and two attested copies of the sponsoring body.
* Incorporation certificate of the sponsoring body.
* A certificate from the concerned Bank showing the date of opening of account and the date of depositing the amount (i.e, Rs. 15 million in case of institute while Rs. 50 million in case of a university) and the certificate of deposit showing long term commitment towards the endowment fund.
* A not-for-profit association (more commonly called an NGO or NPO) may be registered as company under the provisions of the Companies Ordinance, in general terms, a not-for-profit association (company) applies its profits or income in promoting its charitable/ useful objects and prohibits the payment of any profits, income, dividend or proceeds to its members.
* Before its registration as a company with the Securities and Exchange Commission of Pakistan, any such association is required to obtain license under Section 42 of the Ordinance read with rule 6 of the Companies (General Provisions and Forms) Rules, 1985 (the ‘Rules’) and the relevant Circulars issued from time to time. The Commission issues license for a period of five (5) years, renewable for further term (s) of five (5) years each.

**TRUST DEED**

**ENDOWMENT FUND FOR**

**“NAME OF PROPOSED HEI” (Registered)**

(ON NON-JUDICIAL STAMP PAPER WORTH Rs.1000/-)

Whereas the founders of trust are desirous of forming an irrevocable education trust and have for this purpose contributed a sum of Rs.xxxxxxxxxxxx/-(Rupees xxxxxxxxxxxx) towards the Corpus of the Trust:

The Name of the Trust shall be -----------------------------------

The office of the Trust shall be situated at Punjab ----------------------------------------------------

and the address may be changed as and when found necessary by the Trustees and the area of Operation of the Trust shall be the Districts of Punjab Pakistan and the same is registered under the registration Act 1908.

**WHEREAS:**

i. The Settler has paid or transferred cash in the sum of Rs: --------------------- to the Trustee (“the Initial Sum ------- minimum of which would be determined by PHEC from time to time”).

ii. It is apprehended that further cash or assets may at any time be paid or transferred to the Trustees to be held under Trust.

iii. The Settlor have appointed the Trustee and the Trustee has undertaken under the terms stated in this Deed to act as Trustee for the custody, management and administration of the Trust for the purpose declared herein and for the benefit of the Beneficiaries herein designated.

iv. The Deed sets out the terms of the Trust as herein contained.

**Now this deed witnesses as follows**:

1. INTERPRETATION & DEFINITIONS:

i. In this Deed where consistent with the context, the singular includes the plural and the plural the singular.

ii. Words importing the masculine gender include the feminine and vice versa.

iii. Headings herein are inserted for convenience only and shall not affect the construction of the provisions hereof.

iv. Where a word or expression is defined, related words and expressions shall be construed accordingly.

v. The words “written” or “in writing” shall include printing, engraving, lithographing or other means of visible reproduction.

vi. Any reference to this Deed or to any other agreement or document includes a reference to this Deed, or, as the case may be, such other agreement or document as amended from time to time.

vii. The words “includes” and “including” shall be construed without limitation.

viii.The Trustee acts solely as Trustee for the Beneficiaries.

ix. In this Trust Deed, unless a contrary intention is expressed, the following words shall have the meanings given hereunder:

