



Policy

Policy Name	Endowment		
Policy #	FO 7.0	Category	Finance and Operation
Policy Owner	Vice-President Administration	Effective Date	September 9, 2016
Policy Lead	Associate Vice-President of Finance and Corporate Services	Review Date	September 2021
Approved by	Executive Committee	Approval Date	September 9, 2016

1.0 Policy Statement

- 1.1 The Northern Alberta Institute of Technology (“NAIT” or the “Institute”) actively seeks and welcomes donations to establish endowments that provide stable and long-term funding for applied research chairs, scholarships and bursaries and educational support.
- 1.2 NAIT administers its endowments in accordance with the Trustee Act.
(<http://www.qp.alberta.ca/documents/Acts/T08.pdf>)

2.0 Scope

- 2.1 This policy applies to all endowment funds at NAIT.

3.0 Definitions

Term	Definition
Endowment Principal	The original value of donations to an endowment fund.
Endowment Funds	Funds set up to exist in perpetuity. The purpose of an endowment is to distribute funds from the interest earned. Endowment funds are composed of the endowment principal, matching dollars, and additions for inflation.
Inflation Adjustment Factor	The addition to the endowment fund designed to preserve the purchasing power of the endowment and calculated using the applicable spending income allocation rate.
Interest Income	Interest income earned on endowments and available for annual distribution and calculated by multiplying the prior year endowment principal balances by the annual rate of return on the Institute’s investments for the fiscal year.
Spending Income Allocation Rates	The percentage rates established by the Investment Advisory Sub-Committee used to determine the distribution of interest income to: <ul style="list-style-type: none">• support the purpose of the endowment;• add to the endowment principal the Inflation Adjustment

	Factor.
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4.0 Guiding Principles

- 4.1 Endowments at NAIT consist of externally restricted donations received by the Institute and internal allocations by NAIT's Board of Governors, the principal of which is required to be maintained in perpetuity.
- 4.2 The minimum donation required to establish an endowment at NAIT is \$25,000. Donations to endowment funds at NAIT will be pooled and invested in accordance with the Investment Policy and Investment Procedures.
- 4.3 Non-cash donations (i.e. securities, real property, etc.) will be converted to cash for investment purposes at the earliest opportunity or when advised by NAIT's investment manager.
- 4.4 Investment income earned on an endowment will be used in accordance with the purposes designated by the donor or, if undesignated, at the discretion of the NAIT senior management.
- 4.5 The Institute will protect the purchasing power of endowment funds through the addition of an Inflation Adjustment Factor to each fund on an annual basis.
- 4.6 Investment income supports the Spending Income Allocations and is distributed to support the purpose of the endowment as designated by the donor or, if undesignated, at the discretion of the Institute, and to the Inflation Adjustment Factor.
- 4.7 Unused Spending Income Allocations at the end of the fiscal year will be deferred towards future Spending Income Allocations to balance years in which the Investment income falls short of the required Spending Income Allocation.
- 4.8 The Investment Advisory Sub-Committee will establish the Spending Income Allocation Rates and review these rates annually. These rates will provide a predictable and stable Spending Income Allocation regardless of the financial markets performance.

5.0 Other Related Documents

Delegation of Authority Policy and Procedures
Investment Policy Net Asset Policy and Procedures
Net Asset Policy and Procedures

Document History

<i>Date</i>	<i>Action/ Change</i>
June 14, 2017	Updated minimum endowment to \$25,000 as approved by Finance Committee