



Procedure

Procedure Name	Endowment		
Procedure #	FO 7.01	Parent Policy	FO 7.0 Endowment
Policy Owner	Vice President Administration	Effective Date	September 9, 2016
Procedure Owner	Associate Vice President of Finance and Corporate Services	Review Date	September 2021
Approved by	Executive Committee	Approval Date	September 9, 2016

1.0 Purpose/ Background

- 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 enhanced teaching tools and facilities.
- 1.2 NAIT administers its endowments in accordance with the *Trustee Act*. (<http://www.qp.alberta.ca/documents/Acts/T08.pdf>)

2.0 General Principles

- 2.1 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.
- 2.2 A donation or pledge of a minimum of \$25,000 is required to establish an endowment.
- 2.3 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 Institute.
- 2.4 Advancement Office will maintain a Procedure Manual that provides detailed instructions ensuring adherence to this Procedure.

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 earned on the Institute's investments for the fiscal year.
One-Time Donation	One-time payment received from a donor for a specific purpose.
Pledge	A specified sum of money committed over a fixed period of time and paid by installments.
Spending Income Allocation Rates	The percentage rates established by the Investment Advisory Sub-Committee used to determine the distribution of interest earnings to: <ul style="list-style-type: none"> • support the purpose of the endowment • add to the endowment principal an Inflation Adjustment Factor.

4.0 Procedures

4.1 Establishing Endowments

- 4.1.1 Once a potential donor has been identified, Development Officers will meet with the donor to discuss endowment opportunities at NAIT. A donation or pledge of less than \$25,000 can be pooled with like-minded donations/pledges to create an endowment, subject to discussions with the donor.
- 4.1.2 An endowment proposal will use the approved Proposal template to ensure consistency and adherence to current practices.
- 4.1.3 The appropriate Endowment Agreement (donation or pledge) establishing the terms and conditions for the endowed fund is to be signed by the donor and the appropriate NAIT representative.
- 4.1.4 If applicable, up a new pledge in the donor system database will be set up.

4.2 Recordkeeping and Monitoring

- 4.2.1 Appropriate records shall be maintained for each type of endowment fund and for the interest earned on each fund.
- 4.2.2 The Department of Advancement approves all Scholarships and Bursaries Cheque Requisitions prepared by the Scholarships & Bursaries Office staff.
- 4.2.3 On a regular basis, the database is to be reconciled and reviewed/approved by Financial Services.

4.3 Interest Income

- 4.3.1 The Manager, Financial Planning will provide the Department of Advancement with the interest rate to calculate interest income for the year. The interest rate is estimated annualized rate of return on the Institute's long-term investment portfolio for the fiscal year.
- 4.3.2 The interest rate will be used to calculate interest earned on each endowment fund in prescribed manner. The interest earned on the principal amount is allocated for the purpose of the endowment plus the Inflation Adjustment Factor, based on the terms and conditions of the endowment agreement.
- 4.3.3 The interest calculations are matched to the Spending Income Allocation Rates as set out by the Investment Advisory Sub-Committee. The difference in actual interest earned to the required Spending Income Allocation is allocated to/from the appropriate deferred account.
- 4.3.4 An annual review is performed to assess the affordability of spend rates with a recommendation on the future spend rate to the Investment Advisory Sub-Committee.

4.4 Reporting to Donors

On an annual basis, the Department of Advancement produce an Annual Endowment update for each donor. The report shall include the endowment balance, the spending allocation, and any other information pertinent to the donor.

4.5 Amendments to Endowment Agreements

- 4.5.1 Annually the Associate Vice-President of Advancement or designate will review each endowment fund's activity to determine if the designated purpose of the endowment is being achieved (i.e. sufficient level of awards to eligible recipients).
- 4.5.2 If, upon review, it is determined that insufficient awards are issued from the endowment funds due to changing circumstances and/or restrictive criteria, the Associate Vice-President of Advancement or designate will contact the donor and discuss potential changes to the purpose of the fund and award criteria. Donor agreements are structured that in the event the donor cannot be reached, the Board will have the authority to make recommended changes.

5 Exceptions to the Procedure

- 5.1 Exceptions to the guiding principles in this policy must be documented and formally approved by the Policy Lead.

Procedure exceptions must include:

The nature of the exception

- A reasonable explanation for why the procedure exception is required

- Confirmation that the exception aligns with the general principles
- Any risks created by the procedure exception and how they will be managed.

6 Related Documentation

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