The Endowment Fund Create Form is the tool used to account for Endowment funds received. Funds are created based on an endowment agreement and a donor’s gift that will be invested in perpetuity. The Endowment Agreement is the binding document that provides for investing and uses of funds. Further, the Board of Trustees provide for spending distributions through the Endowment Investment Policy. This policy provides for a portion of the earnings that will be available for spending according to the endowments designated use within the University of Kentucky. The website above provides more detailed information about endowment funds.

The following is a list of endowment agreement types to help with the understanding of endowments. The three digits represent the first three numbers of the SAP Fund according to its type. Templates for the creation and verbiage used in each type are provided by the Central Office of Development:

a. 070 - True endowment: is used when an external donor(s) has signed an agreement for a specified purpose and given a gift to be invested in perpetuity.

b. 071 – Quasi Endowment: is used when there is a Board Action and an Internal Quasi Endowment designating funds, received as undesignated, to be deposited and invested as any other endowment. The creation is based on the approval of the Board of Trustees through a Board Action. They are expendable funds because a Board Action can be taken to reverse the quasi endowment and use the money.

c. 072 – Term Endowment: is used when an external donor(s) has signed an agreement that has a certain term or condition that needs to be met. Depending on the written document, at the end of the term the monies available are moved to the appropriate cost center or fund as designated by the agreement.

d. 073 – External Trust: is used when a trust has been created at an outside financial institution for the benefit of the University of Kentucky. Funds are received from that financial institution and are deposited according to the terms of the trust; usually in a cost center.

e. 074 – Charitable Trusts: Is a Trust Fund that a donor has established with the Central Office of Development and is invested during the donor’s lifetime. Upon the donor’s demise, the University receives the residual funds and deposits the money into an account as designated by the original donor.

f. 075 – Charitable Annuities: Is an Annuity Fund that a donor has established with the Central Office of Development and is invested during the donor’s lifetime. Upon the donor’s demise, the University receives the residual funds and deposits the money into an account as designated by the original donor.

When a new or amended endowment fund has been finalized by the Office of Central Development, the College/Area Development Officer and Business Manager should complete an Endowment Fund Create Form and a Cost Center Create Form and submit, along with a copy of the signed endowment, to the appropriate budget area officer.

The cost center information is under “forms” on the website:
http://www.uky.edu/eForms/forms/CostFundsCenterRequest-iris.pdf
Use the following instructions in order to complete each section of the Endowment Fund Create Form:

I. **Action Necessary:**
   Indicate the purpose of this form by checking one of the three blocks.
   - **Add** for a new endowment,
   - **Change** to change an attribute on this form,
   - **Block** to end the use of a fund.

   **Endowment Date:**
   - The *beginning date* is the date that the donor signed the endowment agreement.
   - The *end date* should be 99/99/9999 unless the fund is being blocked, ending the use of a fund.

II. **Basic Screen:**
   **Fund Number:**
   - If this is a new fund, leave blank. General Accounting and Endowment Services will advise you of the fund's creation and its fund number.
   - If changing an attribute or blocking a fund be sure to fill in the fund number given.

   **Short Title Name:** This title will be used in SAP as the reported name on accounting ledgers. It is limited to 18 characters in length.

   **Agreement Name:** The name of the fund as designated by the donor within the endowment agreement.

III. **Additional UK Common Fields:**

1. **Research Priority Area:** is a dropdown menu and can be found on the University website: [www.uky.edu/EVPFA/Controller/files/endow/RPA](http://www.uky.edu/EVPFA/Controller/files/endow/RPA)

   For the remaining fields below, please refer to the business procedures manual at: [http://www.uky.edu/EVPFA/Controller/BPM.htm](http://www.uky.edu/EVPFA/Controller/BPM.htm) Section E-17: Cost Objects and General Ledger.

2. **Business Area:** is a dropdown menu according to the choices available on SAP, describing the owner of the fund based on the University, Hospital or College Corporate Codes.

3. **Discipline/CIP code:** also known as the Classification of Instructional Program determined by the department in which the account is being created.

4. **Department:** is the department number designated for the college/area.

5. **Earning Pool ID:** is pre-set as E: Endowment Fund Interest Pool.

6. **Cancer Research Match:** is a special program provided to the University of Kentucky. The determination of whether an account is eligible for the CRM is made by the Deputy/Director of Finance in the Markey Cancer Center.