|  |  |
| --- | --- |
| Words and expression | Meanings |
| ‘Trust Fund’’ | Trust Fund means.  i. the Initial Fund and the Subsequent Fund; and  ii. all income and other accretions generated by the Trustee on the investment of the Initial Fund and the Subsequent Fund including any interest thereof; and any other assets from time to time arising from, out of or declared in respect of the Trust from time to time representing the foregoing items or any part or parts thereof. |
| “Person” | Includes a Person anywhere in the world and includes a Trustee or legal entity. |
| “Year” | One calendar year. |
| “Trustees Limited” | Trustees Limited is hereby appointed trustees of the Trust. |
| “possession of the Trust Fund” | The Trustees shall stand possessed of the Trust Fund including cash for the time being held or deemed to be held upon trusts of this deed for the Beneficiaries. The Trust Fund shall be held as a single common property. |
| “Perpetuity period” | The Perpetuity period for the purpose of this Deed shall be the period of 80 (eighty) years beginning from the date hereof. |
| “Authorised Investments and income” | During the Trust Period, the Trustee shall invest the Trust Fund in Authorised Investments and  allow income to accrue to the Trust Fund. |
| ENDOWMENT FUND | Means mandatory fund created by the Trustees or the Board of Directors who has a fiduciary responsibility to ensure the fiscal soundness of [INSTITUTION/ORGANIZATION]. INSTITUTIONAL endowment FUND is like a savings account for ANY CHARTERED INSTITUTION OR THE organization. It provides a consistent and ongoing source of revenue to supplement annual fundraising efforts and ensures the future of EDUCATIONAL Mission OF THE INSTITUTION. The Board’s leadership in understanding and supporting [ORGANIZATION]’s endowment is critical to a successful endowment effort. See Appendices I also. |
| **Cash and Cash Equivalents** | The Education Endowment Fund considers all cash and highly liquid financial instruments with original maturities of three years or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to permanent endowment or other long-term purposes of the Education Endowment Fund are excluded from this definition |
| Investments and Net Investment Return | Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return isreported in the statements of activities and consists of interest and dividend income, and realized and unrealized  gains and losses. |
| Revenue and Revenue Recognition | Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. |
| Income Taxes | The Education Endowment Fund is organized as an Illinois non profit organization and is exempt from income tax under different sections of income tax Act. The Education Endowment Fund is not required to file a Return of Organization Exempt from Income Tax with the Punjab Revenue Authority. However, the Education Endowment Fund is subject to income tax on net income that is derived from business activities those are unrelated to its exempt purposes. The Education Endowment Fund has determined it is not subject to unrelated business income tax. The Education Endowment Fund believes that it has appropriate purpose for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Education Endowment Fund would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. |
| Uniform Prudent Management for endowment | **.** The Education Endowment Fund considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:  • The duration and preservation of the fund  • The purposes of the organization and the donor-restricted endowment fund  • General economic conditions  • The possible effect of inflation and deflation  • The expected total return from income and the appreciation of investments  • Other resources of the organization  • The investment policies of the organization |

The provisions of these presents and of any duly executed deed supplemental hereto shall be binding on the Trustees, the Beneficiaries and all persons claiming through them respectively as if such person had been party to these presents and such deed.

**AUTHORISED INVESTMENT and INVESTMENT OF EDUCATION ENDOWMENT FUND**.

The Trustee may invest the Trust Fund in any of the following investments:

(a) all bonds, treasury bills and other securities created or issued by or on behalf of the Federal Government of Pakistan;

(b) bonds issued by Central Government or central/Punjab Government agencies or wholly owned companies of a Central Government, provided that:

(i) such securities have sinking funds dedicated for their repayment and (ii) are fully guaranteed by irrevocable standing payment orders against such State's statutory allocation from the federation account established u (as may be amended, supplemented or replaced from time to time) or by foreign guarantees by issued by an international bank, development finance institutions or multilateral development finance organisation with a minimum credit rating of 'A' by an international rating agency;

(c) securities created or issued by statutory corporations in Pakistan established by an Act of the National Assembly or companies that are wholly owned by the Federal Government of Pakistan or wholly owned by a statutory corporation established under an Act of the National Assembly;

(d) Money market instruments of banks and discount houses as well as commercial papers issued by corporate entities;

(e) open/close-ended/hybrid investment funds, including exchange traded funds, which are registered with the Securities and Exchange Commission of Pakistan (“SECP”) or any other replacement entity;

(f) Global Depositary Receipts and Eurobonds issued by listed Pakistani companies, as certified and approved by SECP; and

(g) Investment funds whose underlying assets are tangible physical assets including (a) real estate investment trusts registered by SECP; (b) private equity funds registered with SECP;

(c) Infrastructure funds registered with SECP, PROVIDED THAT such funds have satisfactory pre-defined liquidity/exit routes.

Notwithstanding the powers conferred on it under above clause, the Trustee shall ensure that in making an Authorised Investment, there shall at all times be sufficient monies in the Trust Fund to meet any immediate needs of the Beneficiaries that are in accordance with clauses of this Deed. Accordingly, no investment shall be made in exercise of the power conferred by this clause above if such investment would cause the value of the Trust Fund invested to exceed **¾** of the total value of the Trust Fund (the “Principal Investment”). The balance of **¼** of the Trust Fund may be invested in call deposits with any leading bank or financial institution in Punjab or be invested in other investments that are capable of being liquidated by a notice of not more than forty-eight hours (the “Secondary Investment”).

If following the making of an Authorised Investment, money is required by the Beneficiaries for any of the purpose under above clause and the entire Trust Fund has been invested in both Principal Investments and Secondary Investments, the Trustee should take immediate steps promptly liquidate the Authorised Investments beginning with the Secondary Investments. If the proceeds of the Secondary Investments are not sufficient to satisfy the immediate requirements of the Beneficiaries, the Trustee shall liquidate such part of the Principal Investment as may be required to meet the Beneficiaries immediate needs.

