

## **GLOSSARY OF ENDOWMENT TERMS**

**Endowment and Similar Funds:** This is the standard term for the endowment fund group for financial statement reporting purposes. Endowment funds are subject to the restrictions of gift instruments or an institution's governing board that requires the principal of the funds to be invested and only the income spent. Annuity and life-income funds (described below) are often grouped with endowment funds as they are managed for the maintenance of the core principal and distribution of income, similar to endowment funds.

**True Endowment Fund:** A donor or other outside agency has stipulated that the principal of the fund cannot be spent. The income may be spent, however generally is restricted for a particular use per the donor's request. If it is an unrestricted endowment, the income can be used for any purpose. An endowment agreement or other gift instrument such as a will governs the endowment fund and its use.

**Term Endowment Funds:** Similar to a true endowment in that a donor or outside agency has stipulated that the principal of the fund cannot be spent, however the gift instrument stipulates that after a stated period of time, part or all of the principal may be spent. Like the income for a true endowment, the income for a term endowment fund may be restricted for a particular use per the donor's request.

**Quasi-Endowment Funds (Funds Functioning as Endowment):** Funds that have been designated by the Board of Trustees to function as endowment funds, with a principal amount invested and only the income spent. The source of funds for a quasi-endowment is either unrestricted or restricted funds that could otherwise be spent currently. The Board has the authority to liquidate or reverse the quasi endowment, allowing the principal to be spent.

**Annuity and Life Income Funds:** Often classified with endowment funds (as similar funds), these funds are acquired by an institution under annuity contracts, trust agreements, bequests, or gifts. The institution must pay stipulated amounts to designated individuals for a certain period, after which the principal and interest revert to the institution to be spent per the donors' restrictions.