



**Policy Chapter:** Chapter 10 Fiscal Management

**Policy Number and Title:** 10.010 Endowment

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**I. Policy Statement**

The University of North Texas (UNT) will accept, manage, invest, and distribute endowment funds in a manner that respects donors, and is in accordance with fiduciary due diligence. This policy is intended to establish guidance and administrative processes to accept and administer gifts in a fiduciarly prudent and efficient manner.

**II. Application of Policy**

All University.

**III. Policy Definitions**

**A. Endowments**

"Endowments," in this policy, means a fund where the principal is designated, by the donor, to be held in perpetuity or for set terms as specified in a gift instrument, and is not wholly expendable by the institution on a current basis.

**B. Permanent Endowments**

"Permanent Endowments," in this policy, also referred to as "true" or "pure" endowments, are assets designated by the donor to be held in perpetuity. The corpus of these endowments may never be spent. Earnings and capital gains must be expended in accordance with the terms and conditions established by the donor. However, it must be recognized that the corpus may decline during unfavorable market conditions.

**C. Term Endowments**

"Term Endowments," in this policy, are established when the donor specifies that the endowment will terminate following a particular date or event and that the corpus of the endowment may be expended in accordance with the terms and conditions specified by the donor. Until the passage of the specific date or event, term endowments operate in a manner similar to permanent endowments with expenditures made in accordance with the conditions established by the donor.

**D. Quasi-Endowments**

"Quasi-endowments," in this policy, are funds functioning as endowments for a period of time but are not required to be maintained in perpetuity as endowments. The University Administration will specify the use of the assets and spendable income and set other terms and conditions relating to these funds. The Vice President for Advancement (VPA) may change the terms and conditions of or terminate a quasi-endowment.

#### **IV. Policy Responsibilities**

##### ***A. Exceptions***

When this policy does not indicate the appropriate course of action or is inappropriate in light of all aspects of a specific situation, as determined by the Vice President for Finance and Administration (VPFA), the VPFA is to work with the President to establish the recommended course of action. If a change relates to a requirement of the Board of Regents, then approval will be obtained from the Board.

##### ***B. Gifts to Establish Endowments***

A written donative instrument is required to be provided for each new endowment fund established. This instrument is to provide:

1. a statement providing that additions to the endowment from any other person or entity, unless prohibited, are made subject to the provisions of the donative instrument; and
2. a statement that if, in the opinion of the President, future circumstances change so that the purposes for which the endowment is established become illegal, impractical, or no longer able to be carried out to meet the needs of UNT, the President may designate an alternative use for the endowment payout to further the objectives and purposes of UNT, giving consideration to the donor's special interest as evidenced by the original purpose of the endowment.

In cases where an endowment is established pursuant to a component solicitation or campaign, the solicitation letter or document sent to the donor or donors may be used as the donative instrument to evidence the donative intent and purposes.

The Board of Regents requires gifts to initiate a permanent endowment fund must equal or exceed at least \$10,000 to be endowed. If the initial gift is less than \$10,000, donors and sponsors may be given additional time to solicit or make contributions until the required minimum is met, normally within three years, with the President having authority to make exceptions. In no case will an endowment be established without prior approval of the President.

##### ***C. Fiduciary Responsibility***

The University of North Texas System Board of Regents has a fiduciary responsibility to comply with the restrictions imposed by the donors of endowment funds. The Regents also have a legal responsibility to ensure that the management of endowment funds is in compliance with [Tex. Educ. Code § 51.0031](#), Chapter 163 of the Texas Property Code, and to the extent applicable, Section 117 of the Tex. Property Code, [Uniform Prudent Investor Act](#)

#### ***D. Spending Unitized Endowments***

UNT recognizes the need for spendable income by the beneficiaries of the endowment funds under their custodianship. UNT's objective is to distribute as much total return as is consistent with overall investment strategy and while protecting the real value of the endowment principal.

An endowment should be excluded from the target distribution until the endowment has been established for one complete quarter.

The target distribution of spendable income to each unit of the endowment fund will be between three (3) to six (6) percent of the average market value of a unit of the endowment fund for the preceding 12 quarters. Unless otherwise determined by the Finance Committee of the Board of Regents, the target annual distribution rate will be 3.75 percent of the average unit market value.

Distribution must be made quarterly, as soon as practicable, after the last calendar day of November, February, May and August. This distribution amount must be recalculated each quarter based on a 12-quarter rolling average. The calculation for distribution will mirror the UNT Foundation management's model.

Fund Managers are responsible for ensuring distribution expenditures are in compliance with endowment terms and conditions, applicable federal and state laws, and UNT System and UNT policies and procedures. Fund managers are responsible for addressing and correcting all non-compliant expenditures. Excessive accumulation of endowment distributions should be avoided. Distribution balances may be deemed excessive when the balance is in excess of two years of distributions and \$1,000. Excess distribution balances may be returned to corpus, distributed by a UNT administrative office, or result in the reassignment of person or department responsible for managing.

#### ***E. Investment of Endowment Funds***

The endowment funds must be invested in the UNT Foundation Endowment Account.

#### ***F. Asset Allocation for Unitized Endowments***

To achieve the goal and objectives of the endowment fund, the fund's assets will mirror the UNT Foundation Endowments.

The asset allocation will be monitored on an ongoing basis and reviewed on a yearly basis or as needed during the fiscal year.

#### ***G. Endowments Not Unitized***

Endowments that do not provide for investments in equities will not be unitized and will receive interest and dividends on their funds invested in fixed income securities.

#### ***H. Management Fees***

The UNT Foundation will manage the UNT endowments. Management fees will be charged based on the official agreement with the UNT Foundation.

#### ***I. Reporting***

The performance of endowment investments will be reported with the investment reports submitted each quarter to the Board of Regents. The report must contain a summary of:

1. book value, by asset class;
2. market value, by asset class;
3. performances measures;
4. benchmarks against which to measure performance; and
5. beginning and ending market values for the quarter, with changes in market values

#### **V. References and Cross-References**

[Tex. Educ. Code § 51.0031](#)

[Uniform Prudent Investor Act](#)

[UNT System Board of Regents Rule 09.100, Gifts and Grants](#)

[UNT System Board of Regents Rule 09.300, Endowment Funds](#)

[UNT System Board of Regents Rule 10.100, Investments](#)

[UNT System Regulation 08.2000 Investment of System Funds](#)

[UNT Policy 09.002, Fundraising and Private Support](#)

#### **VI. Revision History**

Policy Contact:	Assoc. Vice President, Budget and Analytics
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