

# IU-Held Endowments and Quasi-Endowments

FIN-TRE-180

## About This Policy

**Effective Dates:**

11-01-2011

**Last Updated:**

06-23-2021

**Responsible University Administrator:**

Office of the Vice President and CFO

**Policy Contact:**

Don Lukes

University Treasurer

[dlukes@iu.edu](mailto:dlukes@iu.edu)

## Scope

1. This policy applies to all Indiana University departments and operating units.
2. This policy does not apply to accounts held by the Indiana University Foundation (“IUF”); any and all inquiries regarding the establishment of new IUF endowments or quasi-endowments should be forwarded to IUF ([iuf@indiana.edu](mailto:iuf@indiana.edu)). All references to “endowments and quasi-endowments” in this policy refer to those held by IU and not by IUF.
3. This policy does not apply to funds that cannot be used to establish, or add to the balance of, an endowment or quasi-endowment account:
  - Student fees pledged for other purposes or otherwise restricted by law
  - Certain revenues or funds pledged or otherwise legally restricted for other purposes
  - Monies appropriated by the Indiana General Assembly and specifically authorized for other purposes or which are otherwise restricted by law.

## Policy Statement

### 1. Endowment Accounts

- a. Indiana University establishes endowments when donors/grantors donate funds directly to the university with expressed intent that the principal of the gift exist in perpetuity.
- b. Funds which a donor/grantor has designated to be invested in perpetuity must be designated as an IU-held endowment by the university under the provisions of this policy and subject to the approvals described in [Procedure A, Required Approvals](#). Such a designation can apply to funds for which the donor/grantor has:
  - Designated a purpose for the use of the funds, and
  - Required that principal be maintained as an IU-held endowment.
- c. Disposition of Funds: The original endowment principal must remain in place in perpetuity and no withdrawals of principal will be allowed under any circumstance. Any unspent earnings from the endowment may be placed into a quasi-endowment account, provided the funds meet the criteria set forth in Section B. below.

### 2. Quasi-Endowment Accounts (Funds Functioning as Endowments)

- a. Indiana University may establish funds functioning as IU-held 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.

- b. Funds which are donated directly to the university, but which are not designated by the donor/grantor to be invested in perpetuity 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](#). Such a designation can apply to funds for which the donor/grantor has designated a purpose for the use of the funds but:
  - Has not required that principal be maintained as an endowment; or
  - Has not placed an investment restriction on the funds that would prohibit the funds from being invested in the [Consolidated Endowment Pool](#).
- c. The original quasi-endowment principal must remain in place for at least five (5) years from the date that the account is established unless specified by a donor/grantor and agreed to by the University Treasurer (“Treasurer”) before the account is established. Any deviations from this requirement will be subject to early withdrawal penalties described in [Procedure G, Penalty for Early Withdrawal](#).
- d. The minimum dollar amount for establishing a new quasi-endowment account is \$100,000 unless specified by a donor/grantor and agreed to by the Treasurer before the account is established.

### 3. The Role of IU Foundation with respect to IU-Held Endowment and Quasi-Endowment Accounts

Although this policy does not apply to IUF-held endowments and quasi-endowments, IUF will perform certain administrative and donor services related to IU-held endowments and quasi-endowments governed by this policy. Therefore, any inquiry made into the possibility of establishing an IU-held endowment or quasi-endowment should be referred to IUF’s Development Office. If a unit receives notification of an established gift to the university, the unit should notify both IUF and the Office of the Treasurer.

## Reason For Policy

Endowments and 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 that includes:

- Defining what funds may be designated for investment as an endowment or quasi-endowments;
- Establishing a prescribed process for setting up new endowment and quasi-endowment accounts or adding to the balances of existing quasi-endowment accounts;
- Establishing an appropriate approval process; and
- Designating oversight responsibilities with respect to administration of endowment and quasi-endowment accounts.

## Procedure

1. **Required Approvals:** New endowment and quasi-endowment accounts require the advance approval of the President or appropriate campus Vice Provost/Chancellor for Administrative and Financial Affairs, the Associate Vice President for Budget & Planning, and the Treasurer. Endowment and quasi-endowment account requests should be submitted using the [Endowment Application Form](#) 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.
2. **Gift Administration and Acknowledgment:** Supporting documentation for all gifts, whether original or subsequent, made to endowments and quasi-endowments should be directed to the Office of Gift Administration at IUF for administration of gift, trust or bequest agreements and donor acknowledgment ([iuf@indiana.edu](mailto:iuf@indiana.edu)). This documentation must include correspondence received from the donor and a copy of the KFS screen reflecting the deposit and classification of gift income. IUF Gift Administration will record the gift on its donor record and issue a tax receipt to the donor.

3. **Investment of Funds:** Endowment and quasi-endowment funds are invested in the [Consolidated Endowment Pool](#).
4. **Annual Income Distribution:** An annual distribution of income is based on calculations that mirror IUF spending policy and occurs on the last business day of June (last day of fiscal year).
5. **Spending Account:** A spending account must be designated for each endowment and quasi-endowment account. The designated spending account will be the beneficiary/recipient of endowment income distributions. A 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 an endowment or quasi-endowment account. Transfers of funds from quasi-endowment accounts will be limited to no more than once per quarter.
6. **Required Documentation:** The [Endowment Application Form](#) information must be provided to the Office of the Treasurer when requesting that an endowment or quasi-endowment account be established or requesting that a transfer be made into a quasi-endowment account. This information will be maintained by the Office of the Treasurer for historical and fiduciary stewardship purposes.
7. **Penalty for Early Withdrawal from Quasi-endowment Accounts:** 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 increase in market value on those funds and closure of the account unless specified by a donor/grantor and agreed to by the Treasurer before the account is established.

## Definitions

**Consolidated Endowment Pool:** The university’s investment account for commingled endowment funds whereby endowment funds are managed pursuant to an Investment Agency Agreement between the Trustees of Indiana University (“Trustees”) and IUF, which delegates investment management responsibilities to IUF, and the Amended and Restated Limited Liability Company Agreement for Indiana Future Fund I, LLC, which delegates investment management responsibilities to the fund manager, Alpinvest US Holdings, LLC. Indiana Code 30-2-12, Uniform Management of Institutional Funds, sets forth the provisions governing the investment of endowment assets and the expenditure of endowment fund appreciation. IC 30-2-12 requires the Trustees and their agents to act in good faith and with the care a prudent person acting in a like position would use under similar circumstances, with respect to the investment of endowment assets.

## Additional Contacts

Policy Interpretation	Don Lukes	812-855-4206	<a href="mailto:dlukes@iu.edu">dlukes@iu.edu</a>
Policy Compliance	David DeForest	812-855-0709	<a href="mailto:ddefores@iu.edu">ddefores@iu.edu</a>

## History

This policy was established on November 1, 2011.

This policy was revised on February 4, 2020 to update and incorporate information about IU-Held endowments.

This policy was updated on June 23, 2021 to articulate that the university president may approve a new endowment or quasi-endowment account.

## Related Information

[FIN-ACC-45, Donor Intent Responsibilities](#)

[FIN-TRE-150, Investment Policy](#)

[Indiana Code 30-2-12, Uniform Management of Institutional Funds](#)

## Related Forms

Endowment Application Form