

Endowment & Gift

July 25, 2018

Northwestern

Agenda

- I. Types of gifts Northwestern receives
- II. How Northwestern's endowment fund operates
- III. Changes to Quasi-Endowments processes
- IV. Roles and responsibilities of Gift Administration and Contribution Processing
- V. Fiduciary responsibilities for department's restricted funds
- VI. Resources and contacts

Types of Gifts Received

Donor transfers 400 shares of XYZ stock to Northwestern...

Type	Example
Unrestricted <i>Gifts that can be used for any purpose</i>	“Without further restriction” or “to support the areas of greatest need”
Designated - Unrestricted <i>Donor designates a gift for a specific purpose</i>	“To support scholarships at the Kellogg School of Management”
Endowment/Restricted <i>Gifts a donor designates to be invested and held in perpetuity with only the investment returns available to be spend</i>	“To establish an endowed fund to be known as XYZ Foundation Fellowship Fund... expendable income from the fund shall be used to provide support for a fellowship in Hematology/Oncology”

Restriction vs Designation

Restrictions – can you spend the gift?

- Restrictions are donor imposed.
 - Expendable: without donor restriction
 - Endowed: with donor restriction
- **Restrictions restrict spending the principal of the gift.**

Designations – you can use the gift, how can you spend it?

- Designations may be either donor or institution imposed.
- **Designations limit the use of the gift or income distribution for a particular purpose.**

Summary of Gift Types

- **If** the donor says you can spend the gift and does not provide a time or event restriction, **then** the gift is unrestricted.
 - Look for language like “without further restriction.”
- **If** the donor says you can spend the gift and provides an intention on how to spend it, **then** the gift is unrestricted with a designation.
 - Look for language like “assets/gift to support...”
The University may also designate the use of a gift.
- **If** the donor says you can't spend the gift or the gift must be invested, **then** the gift is endowed/restricted.
 - Look for language like “invested” and “earned income will be used for...”
Earned income can have a designation. Only a donor can restrict a gift.

Exercise: Match the donor's request to the type of gift.

1. “To establish an endowed fund to be known as XYZ Foundation Fellowship Fund... expendable income from the fund shall be used to provide support for a fellowship in Hematology/Oncology”
 2. “To support scholarships to those in greatest need.”
 3. “To support scholarships...expendable income shall be used prioritized to those studying Physics and Astronomy.”
 4. “To support the mission of Northwestern University.”
 5. “To support the Kellogg School of Management in honor of Professor X with no further restrictions.”
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- Unrestricted**
- Designated/Unrestricted**
- Endowed/Restricted**

Endowment Benefits & Obligations

- Endowments provide Northwestern with a significant and permanent source of funds to support professorships, research, financial aid, capital projects, Schools, Departments, Institutes, Centers, and more.
- Endowments impose upon Northwestern contractual, legal, ethical, financial, management, and reporting responsibilities.
- The proper management and administration of our endowment accounts helps maintain and enhance the confidence of Northwestern's constituents, especially its donors.

How University Endowments Work

- Generate income that provides annual support for a wide range of University purposes.
- By providing this dedicated stream of income, an endowment gift ensures stability (e.g. scholarship fund or professorship).
- Endowing an existing program frees up money that Northwestern can redirect to other areas of need.
- As of August 31, 2017, Northwestern's Long Term Balanced Pool stood at approximately \$10.5 billion of managed assets and is comprised of approximately 3,600 unit-holders/projects.

Types of Endowments

- **True Endowment**

- Permanent endowment established by a donor-restricted gift
- Original gifts are preserved
- Spending distribution provides a permanent stream of funds for Northwestern

- **Quasi – Endowment**

- Typically, funds that Northwestern, internally, decides to treat as an endowment, without having a legal obligation to do so
- Principal may be spent in accordance with Northwestern policy and procedure
- **Five**-year rule to invade principal

Changes to Quasi-Endowment

- New policy in review – will be shared by leadership.
- Establishes a formal workflow for requests of additions and withdrawals to existing quasi-endowments, and establishing new quasi-endowments based on funding source.
 - Additional approvals based on thresholds
- Policy, forms, and supporting resources will be shared on the Financial Operations website.
- Coming soon to a University near you!

Role & Responsibilities for Department Gift Administrators

- Familiarize yourself with donor documents and restrictions of all funds within your department.
- Distribute fund memos, which detail donor restrictions, to those involved in administering.
- Ensure all expenses comply with donor restrictions.
- Assist with the preparation of any donor reporting for which your area is responsible.

Compliance with Endowment Fund Restrictions – Expenditures

Each unit is responsible for:

- Ensuring the expenditure of endowment funds complies with:
 - Terms of the gift agreement,
 - Applicable legal and accounting standards, and
 - University policy.
- Fulfilling any reporting and stewardship obligations: the unit benefiting from endowments will work with Development to facilitate voluntary reporting to donors on the use of endowment funds as needed.
- Attaining proper approvals and maintaining documentation.
- Asking questions about interpretation and scope terms and restrictions as needed from the Office of Gift Administration and Accounting Services.

