

University of Kentucky
Endowment Fund Creation Request Form
Instruction Guidelines

An Endowment Fund is a general ledger account, created as a result of a gift from a donor who has requested that the gift be invested and that the amount of income available for spending is used for a specified purpose as written in an endowment agreement. This agreement is final once it is signed by the Donor(s), the Office of Development, the University Legal Council, the Office of Treasurer, and the President of the University. Other signatures may be included such as those of Deans, Directors or other such authorized individuals within the University.

The language within the endowment document provides for the investment of the gift in perpetuity or according to specified terms. The funds are invested to provide for growth within the income account and to generate earnings to support a specific program at the University of Kentucky. Thus, the endowment is set up as a Fund, while the spending accounts are set up as Cost Centers. The endowment fund distributes spending income to a Cost Center through the endowment spending rule. Expenditures are made from the Cost Center in accordance with the restricted purpose set forth in the endowment agreement.

The Endowment Fund Creation Request Form is used once the endowment is in final form and is accompanied by a Cost Center Request Form and a copy of the endowment. Documentation available in lieu of an endowment agreement may include Board Actions, Last Will and Testaments, letters and other such documents and notations that show the intent of the funds received and how they are to be invested according to the Board of Trustee's Investment Policy.

The Office of Development is responsible for the original endowment agreement while Endowment Services maintains a copy of the original signed endowment in their files, along with any Board of Trustees Actions and/or any other pertinent information.

1. Indicate the action needed:
 - a. **New** is used for new endowment funds to be created.
 - b. **Amend/Update** is used if there is an attribute change within the college/unit. A change of name requires an approved Board Action or a letter from the donor specifying their desire to change the name or purpose of the endowment.
 - c. **Block/Freeze** is used once an account has no residual funds and shares. It prohibits further use in accounting.
2. Indicate the Source of the Fund
 - a. **True Endowment** – an external donor establishes an endowment and has signed an endowment agreement (or other governing document) specifying the use of the endowment income (or spending distributions) for a specific purpose.
 - b. **Quasi Endowment** – the Board of Trustees establishes an endowment with unrestricted or restricted funds that could otherwise be spent for current operations.
 - c. **Term Endowment** – an external donor establishes an endowment for a stated period of time or until the occurrence of a particular event.
 - d. **Funds Held in Trust by Others** – an external donor establishes a trust that is managed by an external financial institution who disburses the income to the University of Kentucky on a regular basis. A copy of the Trust document is required to insure that the donor's restrictions for use of the income are adhered to.
 - e. **Charitable Trust** – an external donor establishes a charitable trust that the University manages. Typically, the donor receives annuity payments during his/her lifetime and, upon death of the donor, the remainder goes to the University. During the donor's lifetime the trust assets must be maintained and invested separately and cannot be commingled with other assets.

- f. **Gift Annuities** – an external donor purchases a gift annuity contract with the University that provides for regular annuity payments to the donor throughout his/her life, with the remainder going to the University. Proceeds of all gift annuity contracts are invested together in a gift annuity reserve fund.

3. Use this area for General Accounting Information

- a. **FM Area** - UK00
- b. **Fund Number** – This number is assigned by Endowment Services if it includes a new account. For Amendments or Blocks you must include the 10 digit Fund number.
- c. **Valid Dates** – Enter the origination date that is used within the endowment agreement. If you are requesting that a fund be blocked, enter the month end date for the current month.
- d. **Fund Application** – for endowments is 103
- e. **Net Asset Class** –
- **RN** for Restricted Nonexpendable for all true endowments. Note on the cost center Restricted Expendable is used.
 - **RE** for Restricted Expendable for all Quasi and Term Endowments.
 - **UN** for endowments where the donor states that the usage is Unrestricted, in which case the cost center has been an Unrestricted gift account.
- f. **Name of Fund** – This area has 40 spaces on SAP and is known as the Short Title.
- g. **Full name as written with the agreement:** This must be the same as written within the body of the endowment agreement where it states, “The endowment shall be known as _”. This is not necessarily the same as the header title of the endowment. It is very important to use the proper title per the donor’s instruction.
- h. **Research Priority Area** - see www.uky.edu/EVPFA/Controller/gahome/RPA
- i. **Business Area** – see www.uky.edu/Regs/BPM
- j. **Discipline (CIP code)** – see www.nces.ed.gov/pubs2002/2002165.pdf
- k. **Department Number** – where the financial reports should go for reporting and reconciliation.
- l. **Cancer Research Match** - see www.uky.edu/Regs/BPM
- m. **Contact Person and Responsible Person** – is tied to the department number that you use.
- n. **Functional Area** – see www.uky.edu/Regs/BPM/

If you have questions contact your Area Budget Office for details.

4. Use this area for Endowment Services Information

- a. **Endowment Type:** The endowment agreement or governing document specifies how the endowment income (or spending distributions) will be used. Please indicate the following number that relates to the type of endowment:
1. Chair
 2. Professorship
 3. Fellowship
 4. Scholarship
 5. Lectureship
 6. Enrichment
 7. Other

- b. **Service Fee:** The endowment agreement or governing document specifies whether a service fee or management fee will be assessed. Indicate one of the following:
0.5000 If allowed and written in endowment agreement
9.9999 If not allowed by the donor and written as such within the endowment agreement.
Note: If endowment is to be exempt from the management fee, mark X in the "Exempt from Service Fees" field below.
- c. **Term Endowment End date:** Used on Term Endowments to indicate the period of time in which the term expires, as written in the endowment agreement.
- d. **Share Value:** Completed by Endowment Services
- e. **Spending Rule rate:** Completed by Endowment Services
- f. **RCTF:** is updated in Endowment Services as actions occur on those endowments eligible for RCTF State matching funds. All accounts start with "N" until the Board of Trustees approves it as an RCTF endowment. See below for explanations:
E: Eligible for RCTF Match (Approved by the Board of Trustees)
R: RCTF matching funds requested from the State
Y: RCTF matching fund received from the State
N: Not eligible for RCTF matching funds
- g. **Governing Document:** Specify if this account is governed by one of the following:
E: Endowment
W: Last Will and Testament
B: Board Action
O: Other document (including letters, memos and/or notes)
N: None of the above
- h. **Exempt from Service Fees:** Mark an "X" in this area if the donor has specifically stated within their endowment agreement that the funds are exempt from the service fee or management fee.
- i. **Distribution Cost Center or Fund:**
Specify where the spending distributions are to be posted:
General Accounting will only accept accounts that have both the Endowment Fund Creation Request Form and the Cost Center Request Forms and the signed Endowment Agreement. They will assign the new cost center to the Endowment account if you indicate "121_" and mark the percentage of distribution. If there are multiple distributions, please make notes at the bottom of the worksheet explanation area.
1. Enter the account with the greatest percentage or 100% in the first line.
2. If appropriate, a percentage of the spending distribution can go to the Fund account and the remaining percentage can go to the Cost Center.
- j. **Required Explanation:** Please provide a brief description of the action you are taking on the document so that Endowment Services and General Accounting quickly know what you wish to accomplish. Attach a copy of the signed endowment agreement.

If you have questions, contact Endowment Services at 257-7394.