

# Defining Invested Contributions

## What is an Endowed Gift?

An endowed gift is a voluntary transfer of cash or another asset to an independent not-for-profit entity, which commits to using the gift according to the donor's specifications and to investing the gift in perpetuity. Unlike an expendable gift, the endowment principal, or gift, is not spent. Only a donor can create a **restriction** through written instruction.

Endowed funds earn monthly income for reinvestment or spending. Both earned income from endowments and expendable gifts may include **designations** to outline spending. Schools and units are required to spend in line with the donor designations.

In summary, designations limit the use of the fund for a particular spending purpose whereas restrictions disallow the ability to spend the gift.

## Endowment Fund Categories in the General Ledger

There are three types of endowments:

- **Permanently restricted endowments** (410) are established by donor-restricted gifts and invested in the long-term balanced pool. The principal cannot be spent.
- **Temporarily restricted endowment** (420) principal can be spent after a time or event restriction has been met.
- **Quasi-endowments** (431) are funds that the institution has designated to invest without legal obligation. The principal may be invaded after three years of investment.

All endowments will earn income monthly, as either reinvested income (433) or spending income (440, 450). Reinvested income buys additional units within the fund and increases the market value whereas spending income is distributed to the fund owner for expenditure.

The endowment holding account (460) is utilized for new gifts without chart strings. Gifts will not be invested until allocated to an endowment. Gifts must be moved out of holding accounts within 90 days of receipt.

## Endowment Definitions

**Pooled market value** is the value of currently owned units multiplied by the unit price. Pending units, which represent the units to be bought or sold in the current period, are not included.

**Total market value** is the value of currently owned units multiplied by the unit price *plus* the pending units. Total market value is also referred to as **ending market value**.

**Historical gift** includes the principal value of the fund plus transfer activity and reinvested income. Because of these additions, the historical gift value in Fundriver may not mirror the CATracks historical value. Historical gift is also referred to as **book value**.

**Income distribution** is the monthly distribution of income available per the University's annual spending guideline. This income is either spent or reinvested per the donor restrictions in the gift agreement.