

**Spending Rate Policy: University Held Endowed Funds in the Unit Trust Pool****Policy:**

Prior to June 30 of each year, the Vice Chancellor for Finance and Administration, in consultation with the Chancellor of UAF and the Vice President for Administration of the University of Arkansas System, shall establish the Spending Rate for Endowed Funds (as defined below) and Quasi-Endowed Funds (as defined below) for the next fiscal year.

The Cash Management Office shall make distributions equal to the quarterly Distribution Amount from the endowment fund to the endowment fund expenditure cost center on October 1, January 1, April 1, and July 1 of each year. A new endowment fund must be established at least one year before the new expenditure cost center receives distributions. This allows for the accumulation of adequate earnings in the endowment fund to ensure that a distribution will not invade the protected corpus of the endowed fund. Expenditure requests will not be honored for an over-expended endowment fund expenditure cost center.

**Definition of Terms:**

Endowed Funds – Endowed Funds shall mean and refer to institutional funds or parts thereof that, under the terms of a gift instrument, are not wholly expendable by the institution on a current basis. The term does not include assets that the institution designates as an endowment fund for its own use.

Quasi-Endowed Funds - These funds are designated by the Vice Chancellor for Finance and Administration. They are not to be expended, but invested long term for total return. These funds are internally designated to function as endowments, as opposed to external donor designations.

Unit Trust Pool - The pool of Endowed and Quasi-Endowed Funds that are co-mingled for purposes of investment and that are subject to the Spending Rate.

Spending Rate – The percentage of the Average Unit Market Value established by the VCFA, in consultation with the Chancellor of UAF and the Vice President for Administration of the University of Arkansas System, to be distributed annually from the Endowed and Quasi-Endowed Funds to their respective expenditure cost centers.

Average Unit Market Value – The average market value of the endowment pool over the preceding 36 months divided by the total units held in the pool. This calculation is made at the end of each quarter.

Distribution Amount – The amount determined by multiplying the Spending Rate, the Average Unit Market Value and the number of units held by the fund in the Endowment Pool. One fourth of this amount is distributed to the expenditure cost center each distribution date.

Endowment Fund Expenditure Cost Center - Each University Endowed and Quasi-Endowed Fund has a unique associated expenditure cost center. This cost center is used to budget the endowment's earnings made available under this policy and to record the expenditure of these earnings.

Revised February 25, 2010

Revised May, 1997

Revised May 1, 1996

April 20, 1989