An Endowment is a donor contribution received on the understanding that the “principal” amount of the contribution will be invested in perpetuity with the investment earnings thereon to be used to advance specified purposes of the university as agreed with the donor in the Terms of Reference.

The administration of endowment funds is directed by the University Endowment Management Policy GP 20 and relates to the four types of accounts described below.

**Individual Endowment Principal Accounts**

An Individual Endowment Principal Account is established for each endowment and comprises the total of all donations received, any matching funds provided, endowment investment earnings allocated to preserve the purchasing power, and capitalization of allocated investment earnings to grow the endowment principal account.

Endowment principal is held in perpetuity to generate income for the defined purpose. Income generated by endowment principal is restricted for the purposes defined in the Terms of Reference.

The total of all Individual Endowment Principal Accounts is reported on the University’s audited financial statements as Accumulated Surplus – Endowment.

**Individual Endowment Spending Accounts**

Each endowment has an Endowment Spending Account whose balance is available to spend for the purpose of the endowment fund specified by the donor through the Terms of Reference.

An Initial Annual Spending Allocation of expected investment earnings is made at the beginning of the fiscal year to Individual Endowment Spending Accounts. The reason for making allocation in advance of annual investment income being earned is to provide a predictable basis for planning spending.

Additional Spending Allocations are made periodically during the year to recognize investment income that will be generated from additional donations received within the year.

The Initial Annual Spending Allocation is calculated by applying the Spending Income Allocation Rate to the average monthly value of the endowment principal to distribute the expected funds which will be available for spending.

The Spending Income Allocation Rate is reviewed annually and is set by the Board of Governors.

The total of Individual Endowment Spending Accounts is reported on the University’s audited financial statements as a part of Deferred Revenue.
On a pooled basis, all investment income (both realized and unrealized) earned in relation to endowments is initially recorded in this account. This includes earnings on endowment investments arising from the balances in the endowment principal, endowment spending and endowment income stabilization accounts. Allocations are made from this account to Individual Endowment Spending Accounts using a standard percentage Spending Income Allocation Rate. The balance of the Endowment Income Stabilization Account holds the endowment spending program surplus or deficit in order to minimize the impact on Endowment Spending Allocations due to market fluctuations.

The residual balance of the Endowment Income Stabilization Account is restricted to carry forward for the benefit endowment activity in future years.

The stabilization account seeks to achieve a balance between: (a) having sufficient funds in reserve to absorb fluctuations in investment returns to ensure a stable allocation of funds for endowment spending year-over-year; and (b) not holding too much in reserve when funds could be made available to either grow the principal or increase spending. This is accomplished by capping the balance in the stabilization account, after which funds are added to endowment principal.

The stabilization account is capped at 15% of the aggregate market value of endowment principal accounts to ensure unused earnings are utilized by the endowment program.

The Endowment Income Stabilization Account is a part of Deferred Revenue reported on the University’s audited financial statements and is further detailed as to its balance and transaction in the notes to the financial statements.

### Pooled Endowment Investments

The endowment fund investment strategy aims to, concurrently: maintain the purchasing power of the original principal invested for future generations and ensure that income is generated to support spending allocations which are both optimized and stable each year.

Investment policy is governed by the Investment Governance Policy B 10.09 under the supervision of the Board of Governors and the Investment Advisory Committee.

Endowment fund are invested on a pooled basis to optimize total investments and minimize administrative expenses. The investment pool is a diversified portfolio managed by external investment managers who report to the university’s treasury investment professionals.

All funds relating to the endowment (principal, spending and stabilization account balances) are invested solely for the benefit of the endowment program.

Investments related to endowments are reported in two components on the audited financial statements. The portion related to endowment principal is reported as Restricted Investments and the portion related to the spending and stabilization accounts is reported as a part of Portfolio Investments.