

Endowments 101

What is an Endowment?

- A collection of funds provided by a donor to secure **long-term institutional strategic goals** (financial aid, facilities, faculty/staff, research, extension, etc.)
- Have a specific **donor-directed** purpose (research, scholarships, professorships, etc.)
- Represent UT's promise to donors to use the income/earnings generated by their gift to support the University's mission into **perpetuity**.

Characteristics of Endowments

- Created by donor stipulation (**Restricted**).
- Evidenced by a **Gift Agreement** or Will or Trust Documents.
- Builds up slowly through gifts/donations (the **principal**). The principal is never invaded.
- The principal is **invested** in the pool and generates returns (**earnings**). These earnings are circulated back into the endowment (until **minimum endowment level--\$25,000--**is reached).
- Usually pledged over 5-10 years of initial gift. If not fully funded within the period stated in the gift agreement, the University/Foundation has the authority to move the principal to another endowment of similar purpose and scope.
- **Endowment funds cannot be converted to spendable funds but must remain in an endowment.**
- All endowments make **distributions** on the same **quarterly schedule**, a new endowment's first distribution will be made after the earliest calendar quarter-end on, or following, the one-year anniversary of the endowment's inception. For example, an endowment created on January 31, 2018, February 28, 2018 or March 31, 2018 would make its first distribution following March 31, 2019.
- Given the nature of the market, earnings are impacted during years of lower than expected returns and vice versa.
- 4.5% earnings are on a rolling 7-year average
- **Book Value**=original contribution + additional gifts + reinvestment
- **Market Value**=actual worth of endowment in the pool as of a specified date