E005 ENDOWMENT FUNDS

PURPOSE
The purpose of this policy is to ensure compliance with all conditions, restrictions, and designations imposed by donors and by the governing board on the use of the endowment funds and their income. The accounting structure is designed to comply with generally accepted accounting principles for colleges and universities.

DEFINITIONS
Endowments are those funds which donors have given with some stipulation as to the use of the principal of the gift. There are three types of endowment funds that are defined in the following paragraphs. Permanent endowments are funds where a donor has stipulated that the gift is to be maintained inviolate and in perpetuity, with only the income from the gift to be expended. Term endowments are similar to permanent endowments, except that by the terms of the instrument of gift, the gift principal might be released from inviolability to permit all or part to be expended. Quasi endowments are those funds which the Board of Trustees of the University, rather than a donor, has determined are to be retained and invested with only the income available to be expended.

POLICY
The University of Miami's policy for endowment funds is twofold. It covers investments and spending as follows:

A. Investment Policy - To invest all funds in the Growth Pool unless specifically restricted from so doing by the donors or by the Investments Committee of the Board of Trustees.

B. Endowment Spending Policy - For accounts invested in the Growth Pool: to distribute annually five percent of the three-year moving average market value of the Growth Pool.

Effective for endowments opened after November 1, 2002:
Generally, a new endowment must be opened on the University's financial records system before December 31 in order for that endowment to be activated for spending for the next fiscal year. In addition, no distribution will be made from an endowment until its funding reaches the level stipulated by its 'class' (as detailed in University Advancement Policy F70) by December 31 of the previous fiscal year. Further, the following 'classes' of endowments will have an additional
delay of one year in starting distributions: University Chair, Endowed Chair, and Endowed Professorship.

For all other endowment accounts: to distribute interest and dividends.

**PROCEDURE**

A. Receipt of Gifts Cash should be immediately referred to University Advancement for processing. Marketable securities should be sent to Development Services for processing and sale, if applicable (see Policy E065 for further details).

B. Opening New Accounts Requests for new endowments should be sent with all supporting documentation to the associate treasurer for review and preparation of the endowment fund account control sheet. This form, when completed, summarizes the source, amount of the gift, purpose of gift, and any donor restrictions as to corpus and income, date of gift, type of endowment fund, account title and authorized signer. Upon completion, it is sent to the Controller’s office for assignment of account numbers.

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