

University Community

SUBJECT (R*) Investing Endowed Funds and Use of Earnings	EFFECTIVE DATE (R*) January 26, 2005
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POLICY STATEMENT (R*)

All Foundation funds, including endowed funds, are pooled together for investment purposes. At the end of each quarter, investment income, including realized and unrealized gains and losses, will be distributed to each endowment’s reserve account. This distribution will be based on each endowment’s pro-rated share of the total endowment earnings. At its annual June meeting, the Foundation’s Board of Directors will determine what percentage, if any, of the endowment’s earnings credited to the reserve since inception will be available for spending (the spending distribution). In addition, the Board will determine what percentage, if any, will be assessed as an administrative fee and charged to each endowment. The spending distribution and the administrative fee will be based on a percentage of the endowment’s average market value (gift corpus plus reserve) over the prior 12 consecutive quarters ended December 31st. Earnings exceeding the distribution for spending and the administrative fee charged will be maintained in the endowment’s reserve account.

The intent of the reserve is to absorb future market fluctuations, provide funds for spending in those years that the investments suffer losses and as a means of preserving the endowment’s purchasing power. The permanently restricted gift corpus plus the balance in the endowment’s reserve constitutes the endowment’s market value. In the event that losses incurred for the fiscal year exceed the balance in the endowment’s reserve, then no distribution for spending or administrative fee may be assessed against the endowment. An endowment’s corpus may not be reduced for purposes of spending, unless directed by the donor. If the endowment’s reserve, due to negative market fluctuations, reduces the gift corpus below its historical value (value at gift date), then any future investment earnings will be used to reinstate the endowment’s historical value prior to providing any distributions for spending.

DEFINITIONS (R*)

Endowment funds-Donations received by the FIU Foundation for which the donor has formally indicated that the funds must be held and invested in perpetuity. The spending distribution is available for expenditure based on the donor’s explicit intent for the use of funds.

Reserve funds-Investment earnings credited to the endowment which have not been made available for spending, but are held to offset future market fluctuations. Reserve funds represent added growth and are included in the market value of the endowment.

HISTORY (R*)

Amended by the FIU, Inc. Board of Directors on January 22, 2021.
Approved by the FIU, Inc. Board of Directors on January 26, 2005.

RESPONSIBLE UNIVERSITY DIVISION/DEPARTMENT (R*)
FIU Foundation, Inc.
Florida International University

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***R = Required *O = Optional**

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