

# Welcome to Endowment Training

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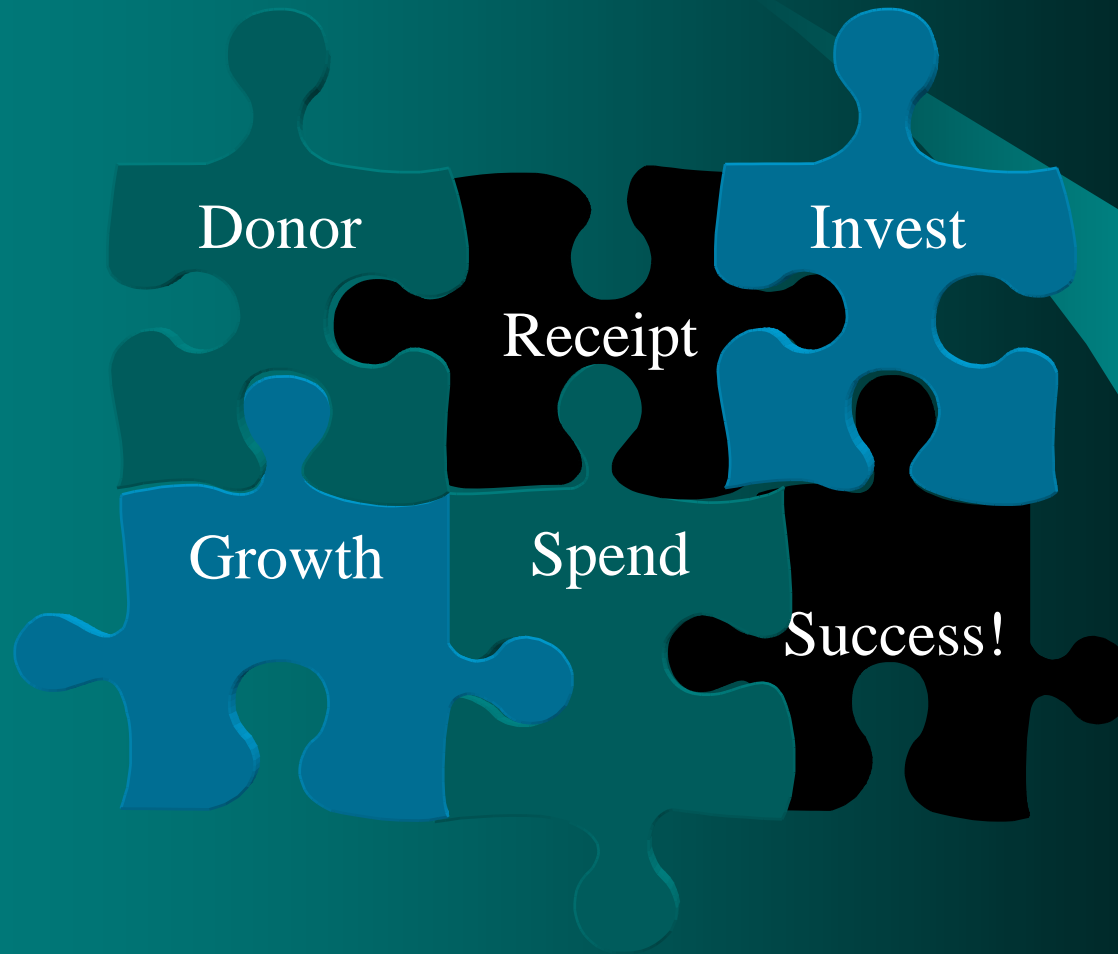
# Overview

- How do endowments benefit an institution?
- What is an endowment? Types?
- Chartfield Setup in PeopleSoft.
- Budget Calculations
- References
- Questions

# Endowment statistics

- ULF endowment market value –  
\$806.8 million @ June 30, 2007
- National Ranking: 94th (out of 785)
- Third in Kentucky

# The “Big” Picture



# Gifts vs Endowments

- Gifts
  - Total amount available for spending
  - No earnings
- Endowments
  - Intended to last forever
  - Spend only a portion of earnings
  - Intergenerational equity

# Types of Endowments

- Permanently Restricted
  - Donor imposed restriction that never expires
- Temporarily Restricted
  - Donor imposed restriction that expires upon passage of time or some event
- Quasi
  - Board imposed restriction that can be reversed upon approval.