In making an Authorised Investment, the Trustee shall exercise reasonable care and prudence expected of trustees of similar assets as the Trust Funds in similar circumstances and adopt those practices, methods and acts that as are in accordance with internationally recognised, first class industry standards of professionalism and prudence required of trustees of a similar assets of the Trust Fund and make only those investment after exercising such level of prudence and care.

EDUCATION ENDOWMENT FUND:

a. The Trustee shall apply the income generated by the Trust Fund solely for the payment of the Education Expenses and welfare of the Beneficiaries.

b. The obligation of the Trustee to fund the Education Expenses shall not extend to any sum by which the actual Education Expenses of the Beneficiaries jointly or severally exceed any income, interest, addition and accretion to the Trust Fund.

c. The Settler/Trustee shall after the Execution Date and from time to time as applicable, provide the Trustee with all relevant information in connection with the education of the Beneficiaries such as the name of the education institution(s), the requisite fees and other expenses payable, commencement date of the respective institutional terms and such other information as is necessary to enable the prompt settlement of the Education Expenses by the Trustee.

d. The Trustee shall ensure the prompt payment of the Education Expenses at the applicable periods upon receipt of the appropriate notification from the Settlors or any other person so appointed for the said purpose.

**NUMBER OF TRUSTEES**:

The number of Trustees including the Author of the Trustees shall not be less than \_\_\_\_\_\_\_\_\_\_and not more than \_\_\_\_\_\_\_\_\_\_persons. The Board of Trustees shall nominate and invite person/persons to be the other trustees for such period, as they may deem fit and proper.

**MEETING AND PROCEEDINGS OF THE TRUSTEES:**

The Trustees shall ordinarily meet once in \_\_\_\_\_\_\_\_months or as often as may be necessary for the satisfactory conduct of the affairs of the Trust.

**NOTICE:**

\_\_\_\_\_\_\_\_\_days Notice shall ordinarily be given in writing for a meeting of Board of Trustees.

**QUORUM:**

The Quorum for the Meeting of the Board of Trustees shall be (\_\_\_\_\_\_\_) numbers quorum is required for a meeting adjourning for want of Quorum.

A minute book shall be kept by the Managing Trustee. The proceedings of the board of trustee shall be entered in the minute book and shall be signed by the President of the Board.

**VOTING:**

Decisions of the Board of Trustees may be made at a meeting or by circulation of papers to them. Normal matters of routine nature may be circulated and decision obtained. The important matters are to be decided at the meeting. All matters arising for disposal shall be decided by a majority of the Board of Trustees present at the Meeting. The President of the Board of Trustees shall have a casting vote in the event of equality of votes, in addition to his own.

**TERMINATION OF APPOINTMENT OF TRUSTEE**

a. The Settlor(s)/board of trustees /Board of trustees may unanimously terminate the appointment of the Trustee at any time provided that they give the Trustee at least thirty (30) days written notice of their intention to terminate.

b. The Trustee shall within a reasonable period transfer to any successor trustee nominated by the Settlor(s)/board of trustees; all of the relevant documentation in respect of the Trust and complete control over the Trust Fund (including updated statement of accounts and investment of the Trust Fund).

c. The Trustee may resign as trustee at any time without assigning any reason by giving not less than thirty (30) days' prior notice to that effect to the Settlor/Board of trustees; provided that no such resignation shall be effective until (a) a successor to the Trustee is appointed by the Settlor within the 30 days' notice period from the receipt of the Trustee's notice of resignation and (b) all of the relevant documentation in respect of the Trust and complete control over the Trust Fund (including updated statement of accounts and investment of the Trust Fund) have been transferred to such successor.

d. In the event of the transfer of the assets of the Trust to any new successor appointed by the Settlor/board of trustees, as contemplated above, the Trustee shall be entitled to deduct fees reasonably accrued as at the time of the termination of the Trustee's appointment.

**DISPUTE RESOLUTION**

a. If any dispute arises as to the validity, interpretation, rights and or obligations of the Parties under this Deed, the Parties shall use their best endeavours to reach an amicable settlement of the dispute.

b. Where the Parties fail to reach an amicable settlement of such dispute within a period of thirty (30) days, the dispute shall be resolved by arbitration, conducted in accordance with the provisions of the Arbitration and Conciliation Laws of the Pakistan and Punjab.

**GOVERNING LAW AND JURISDICTION**

This Deed and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and shall be construed in accordance with Pakistani Law.

**AMENDMENTS:**

No amendments to the Trust Deed shall be made which may prove to be repugnant to the provisions of Trust Act; registration Act 1908 and of the Income Tax ord and provisions of SECP as amended from time to time.

**COUNTERPARTS**

This Deed may be executed in any number of counterparts, all of which together shall constitute one and the same instrument and any of the parties hereto may execute this Deed by executing any such counterpart.

