

Quasi-Endowment

FIN-TRE-VI-180



About This Policy

Effective Date:

11-01-2011

Last Updated:

11-01-2011

Responsible University Office:

Office of the Treasurer

Responsible University Administrator:

Senior Vice President and Chief Financial Officer

Policy Contact:

MaryFrances McCourt

Senior Vice President, Chief Financial Officer and Treasurer

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Related Information

* [I-45, Donor Intent Responsibilities](#)* [I-120, Fund Structure and Account Approval](#)

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Scope

This policy will apply to all University departments and operating units. This policy does not apply to accounts held by the Indiana University Foundation.

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Policy Statement

It is the policy of Indiana University to establish funds functioning as endowments ("quasi-endowments") when appropriate in order to provide the advantages of long-term investment and earnings potential for quasi-endowment principal. This policy describes the requirements for establishing accounts that are to be classified, invested, and accounted for as quasi-endowments and provides an administrative framework for compliance with the appropriate, associated legal and accounting requirements.

A. Funds Allowable as Quasi-Endowments

Funds which a donor or grantor has not designated to be invested in perpetuity as a true endowment may be designated as a quasi-endowment by the University under the provisions of this policy and subject to the approvals described in Procedure A, Required Approvals (below). Such a designation can apply to funds for which the donor/grantor has designated a purpose for the use of the funds but (i) has not required that principal be maintained as an

endowment or (ii) has not placed an investment restriction on the funds that would prohibit the funds from being invested in the Consolidated Endowment Pool. Please refer to Procedure A, Required Approvals, for additional information.

B. Funds Not Allowable as Quasi-Endowments

Funds that cannot be used to establish, or add to the balance of, a quasi-endowment account include (i) student fees pledged for other purposes or otherwise restricted by law, (ii) certain revenues or funds pledged or otherwise legally restricted for other purposes, or (iii) monies appropriated by the Indiana General Assembly and specifically authorized for other purposes or which are otherwise restricted by law.

C. Minimum Account Duration

The original quasi-endowment principal must remain in place for at least 5 years from the date that the account is established. Any deviations from this requirement will be subject to early withdrawal penalties described in Procedure G, Penalty for Early Withdrawal, below.

D. Minimum Amount Eligible for a Quasi-Endowment Account

The minimum dollar amount for establishing a new quasi-endowment account is \$50,000.

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Reason For Policy

Purpose of Policy: Quasi-endowments are treated in a manner different than other University funds with respect to the investment of the funds and with respect to special restrictions on the expenditure of the principal and earnings on such funds. Accordingly, this policy establishes a compliance and oversight framework for such accounts.

Objectives of Policy: The objectives of this policy include (i) defining what funds may be designated for investment as quasi-endowments, (ii) establishing a prescribed process for setting up new quasi-endowment accounts or adding to the balances of existing accounts, (iii) establishing an appropriate approval process, and (iv) designating oversight responsibilities with respect to administration of quasi-endowment accounts.

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Procedure

A. Required Approvals

New quasi-endowment accounts, or increases to the balance of existing accounts, will require the approval of the appropriate Campus Vice Chancellor/Vice Provost, the University Budget Director, and the Treasurer. Quasiendowment account requests should be submitted to the Office of the Treasurer through the appropriate Dean of a College or School and the Campus Vice Chancellor/Vice Provost for Administrative and Financial Affairs. Formal requests will be submitted using the Quasi-Endowment Account Request Form (see Related Forms on right side menu) and must include information noted in Procedure E, Required Documentation.

B. Gift Administration and Acknowledgment

Supporting documentation for all gifts made to quasi-endowments should be directed to the Office of Gift Administration at the IU Foundation for administration of gift, trust or bequest agreements and donor acknowledgment. This documentation must include correspondence received from the donor and a copy of the KFS screen reflecting the deposit and classification of gift income. Gift Administration will record the gift on the donor record and issue a tax receipt to the donor.

C. Investment of Funds

Quasi-endowment designation will be invested in longer-term investment vehicle, which typically earn higher rates of return, but experience more significant levels of volatility, than short-term investments. Accounts approved for this designation will be invested in the University's Consolidated Endowment Pool (the "Pool", refer to Definitions below).

D. Annual Income Distribution

An annual distribution of income from the quasiendowment account will be consistent with the IU Foundation income distribution policyeffective June 30 of each fiscal year.

E. Spending Account

A spending account must be designated. This account will be the beneficiary/recipient of quasi-endowment income distributions. The quasi-endowment account may be designated as the spending account for purposes of reinvesting income, but no expenditures or operating expenditures on object codes

2000 –7999 are allowed from a quasi-endowment account. Transfers of funds from quasi-endowment accounts that do not have companion spending accounts will be limited to not more than once per quarter.

F. Required Documentation

The following information must be provided to the Treasurer when requesting that a quasi-endowment account be established or requesting that a transfer be made into a quasi-endowment account. This information will be maintained by the Treasurer for historical and fiduciary stewardship purposes:

1. Account name

2. Account number if an addition is being made to an existing account

3. Reason the quasi-endowment is being requested

4. Amount of funds to be provided to initially open the account or add to the account

5. Source of funds being transferred or deposited into the account

6. Minimum expected length of time quasi-endowment principal will be invested before any withdrawals are made

7. Spending account name and account number

8. Purpose for which the quasi-endowment principal and income will be spent

9. Copy of donor/grantor agreement, as applicable, and any other documentation that includes other external designation(s) for, or restrictions on, (i) the use of earnings or (ii) expenditure of principal

10. Name of Fiscal Officer responsible for expenditure of principal and income

11. Name of Dean or Department Chair submitting request for quasi-endowment

12. Approval of request by Campus Vice Chancellor or Vice Provost for Administration or Financial Affairs

G. Penalty for Early Withdrawal

Withdrawals of quasi-endowment principal or interest during the first five years that funds are invested in a quasi-endowment account, other than the annual income distribution, will result in forfeiture of all accumulated interest on those funds and closure of the account.

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Definitions

Consolidated Endowment Pool: The University’s investment account for commingled endowment funds. The IU Foundation serves as investment fund manager for the Pool. The Pool investments include equity investments (U.S. and international), hedge funds, private equity/ venture capital, real assets and fixed income.

Expendable assets: Assets that may be spent entirely; no principal is required to be maintained intact.

Non-expendable assets: Assets subject to externally imposed stipulations that the principal is to be maintained in perpetuity and invested for the purpose of producing present and future income, which may be either expended or added to principal.

Pool: Consolidated Endowment Pool managed by the Indiana University Foundation.

Restricted assets: Assets that must be spent in accordance with legal or donor imposed restrictions.

Unrestricted assets: Assets with no legal or donor imposed restrictions regarding how they may be spent

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Additional Contacts

Subject	Contact	Phone	Email
Policy Interpretation	MaryFrances McCourt	812.855.7618	mmmccour@indiana.edu
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History

This policy was established on November 1, 2011.