



ENDOWMENT FUND TYPES & USES

Donor or Board-designated restricted fund - True Endowment is established when the donor states that the gift is to be held permanently as an endowment as identified in a written gift agreement or the organization restricts it for a specific use as solicited from donors. The original funds and any additional principal can not be withdrawn, expended, or otherwise exhausted. Under Financial Accounting Standards Board (FASB) rules, this fund is classified as *permanently restricted net assets*.

Board-designated unrestricted fund - Funds set aside by an organization's Board, which maintains the power to release the restriction on principal spending, are called **Quasi Endowment or Board-designated funds**. Additional reserve funds, bequests, and other unrestricted gifts are often used to set up this fund type. The Funds are held by Board resolution and therefore can have policies and procedures that allow withdrawal of principal. Under FASB rules this fund type is classified as *unrestricted net assets*.

Term of years fund - Funds set aside for a specific period of time or until a certain event are known as a **Term Endowment**. These funds can be established by a donor or the organization. The fund is classified for FASB purposes as *temporarily restricted net assets*.

Use of funds – restricted or not - The type of fund and appropriate authorizing document is not affected by how the funds will be used. All authorizing endowment documents can list both uses of funds – **both designated and un-designated**. **Undesignated use** allows the funds to be used for any purpose as directed by the Board or the agreement. **Designated use or restricted use** directs the funds be used for a specific purpose as determined by the Board or as agreed to with a donor under an individual endowment agreement.