# Appropriate activities

- Underlying document is key!
- Transfers not allowed
- New gifts are credited to the endowment **Principal**, not **Spending** (i.e. the “ExxxxP speedtype, instead of “Exxxx”)
- Minimum amounts – Scholarships \$10,000 all others are \$25,000
- 80% max salary expenditures

# Comprehensive Example

- Donor signs Endowment agreement
- Department requests program
- Advancement approves and sends necessary documents to Controller's Office
- Chartfield assigned
- Funds deposited

## Example (cont'd)

- Funds invested
- After funds have been in the pool for one full calendar year, a spending budget is calculated (NOTE: clock starts on Jan 1!)
- Department spends funds according to donor's wishes
- Advancement thanks donor for support
- Stewardship report

# PeopleSoft Chartfield Assigned (finally)!

- Why are 2 SpeedTypes necessary?
- Exxxx – for **SPENDING**
  - Fund 1300 - designated
  - Fund 1301 – undesignated
  - Fund 132x – temporary endowment
- ExxxxP – for **PRINCIPAL**
  - Fund 1310 – permanent endowment
  - Fund 1315 – quasi endowment
  - Fund 132x – temporary endowment

# How Budgets are Calculated

- **CY Budget = CY spending policy + PY budget carryover**
- **Spending policy:** 3-year moving average of market value
- **Budget Carryover:** Unspent budgets from prior year are carried over to future years (unlike general funds)
  - Formula: Assets - 190xxx - 195xx - liabilities (2xxxxx) - endowment income (456310) = Budget Carryover
  - Encumbrances are not carried over

Note: CY = current year PY = prior year

# How Budgets are Funded

- **Endowment income**
  - Account 456310
- **Endowment shortfall**
  - Account 456115
- **PY endowment income + CY endowment shortfall = CY spending policy**
- **Cash = Budget (!!)**

# Calendar

- **July** – Endowment carryover from PY calculated
- **August** – Shortfall posted to fund CY budget
- **February** – Spending policy calculated for next fiscal year's budget
- **June** – Endowment income posted for amounts earned during the year.

# Case Study (E0515)

## Spending Policy Calculation

12/31/2005 Market value	\$ 11,188,450
12/31/2006 Market value	12,008,645
12/31/2007 Market value	12,825,740

TOTAL	<u>36,022,835</u>
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3-year moving average MV	<u>12,007,612</u>
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TIMES: Spending rate	<u>5.5%</u>
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<b>EQUALS: FY09 Spend policy</b>	<u>\$ 660,419</u>
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# Case Study (E0515)

## Carryover Calculation

FY2008 Cash	\$	501,444
FY2008 Liabilities		-
FY2008 Income (456310)		(178,164)
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<b>Equals: Carryover to FY09</b>		<b>323,280</b>
Plus: FY09 Spending Policy		660,419
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<b>Equals: Total FY09 Budget</b>	\$	<b>983,699</b>

# Case Study (E0515) Funding Calculation

FY2008 Income (456310)	\$	178,164
FY2009 Shortfall (456115)		482,255
FY2008 Carryover		<u>323,280</u>
<b>Equals: FY09 Beginning Cash</b>	<b>\$</b>	<b><u>983,699</u></b>

# University Reports

- CONT - 15A
  - Summary information
- CONT - 13A
  - Detail information
- CONT – 03A
  - Budget summary (inc. encumbrances)

# Useful Resources

- General policy
  - <http://www.louisville.edu/vpf/budget/policies/index.html>
- Gift vs. Grant?
  - <http://research.louisville.edu/policies/designatingfunding.html>
- Endowment listing
  - <http://louisville.edu/vpf/controller/foundationacctrpt/endowment/index.html>
- New program request
  - <http://www.louisville.edu/vpf/budget/newacct.html>

# Where to Get More Information

- Controller's Office –

Steve Sprague, Acct III, ext. 8247

Lisa Hettinger, Acct II, ext. 8252

Joe Gahlinger, Director, ext. 8254

- Budget Office -

Steve Lovas, Budget Analyst III, ext. 6166

- Office of Advancement

Judy Singleton, Gift Admin Coord, ext. 7021

Francie Russell, Donor Relations, ext. 6900

**Questions?**