7. **Net Asset Class:**
   - True endowments are Restricted Non Expendable,
   - Term and Quasi endowment funds are Restricted Expendable.
• Only a few special cases have been permitted for unrestricted funds or other categories provided.

8. Contact Person: is the person you want contacted if there is an accounting issue that needs resolution.

9. Responsible Person: is the person who is the responsible person for the department, typically the business officer.

10. Functional Area: is a drop down menu which displays the choices available on SAP that describes the use and purpose of the fund.

For more details on this section, please call General Accounting at 859-257-2949.

IV. **Additional UK Endowment Fields – For Originators Use:**

1. Agreement type: As described above, the dropdown menu provides for the types of endowment agreements as a True, Quasi, or Term Endowment, External Trust, Charitable Trust or Charitable Annuity Trust type of agreements.

2. Endowment Type: is a dropdown menu that provides the endowment levels as provided by the new Administrative Regulation 8.4 approved as of July 1, 2011. See the Office of Development website: [http://www.uky.edu/Development/Giving Opportunities: University of Kentucky Office of Development - Welcome](http://www.uky.edu/Development/Giving Opportunities: University of Kentucky Office of Development - Welcome)

3. Service Fee: is a dropdown menu – while most endowments allow the management fee to be charged, some agreements have specific language that refutes the fee to be charged.

4. Spending Rule Rate: is set each year after December 31 month end. The rate indicated represents the current 0.2538 rate. Otherwise, if the fund is RCTF Funded and underwater, the spending rate is 0.0000

5. Spending Agreement: there are two choices for 2013: The standard rate is .2538 for all new funds, as well as all existing funds that are non RCTF supported. Actual income will be distributed to those endowments supported by RCTF funds that were underwater as of December 31, 2011.

6. Endowment Term Date: If this fund request is a term endowment, the agreement should have or imply a term date that certain conditions have been met. Use the endowment agreement to determine that date and enter here.

7. Governing Document: This is a drop down menu that indicates what instrument was used to establish this endowment fund. While an Endowment Agreement is most widely used, it could be a Will Document, Board Action or other type of Memorandum. Attach the supporting documentation.

8. Exempt from Service Fee: Check this box for those endowments where the donor specifically exempted the fee from being charged within the endowment agreement.

9. RCTF Indicator: This is a dropdown menu that is usually filled in as N, since new funds are not eligible until approved and paid by the state offices in Frankfort, Kentucky.

10. Prior Fund: is used any time a new fund is created for an existing endowment fund. If the functional area is changed due to an amended endowment agreement, then a new fund will be created, and
monies and shares will be transferred by Endowment Services. Both the prior fund and the new fund should be used to cross reference the activities in both funds. When the “term” to a term endowment has been fulfilled, a new true endowment is created and all monies and shares are transferred by Endowment Services. This information will allow cross referencing for historical and reporting purposes.

11. Primary Donor ID: is used to identify the donor as recorded on the Millennium System maintained by the Office of Development. This identifier can be found from your Development Office or the Office of Central Development.

V. Allocation of Spending Distribution:

1. Disbursement of Spending Income: This area indicates how the funds available for spending distribution should be distributed and the percentage of distribution. Enter one cost center(s) and/or fund per line. Enter the numbers as a decimal, as it will convert to a percentage. The bottom total line must equal 100% as the form adds each line for you.

2. Required explanation: This is an area where the explanation is written to inform readers what is to be accomplished with this form. Make notes for Endowment Services to transfer funds as needed. This explanation should be written so that the Budget Office, Endowment Services and General Accounting need to understand and to create this fund correctly.

3. Signature Process: The originator (if not the Business Manager) should sign and date this form, then forward it to your Business Manager. Once the Business Manager has signed this document, send it to the Budget Area Officer for approval. The Budget Office forwards the documentation to Endowment Services for review then submits the paperwork to General Accounting for entry on SAP. Once this is complete, Endowment Services will scan the document and send it to the originator, the Budget Office and the Central Office of Development Gift Receiving Office. The signature line is set for a digital signature or for pasting a j.peg signature.

If you need additional assistance on this form, please email your questions to Sharon Klock at sakloc2@email.uky.edu or call at 859-257-7394.