



## **Permanently Restricted Funds Policy**

**Effective November 2017**

**PURPOSE:** This policy explains and guides the collection and use of Permanently Restricted Funds by the Old Westbury College Foundation, Inc. in support of the State University of New York at Old Westbury.

### **Types of Permanently Restricted Funds**

- **Endowments:** A gift made “for addition to permanent endowment” or with similar words or understanding is a special category of donor-restriction. It creates a permanent fund subject to special rules of law, notably that the original value of the gift (the “historic donor value”) can never be expended. The gift is invested as part of the Foundation’s pooled investment fund; but each individual endowment fund is accounted for separately within the records of the Foundation. Its ordinary income and appreciation can be appropriated by the Old Westbury College Foundation, Inc. Board of Trustees (hereinafter “Board”) as it deems prudent, and it is this “imputed income” that is transferred to a temporarily restricted or unrestricted spending account for current expenditure on the institution’s priorities as management sees fit. The recommended amount for creating an endowment fund is \$25,000.
- **Use-restricted endowment:** Not uncommonly, a donor may restrict the gift not only to endowment but also for a designated use. Here, the imputed income must be applied only to that use. Such gifts should be accepted only in a manner that clearly sets out the expectations of the parties, either by addition to an existing fund that has its rules well established, or by a Fund Agreement drafted for the new gift. Given the perpetual nature of endowments, a gift with use restriction should always include language authorizing the Foundation to adjust the narrow purpose to something more suitable should the original purpose become unachievable or undesirable. The recommended amount for creating a

use-restricted endowment is \$25,000.

- **Term endowment:** A term endowment differs from a permanent endowment in that it does not stipulate that the principal of the endowment remain permanently intact. Up to 10% of the principal may be utilized, each fiscal year, unless otherwise directed in the Gift Agreement or by the donor. The recommended amount for creating a term endowment is \$25,000.
- **Quasi-endowment:** The Foundation, in consultation with College departments and personnel, may make internal decisions to designate as “quasi-endowment” funds that were originally received as non-endowed funds (whether or not use-restricted). A quasi-endowment functions in the same manner as a true endowment, serving as a permanent source of imputed income for support of its stated purpose. However, unlike the “true” endowment (i.e., donor-designated), its “rules” are adopted by the Board as a matter of self-discipline rather than as required by law – accordingly, the rules or status can be freely changed by the act of a future Board.

#### Allocation of Income

- **Endowments above their historic dollar value:** On or about the first day of each new fiscal year, the Foundation will review the performance of its invested funds and determine the annual rate of return. This rate will be multiplied against the historic donor value of each endowed fund to determine the imputed income. Said income will then be transferred to the appropriate temporarily restricted spending accounts, in alignment with the restrictions of each endowment.
- **Endowments below their historic dollar value:** For endowments that are below their historic dollar value, “underwater spending” will be determined on an endowment by endowment basis based on the MOU unless the Board of Trustees determines that different spending for an individual account is prudent.