Compliance with Endowment Fund Restrictions – Pooling

- Expenses incurred for endowment purposes should be charged, whenever practical, **directly** to the applicable spending account.
- Pooling or aggregation of funds from different endowment accounts should be avoided.
- Situations where pooling may occur:
 - Pooling endowment accounts restricted to the same purpose may be appropriate after a thorough review of the restrictions of each fund.

Exercise: When can income from endowment funds be pooled?

Which of these funds can be pooled?

Why can't they all be pooled?

- a) Fund A: Fund to support research in breast cancer
- b) Fund B: Fund to support research in liver cancer
- c) Fund C: Fund to support research in cancer
- d) Fund D: Fund to support research in medical research

Exercise: When can income from endowment funds be pooled?

	Breast Cancer Research	Liver Cancer Research	Cancer Research	Medical Research
Breast Cancer Research	✓	X	✓	✓
Liver Cancer Research	X	✓	✓	✓
Cancer Research	✓	✓	✓	✓
Medical Research	✓	✓	✓	✓

Spend your most restricted dollars first!

If you have questions about restrictions, designations, or cash availability and planning – please reach out to your Budget Office Liaison and Accounting Services.

Monitoring Fund Balances

- Each school and/or department is responsible for monitoring fund balances.
- A deficit in one or more spending accounts must be covered by moving expense to another chart string or appropriate designation.
- Endowment spending accounts should be expended regularly. It is recommended that you do not exceed a carryforward of over two years worth of distributions.
- Options of surplus spending income:
 - Support the next fiscal year's activities,
 - Commit the funds for the future planned and approved programs that conform to donor restrictions, or
 - Reinvestment: consult with your Budget Office contact and Accounting Services

Please consult with your Dean or Vice President's Offices to develop a spending plan. The Office of Budget and Planning can provide support as needed. Gift Acceptance can provide insight into spending restrictions.

Exercise: Gift Purposes

“If I can’t use the gift exactly for the purposes specific in the gift agreement, what can I do?”

- a) Use it for a purpose that echoes the spirit of the gift?
- b) Use it for a different purpose that is really important?
- c) Use it for a different purpose because the donor is deceased?
- d) Not use it and just forget about it?
- e) Consult with the Office of Gift Administration about whether the purposes might be modified?

Potential Consequences of Non-Compliance are Serious

Compliance



Spending in accordance with donor intent and University policy and process

Non-Compliance:

- **Lawsuits and Investigations**
 - Initiated by Attorney General
 - Private Right of Action
 - Regulatory Entities
- **May be forced to return funding**
- **Jeopardize opportunities for future gifts**
- **Damage to Northwestern's institutional reputation**



Resources

- Fundriver – a web-based endowment administration application designed to manage, track, and report on endowment funds
- CATracks – a web-based donor management system designed to manage, track, and report on gift transactions.
- COGNOS – GL062 combines activity of both endowment principal and spending chart strings.
- Fund Memos
- Accounting Services website:
 - Links to monthly endowment unit price
 - Links to monthly projected income distribution post dates and Fundriver report availability dates
 - Links to this presentation and other training materials

Resources: Accounting Services

The screenshot displays the website for the Northwestern Office of the Controller. The header includes the name 'Northwestern' and 'OFFICE OF THE CONTROLLER' with a search bar. A navigation menu highlights 'Accounting Services' among other options like 'Financial Operations IT', 'Tax and Regulatory Services', and 'Treasury Operations'. The main content area is titled 'Accounting Services' and lists various functional areas. A 'RESOURCES' section is expanded to show links for Endowment, Fundriver, Expendable Gifts, and General topics.

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OFFICE OF THE CONTROLLER

Search this site...

About Accounting Services Financial Operations IT Tax and Regulatory Services Treasury Operations

Accounting Services

Accounting Services by Functional Areas

Chartfield Maintenance

Endowment and Gift

Fundriver

Resources

Equipment Inventory

RESOURCES

Endowment

- Endowment Schedule Fiscal Year 2018
- Endowment Unit Price
- Payout Calculation Example
- Endowed Gifts
- Earned Income
- Reporting
- Endowment Chartfield Request Guide

Fundriver

- Fundriver Department User Access Request
- Fundriver Reporting Manual

Expendable Gifts

- Expendable Gifts
- Receiving Gifts
- Gift ChartField Request Guide
- Endowment & Gift Presentation (Spring 2014)

General

- Gifts, Sponsorship, and Advertising – What's the Difference?
- Corporate Sponsorship
- Sponsored Projects
- Gift vs Grant Checklist
- University Policy on Gift Giving

[LINK](#)

Resources: Fundriver



Fundriver reporting, income distribution schedule, and unit price links are available on the Accounting Services website.

Northwestern

Endowment Distribution & Reporting Schedule for Fiscal Year 2018

Fundriver Endowment Reports:
The schedule below highlights the dates you can expect to access period reports in Fundriver. For example, reports related to January, period 5, will be accessible by March 5, 2018 in Fundriver.