**OTHER PROVISIONS**

a. Without prejudice to other provisions of this Deed, the Trustee shall administer the Trust in accordance with the administrative provisions set out in Schedule 1 of this Deed.

b. The Trustee shall not have power to charge or otherwise encumber the Trust Fund/ENDOWMENT FUND or any part of it except with the consent of the Settlor/Board of trustees and then only for the purpose of securing any obligation of the Trust.

This document has been executed as a Deed and is delivered and takes effect on the date stated at the beginning of it.

**THE SCHEDULES**

The schedules form part of this Deed and any reference to this Deed includes the schedules.

**Schedule 1: Administrative Provisions**

1. INVESTMENT OF AND MANAGEMENT OF THE TRUST FUND

Trustee may reasonably consult any company, firm or enterprise associated with it, for banking, financial or investment advisory services on behalf of the Trust and all consultation charges shall be charged to the Trust.

The benchmark for return on investment of the Trust Funds shall be the rate of return for investing in treasury bills issued by the Federal Government of Pakistan/State Bank of Pakistan as at the date of such investment.

All reasonable fees, costs and expenses referred to this Clause 1 and for the administration of the Trust, properly incurred by the Trustee shall be funded to the extent possible from the Trust Fund. To the extent the Trust Fund is not sufficient to fund all such Education expenses/Endowment Fund; the Settlor(s) or his Estate will provide the Trustee with additional funds to settle such Education expenses.

**INCOME**

The Trustees must treat the income of the Trust Fund as arising when it is payable.

The Trustees may pay Education expenses (including taxes) out of income or capital of the Trust Fund.

If the Trustees obtain a receipt for a payment made under this trust from the treasurer, or other apparently appropriate officer, of the Beneficiary to which the payment is made, they have no further duties relating to the payment.

**RECEIPTS**

If the Trustees obtain a receipt for a payment made under this trust from the treasurer of the institution, or other apparently appropriate officer, of the Beneficiary to which the payment is made, they have no further duties relating to the payment.

**INDEMNITIES**

The Trustees may give any indemnities that they consider appropriate to any person (including a retiring trustee).

**PAYING AND PROTECTING THE TRUSTEES**

The Settlor shall pay to the Trustee for the services to be provided by the Trustee under this Deed, a sum state in a fee letter in each year as administrative fees and or such reviewed fees published by the Trustee, communicated to and agreed with the Settlor for the Trustee's services.

The Trustee shall not be liable for any breach of trust unless it results from the Trustee:

(a) Acting in a way that it knows to be contrary to the interests of the Beneficiaries of this Trust; or

(b) Being recklessly indifferent about whether an action is contrary to the Beneficiaries' interests; or

(c) Being recklessly indifferent about whether an action will result in substantial depletion of the Trust Fund;

(d) It is negligent; fraudulent of the breach is as a result of misconduct.

**Schedule 2: Beneficiaries to the Trust Fund**

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**Schedule 3: Education Plan.**

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SIGNED as a deed and DELIVERED by the said ---------------------

1.

2.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

# **Authors of the Trust**.

1.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

2.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

3.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

4.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

5.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

# **Trustees.**

In the presence of: -Name:

Signature:

Occupation:

Dated

SIGNED as a deed and DELIVERED by the said --------------------------------------------

SIGNED as a deed and DELIVERED by the said --------------------------------------------

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Appendices I:(should be registered)**

**EDUCATION ENDOWMENT FUND & OPERATING POLICY**

This ------------------------------- Education Endowment Fund Operating Policy ("Operating Policy") is made this 1st day of -------------------, 2019 by the ------------------------- and shall become effective upon the approval by the PHEC. This operating policy should be read in conjunction with the Education Endowment Fund, which was authorized by the ---------------------------- and Chairman PHEC. This operating policy is subordinate to the objects of the Trust. In situations where conflicting provisions exist, the conditions set forth in the Trust Deed will legally supersede this document.

**I. NAME**

The name of the endowment fund to which this Operating Policy applies shall be “------------------------------------------------ Education Endowment Fund," hereinafter referred to as the "Education Endowment Fund."

**II. PURPOSE**

The purpose of the Endowment Fund shall be to improve the quality of education of the ----------------------------------- by providing financial support to students/employees/research purposes; that demonstrate financial need and to support the other needs of the --------------------------------. Education Endowment Funds will not be used for the normal on-going annual operations of the ------------------------------------------------.

