

**Endowed Funds Unit Trust Endowment Fund Expenditure Cost Centers Funds Availability**

## Policies:

The Spending Rate is established annually by the Vice Chancellor for Finance and Administration prior to June 30 for the following fiscal year. The historical and anticipated total returns for the endowment funds are considered and the Spending Rate allows the fund balance to increase at least at the anticipated inflation rate.

The Cash Management Office makes distributions from the endowment fund to the expenditure cost center semi-annually on January 1 and July 1 of each year. A new endowment fund must be established at least one year before the new expenditure cost center receives distributions. This allows for the accumulation of adequate earnings in the endowment fund to ensure that a distribution will not invade the protected corpus of the endowed fund. Expenditure requests will not be honored for an over-expended endowment fund expenditure cost center.

## Definition of Terms:

Endowed Funds - Endowed funds are given to the University with donor imposed restrictions that the principal of the fund may not be expended, but must be invested to produce the total income to support a scholarship or other project. The principal of this fund is maintained in perpetuity. Donors may place restrictions on the amount and the purposes for which the income may be expended.

Quasi Endowment Funds - These funds are designated by the Vice Chancellor for Finance and Administration. They are not to be expended, but invested long term for total return. These funds are internally designated to function as endowments, as opposed to external donor designations.

Unit Trust Fund - This is an endowment fund, true or quasi, that may be included in the Unit Trust if the donor or the management mandated restrictions meet those of the Unit Trust. Specifically, the Unit Trust requires adherence to the Spending Rate Rule defined below and to co-mingling of investments with other Unit Trust participants.

Spending Rate - The percentage of each endowment fund's average market value for the previous twelve (12) quarters that will be made available on a semi-annual basis for expenditure. This is also commonly called the "payout rule" or "payout policy."

Endowment Fund Expenditure Cost Center - Each University Endowed and Quasi Endowed Fund has a unique associated expenditure cost center. This cost center is used to budget the endowment's earnings made available under this policy and to record the expenditure of these earnings. This cost center is also used to ensure any donor restrictions on the expenditure of endowment income are met.

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