

Section 07.02

ENDOWMENTS- TYPES

An endowment is a transfer, generally as a gift, of money or property to an institution for a particular purpose. The bestowal of money as a permanent fund, the income of which is to be used for the benefit of a charity, college, or other institution.

A classic example of an endowment is money collected in a fund by a college. The college invests the endowment so that a regular amount of income is earned for the school. Typically, the monies for the endowment are derived from donations by alumni of the college.

Types of endowments

True endowment which the restricted gift goes to corpus and is a irrevocable agreement. We use 074xxx as the account for the corpus. An account is established for the earnings of the corpus or the earnings may be returned to corpus for a specified period or until and event (for example the endowment reaches a certain balloon amount). They should also be set up as a GEB account.

Term endowment is a gift that is restricted and an irrevocable agreement, but that after some time or event the principal or corpus may be expended. We use 074xxx as the account for the corpus. A spending account can be established or the agreement may call for the interest to remain with the corpus.

Quasi-Endowment or Funds Functioning as an Endowment are gift of institutional funds that have no irrevocable agreement from a donor, but the administration decides to use the funds to create an endowment. We use account 076xxx as the account for the corpus. As such the endowment could be expended at any point the administration chooses to cancel the endowment. A spending account will be established for these also.

Deposits

Deposits are made into endowment accounts (07xxx) using object code 4250.

Deposits also may first be made to 000335 or 000336 using code 1610, then later used based upon instructions from 1A these will be moved to a new endowment or an existing endowment.

Investments of funds at System Endowment

Paperwork is prepared to send System Endowment the deposit information with the endowment name, acct number and amount being deposited. A cover letter is signed by the Comptroller to release the funds for system for an equity transfer to happen.

This will trigger a cash disbursement entry to debit the endowment account code 1210 and to credit the bank (00106) to be made and approved for entry.

The funds are earning at first in only the money market pool (like a CD) but this only starts on the 1st or the 15th which ever date is closer to the deposit. They will NOT move the funds into the endowment until the first of the next quarter. This interest is posted to the income object code 0395 in the spending account (or goes back to corpus if stipulated that way to code 1210).

Once in the endowment fund, the endowment will earn interest and will also be subject to appreciation reserve. The spending account will always receive the distribution based upon the Spending rates established at system. They establish this rate annually. A unit value is established for each endowment, these can be found on the system endowment section of System web site. This is multiplied by the amount found on system web site for each quarter. The full amount is what is split into interest income and appreciation reserve. Appreciation reserve is given to the account as a budget entry code negative so that the endowment is not spending in excess of the spending cap calculation. If the interest rates are lower than the spending cap payout then there will be appreciation reserve.

General Ledger

The fund balance should always be equal to the book value of the endowment. The investment balance 1210 should always tie to the system records for the endowment. At year end an appreciation reserve entry is made to the endowment accounts to make sure they agree to system market value for each endowment, this entry is an AFR entry.

FREQUENTLY ASKED QUESTIONS

How are endowments set up?

Institutional Advancement gets a donor agreement stipulating an “endowed account”, and creates a new account request. This new account request goes to accounting, who sets up the new endowment account using one of the two following account numbers:

074XXX – True or term endowments (put definition)

076XXX – Quasi Endowment (see above description under types of endowments). How does a dept get one set up: minute order must be approved by board of regents at system?

How to project earnings for budgeting purposes.

Take the first quarter’s earnings (interest and appreciation) and multiply by 4. This will give you an estimate of what the earnings account will receive by 8/31/XX.

How do you read the G/L account balances?

1210 – Invested @ SEF: this is the total of principal (corpus) that is invested at System.

3740 – Fund Balance: this number should tie to what is in object code 1210 (except in month 13... see below).

4250 – Endowment Additions: These are gifts received in the current fiscal year that are then transferred to SEF.

Why does the G/L screen change at year end.

An AFR entry is made in month 13 to adjust the value of the endowment to be equal to the fair market value. System sends us a worksheet with the market value of all endowments for TAMU-CC. We use this worksheet to make our adjusting entry. (see attached)

How often do we send funds to SEF?

Funds are usually sent to SEF at the end of the fiscal month, so that they can be invested in the money market pool on the 1st of the next month. If a large donation is received between the 1st and the 15th, we sometimes send up a separate request for that donation so that it can begin earning on the 15th.

How often do we book income?

Income is booked on a quarterly basis. These are automated entries that are posted in FAMIS by TAMU System. Initial investment will only show interest income, because funds are not fully invested in the endowment fund until the subsequent quarter.

Initial Endowment must be at least \$10,000. If this amount is not initially donated, a restricted gift account (65XXXX) is created so that donations can be accumulated until the \$10,000 threshold is met.

FOUNDATION MONEY

How do we get funds from Foundation?

Funds from Foundation are transferred via ACH at the beginning of the fiscal year, and are allocated to the accounts that are designated to receive foundation funds.

Do funds have to be returned at the end of the year?

Funds that are designated for scholarships and professorships that are unutilized must be returned to the TAMU-CC Foundation, usually in the middle of the Spring semester except for those that will be allocated/awarded in the summer.

What do you do when funds are deposited with TAMU-CC that are meant for TAMU-CC foundation.

If funds are deposited with TAMU-CC, but are meant for TAMU-CC Foundation, the following steps must be followed for transfer authorization:

1. A signed donor agreement must be on file that states that the donor agrees for the funds to be transferred to the foundation.
2. A voucher create is submitted to accounting by the department, and is submitted to the Associate VP for Finance and Administration for approval.
3. Any transfers that are made must be reported to the State Auditor's Office (in memo format detailing donor, amount, and dates), with a copy going to Sandy Brown at System.

Any checks that are received by TAMU-CC that are made payable to TAMU-CC Foundation must NOT be deposited at the Business Office. These checks must be sent to the foundation for their own handling.