

## Endowment Reference

### Definitions

**Market value** – current value of the endowment fund. The market value is calculated by combining the amount of gifts received from donors, income, gains and losses, spending distributions, and management fees. The market value is updated each month as the gains/losses income, and other entries are posted to the fund during endowment processing.

**Contributed value** – total gifts or contributions to the endowment fund received by donors.

**True endowment** (070\* funds) – an endowment fund established by an external donor or other outside party with the requirement that the principal be held and invested in perpetuity.

**Quasi endowment** (071\* funds) – 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.

**Term endowment** (072\* funds) – a fund established by an external donor or other outside party with the requirement that the principal be held and invested until the passage of a specified period of time or the occurrence of a particular event.

**Spending Distribution** – the dollar amount of funds made available for expenditure from each unit of the endowment for a given fiscal year, as governed by the Spending Distribution Policy. The spending rate is calculated using a weighted average formula comprising 60 percent of the prior year's spending distribution, adjusted for inflation, and 40% of the amount that results when the target annual spending distribution rate of 4.0% is applied to the average market value of the Endowment over the preceding 36 months.

**Spending Distribution Available to Spend** – funds in the endowment fund that are available to be transferred via journal voucher to the spending distribution cost center associated with the endowment to be used for expenses that fulfill the donor's purpose. This value can be seen in SAP on the transaction ZGL\_TRBR1\_CUM – Endowment Trial Balance on the line "Spending Distribution Reinvested Available to Spend" and can also be found in the FI Data – Fund tab in EGATS.

**Restricted Spending Distribution** – spending distribution that can only be used for a specific purpose outlined in the conditions per the endowment's governing document. This value can be seen in SAP on the transaction ZGL\_TRBR1\_CUM – Endowment Trial Balance on the line "Spending Distribution Restricted Use". It is not available in EGATS at this time.

**Permanently Restricted Spending Distribution** – spending distributions that are permanently reinvested into the endowment fund to build the endowment's market value. These funds can no longer be transferred to the spending distribution cost center to use for expenditures. Funds are permanently reinvested in the endowment per the special conditions outlined in the endowment's governing document or if approved by the donor to meet specific endowment fund objectives. This value can be seen in SAP on the transaction ZGL\_TRBR1\_CUM – Endowment Trial Balance on the line "Spending Distribution Permanently Restricted". It is not available in EGATS at this time.

<b>Difference Between Non-Endowed Gifts and Endowments</b>	
<b>Non-Endowed Gifts</b>	<b>Endowments</b>
<p>Gift agreements are <b>not</b> required for all gifts. However, large cash gifts, gifts-in-kind, and securities will usually include a gift agreement.</p> <p>If the gift will create a new gift cost center and the funds have not been received, a gift agreement should be established.</p>	<p>Endowment Agreements <b>are required</b> for all endowments.</p>
<p>Non-Endowed gifts are held until the amount is fully expended. Non-endowed gift agreements do not contain language regarding investment of the funds.</p>	<p>Endowments are held in perpetuity. All endowment agreements must include language that describes how the University will invest the funds, adherence to the Spending Distribution Policy, and whether excess spending distribution can be added to the endowment fund.</p>
<p>No minimum levels</p>	<p>New endowments must meet minimum amounts established per Administrative Regulation (AR) 8:4.</p> <p>Term endowments include language related to payment schedules and contingencies if the endowment level is not met by the donor.</p>