The Education Endowment Fund shall be a separate account of the -------------------------------, and shall have the ability to receive any and all property, both real and personal, including stocks, bonds and other securities by gift, will, bequest, charitable trust, charitable gift annuity, life insurance, or other charitable means. As determined by the Endowment Committee, non cash contributions to the Endowment Fund can be converted to cash at the cash level and invested in the investment options as allowed by the ---------------------- Education Endowment Fund.

**III. ADMINISTRATION**

**A.** The Education Endowment Fund shall be monitored by an Endowment Committee. The Endowment Committee shall consist of members of the Trustees and PHEC nominee.

**B.** The Endowment Committee shall meet at least semi-annually in spring, prior to the end of the educational year and in March to address, among other matters, asset allocation and investment rebalancing. Special meetings shall be held upon the request of any committee member on an as needed basis.

**C.** Members of the Endowment Committee shall serve strictly in a voluntary capacity, and shall not receive compensation for their services. Expenses of the Endowment Fund, if any, must be approved in advance by a majority of the members of the Endowment Committee.

**D.** The assets of the Endowment Fund shall be invested in a diversified portfolio of investment options as allowed by the Board of trustees.

The Endowment Committee shall be mindful **(i)** that the investment objective of the Fund is to maintain the purchasing power of the Fund’s assets over time, and **(ii)** to grow the purchasing power of the Fund’s assets, relative to inflation.

**E.** For purposes of this Operating Policy, the "Contributed Capital" is the sum of all the original values of contributions made to the Fund by donors as of the date they were made. The “Contributed Capital” does not include any dividends, capital gains, appreciation, or interest income generated by the Contributed Capital.

**F.** The allocation decisions of the Endowment Fund assets shall be determined by the Endowment Committee and carried out by the --------------------------. The Endowment Committee may be advised by the PHEC before any modifications are made.

**IV. DISBURSEMENTS**

A. The secretary duly appointed by the board will submit distribution requests to the endowment committee for review, with final approval to be made by the board. All disbursements, as provided by the Endowment Fund shall be informed to the PHEC.

B. The Endowment Committee should be mindful that consistent annual distributions in excess of four percent (4%) of the fund’s assets will likely diminish the fund’s purchasing power over time, and distributions of one or two percent (1% or 2%) of the fund’s assets will likely increase the purchasing power of the Fund, relative to inflation, over time, assuming the Fund is invested in a well diversified portfolio of securities and among diversified asset classes. Distribution amounts will be based on a percentage of the Fund’s average asset balance, determined using the asset balances of the previous twelve (12) quarters. This averaging will assist in levelling out market fluctuations from year to year.

**V. RECORDS**

**A**. The Endowment Fund shall operate on a calendar year, from ------------------ to ----------, to facilitate benchmarking of investment returns.

**B.** The accounting transactions of the Endowment Fund are to be recorded as part of the institutionalise records but segregated into a separate "Endowment Fund Account" of the institution. Further, the Board shall prepare and maintain such auditable financial records as are deemed necessary by the institution and PHEC**.**

**C**. The Director General of Finance of the institution or its designated agent shall be responsible for the preparation of detailed records of receipts and disbursements of the Fund, shall maintain adequate documentation to permit financial reporting in a manner consistent with all applicable accounting standards as determined by the Accountant/Auditor General of Pakistan, and shall furnish the PHEC with quarterly reports of the Fund.

**D.** The Director General of Finance of the institution shall be responsible for the preparation of an annual report for the Endowment Fund as part of the institutions annual report. The Director General Finance is also responsible for maintaining records of donations to the Fund for the purpose of calculating the value of the “Contributed Capital” of the Fund.

The Annual Report shall be made available to individuals deemed appropriate by the Endowment Committee/PHEC.

**VI. DISSOLUTION**

In the event of the dissolving, the assets of the Endowment Fund shall be used in accordance with the conditions of trust deed/board decision/Articles of association/PHEC .

**VII. AMENDMENTS**

This Operating Policy may be amended from time to time by the Trustees/Directors and chairman of the endowment committee after consultation with the Endowment Committee and the PHEC and subsequent approval of the PHEC.

The undersigned chairman of board of trustees/Chairman Board Of Directors, Registrar of the institution shall request the approval of the endowment fund and the Operating Policy by PHEC as set forth herein, the day and year first above written.

\_\_\_\_\_\_\_\_(signed)\_\_\_\_\_\_\_\_\_(signed)\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_(signed)\_\_\_\_\_\_\_\_\_(signed)\_\_\_\_\_\_\_\_\_\_\_\_\_ \_

The endowment fund and Operating Policy is hereby approved this day \_17th of \_\_\_January\_\_ 2020.

\_\_\_\_\_\_\_\_\_(signed)\_\_\_\_\_\_\_\_