

ENDOWMENT FUNDS

An endowment fund is created when a donor or the Board of Trustees specify that a gift is to be invested and only the income earned on that gift may be spent for a specific purpose. The gift amount is referred to as the principal or corpus and is held in a fund that is managed by the Finance Department. There are two basic types of endowment funds --- true endowment and quasi endowment. A true endowment is defined as an endowment in which the donor stipulates that the corpus must be held inviolate and in perpetuity and invested to generate income to be spent for a specific purpose. Funds that are designated as endowment by the governing board of an institution (Board of Trustees) are called quasi endowment. These funds are also invested for the purpose of generating expendable income for a given purpose, but, as the funds are internally designated as endowment, the governing board can decide to spend the funds at any time. In some cases, donors will allow for the corpus of their endowment to be spent. This is also categorized as a quasi endowment. To spend the principal of a quasi endowment fund requires Board of Trustee approval or donor authorization.

The principal or corpus funds are designated within Banner as 5xxxxx or 6xxxxx. Quasi endowment funds begin with a "5" and the income they generate is posted to endowment income funds beginning with "23." True endowment is denoted by funds beginning with "6;" the endowment income funds begin with "24." Gifts to endowment funds are deposited to a 5xxxxx or 6xxxxx fund number.

The endowment spending allocation is calculated by the Treasurer's Office according to guidelines set by the Investment Committee of the Board of Trustees. During the budget process, financial managers are provided with the amount their endowment funds will earn for the upcoming fiscal year. This amount will not change during the fiscal year unless additional gifts are received in the endowment fund. The income allocation is posted to the endowment income funds during the course of the fiscal year on a monthly basis and is subject to a 10% surcharge. Endowment income is credited to account 4511 in funds 23xxxx and 24xxxx; the 10% surcharge is debited to account 559 within the same fund.

Endowment income is to be spent in accordance with the restrictions set forth by the donor at the time the endowment was established. Financial managers should have copies of endowment fund agreements or other documentation that specifies the restrictions set forth by the donors and are responsible to ensure funds are being expended in accordance with the donor's specifications. The Institute's Overdraft Policy does not apply to endowment income funds in the same manner as other types of funds. As each income fund is guaranteed a specific allocation for the fiscal year that is credited to the fund on a monthly basis, expenses can be charged up to the income allocation threshold at any given point during the fiscal year. However, expenses can not exceed the income allocation projection for the fiscal year.