

Restricted Fund Participation in Investment Earnings Policy

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I. Purpose

The purpose of policy is to provide guidelines for restricted funds receiving short-term or long-term investment earnings.

II. Definitions

- *Quasi Endowment*: A fund established by the Board of Trustees with current unrestricted or restricted resources that are otherwise expendable. A quasi endowment fund may be liquidated and returned to operating funds for expenditure with approval of the Board of Trustees. Total return of the fund's investments is distributed in accordance with the endowment spending policy approved annually by the Board of Trustees.
- *Restricted Gifts*: Funds available for financing current operations, endowments, or capital expenditures, but which are limited by donors and other external agencies to specific expenditure purposes, programs, or organizational units. Funds received in support of specific sponsored projects that benefit the sponsor directly are not considered gifts to the University.
- [Short Term Investment Participation Agreement](#): A form used to request that all or a designated portion of a restricted gift be allowed to participate in investment earnings of the University. Permitted on an exception basis only.

III. Policy

Restricted gifts are donated to the University of Kentucky to support the current operation of specific activities, programs, and/or organizational units. Under special circumstances, individual restricted funds may be invested.

IV. Procedures

- A. Individual restricted funds with a balance of \$50,000 or more may be long term invested as quasi-endowments:
 1. The Board of Trustees must approve participation in the endowment and subsequent withdrawal for expenditure purposes.
 2. Spending distributions from quasi-endowments are made on a monthly basis to support current expenditures, in accordance with the Board's endowment spending policy.
- B. Individual restricted funds may be short term invested on an exception basis only:
 1. A minimum of \$50,000 must be set-aside for twelve months during which the funds cannot be expended.
 2. A [Short Term Investment Participation Agreement](#) must be completed and submitted for approval to:
 - a. the appropriate Dean or Director;
 - b. the Area Fiscal Officer;
 - c. the Vice President for Financial Planning and Chief Budget Officer; and
 - d. the Treasurer.
 3. When submitted for approval, the [Short Term Investment Participation Agreement](#) must be accompanied by:
 - a. an explanation of the purpose of the restricted gift; and

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- b. an explanation of why investment participation is appropriate to the purpose of the gift, such as restricted gifts in support of building or renovation projects that will not commence until fundraising is completed.
4. There will be no proration of income for funds withdrawn early.
5. The amount of interest credited at the end of the investment period will be determined by the average rate of return received by the University on short-term investments during that period.