Fiscal Year	Accounting Period	Month	Date Available
2018	1	September	November 10
2018	2	October	December 5
2018	3	November	January 8
2018	4	December	February 5
2018	5	January	March 5
2018	6	February	April 4
2018	7	March	May 3
2018	8	April	June 5
2018	9	May	July 5
2018	10	June	August 3
2018	11	July	September 7
2018	12	August	October 3

Endowment Income Distributions:
The schedule below highlights the dates you can expect to see Endowment Income post in Cognos. For example, in the month of January, accounting period 5, December's income will be posted in Cognos by January 16, 2018.

Fiscal Year	Accounting Period	Month	Posting Date
2018	1		
2018	2	September	October 16
2018	3	October	November 16
2018	4	November	December 18
2018	5	December	January 16
2018	6	January	February 16
2018	7	February	March 16
2018	8	March	April 16
2018	9	April	May 16
2018	10	May	June 17
2018	11	June	July 16
2018	12	July	August 16
2018	12	August	September 10

Fiscal Year 2018 Monthly Unit Pricing for Long Term Merged Pool -750

Month	Price
September 30	\$ 242.7373
October 31	\$ 245.8856
November 30	\$ 247.2534
December 31	\$ 247.8336
January 31	\$ 252.4360
February 28	\$ 249.8796
March 31	\$ 249.6320
April 30	\$ 251.9678
May 31	
June 30	
July 31	
August 31	

Fiscal 2017 Annual Spend rate per unit \$10.15

Example: COGNOS – GL062 (Gift & Endowment Detail Report)

Northwestern | REPORTING & ANALYTICS | GL062 - Gift/Endowment Project Detail

Fiscal Year/Budget Period: 2018
Accounting Period: 12 - August
Project ID: 400 [REDACTED]

Northwestern Gift/Endowment Project Detail

Revenue Budget | Revenue Actual | Expense Budget | Pre-Encumbrance | Encumbrance | Expense | Available To Spend | Current Year Net Activity | Project Balance

Gift/Endowment Principal

Opening Balance \$0.00

Revenue (includes Transfers)

40305 Private Gifts - Restricted	\$0.00	\$125,000.00							
Total Revenue	\$0.00	\$125,000.00							

Net Revenue Current Year \$125,000.00

Closing Balance for Gift/Endowment Principal \$125,000.00

Endowment Spending

Opening Balance \$0.00

All Revenue, Expense, and Transfer Accounts

40350 Endowment Income-Cr	\$1,600.00	\$419.60	\$0.00	\$0.00	\$0.00	\$0.00			
73010 Paper And Office Supplies	\$0.00	\$0.00	\$1,600.00	\$0.00	\$0.00	\$0.00			
Total	\$1,600.00	\$419.60	\$1,600.00	\$0.00	\$0.00	\$0.00	\$1,600.00		

Net Revenue/Expense \$419.60

Closing Balance for Endowment Spending \$419.60

Gift/Endowment Equity Balance \$125,419.60

Northwestern INFORMATION TECHNOLOGY

- 1 -
GL062

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Gift revenue posted to Principal Fund code (410, 420, 431)



Income distribution posted to spending chart-string (440, 450)

Example: Endowment Fund Memo

Northwestern		
Fund Memo		
Date: May 14, 2018		
To: President Provost Gift & Records Services Gift Acceptance and Fund Management Donor Relations Development, Fin. Aid		Accounting Services Office of General Counsel Controller Vice President for Budget Planning University Director of Fin. Aid Asst. Director of Fin. Aid
	Fund# 410	DeptID# 1361000
		ProjectID#
Name of Fund:	The Family Scholarship Endowed Fund	
Donor(s):	XXXXXXXXXXXX	
Administering School/Unit:	Financial Aid	
Gift Transactions¹:	\$100,000 Pledge	
Date of Executed Gift Agreement:	May 2, 2018	
Use of Principal:	Hold as permanent endowment	
Minimum Funding Level (MFL):	\$100,000	
Deadline for Achievement of MFL:	December 31, 2023	
Purpose of Fund:	The expendable income from the Fund shall be used to provide financial assistance to undergraduate Northwestern students without further restriction.	
Stewardship:	Northwestern shall prepare an annual report about the use of the Fund for the donor.	
Special Notes:	N/A	
P		

Contact Information

Should you have any questions, please don't hesitate to reach out:

Accounting Services

- Jennifer Wander: 847-491-4726, j-helms@northwestern.edu
- Lauren Armstrong: 847-491-4468, lauren.armstrong@northwestern.edu
- Patricia Greenfeld: 847-491-4725, patricia.greenfeld@northwestern.edu

Alumni Relations & Development

- Gift Acceptance & Fund Management: ardgiftacceptance@northwestern.edu
- Gift and Records Services: giftupdate@northwestern.edu

Office of Budget and Planning

Analysts are designated to specific departments, see the organization chart here: <https://www.northwestern.edu/budget/contact/index.html>