FIN-026

Creating and Managing Quasi-Endowment Accounts

Effective Date Tuesday, September 15, 2009

Status Final

Last Revised Tuesday, May 9, 2023

Policy Type University

Contact Office University Controller

Chief Financial Officer (Medical Center) Treasurer (Office of the)

Oversight Executive
Vice President and Chief Financial Officer Chief Financial Officer of the Health System

Applies To Academic Division, the Medical Center, and the College at Wise.

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Reason for Policy

This policy establishes guidelines and requirements for University, Medical Center, and/or College at Wise units wishing to create Quasi Endowment accounts in order to invest funds in the University of Virginia Investment Management Company's long-term pool to meet long-term financial needs.

Definition of Terms

Divestible Quasi Endowment

Description

A quasi endowment that permits divestment of principal provided (1) it has been invested in the account for at least five years and (2) divestment is made according to the plan submitted at the time the request for the endowment creation was made.

Fund Balance

Description

A school’s or unit’s available cumulative net position, inclusive of operating surplus/deficit and any carryforward. Fund balances appear in the general ledger and may also be referred to as "Expendable Fund Balances." Fiscal year-end fund balances only include actuals; any other time throughout the year, fund balances include all obligations and commitments (what is expendable).

Actuals

Description Transactions that are posted against the Actuals Ledger in the University’s Finance System.

Carryforward

Description In-year fund surpluses or deficits which can be carried over from one fiscal year to the next.

Long–Term Pool

Description

An investment pool managed by the University of Virginia Investment Management Company which invests the commingled assets of the University, Medical Center, and University-Associated Organizations to maximize long-term returns commensurate with the risk tolerance of its investors.

Perpetual Quasi Endowment

Description

A quasi endowment that does not permit the divestment of principal and is intended to exist in perpetuity. Units may choose to receive distributions on the account as determined by the University’s spending policy.

University Units

Description Schools and departments within the University.

Quasi-Endowment

Description

Funds established to function like an endowment, but which may be expended at the discretion of the entity’s governing board. The principal is typically preserved while expenditures to support the purpose may be made from quasi-endowment distributions. Distributions are determined in accordance with the entity’s spending policy.

Policy Statement

University (includes the College at Wise which follows University finance policies and procedures) and/or Medical Center units/departments required or wishing to set aside funds for long-term objectives may be able to create a quasi endowment account. Quasi endowment account funds are invested in long-term assets to

potentially earn a rate of return. Quasi endowment investments are subject to a high degree of volatility and safety of the principal is not guaranteed. Only funds that will not be needed for at least five years can be considered for investment. Those units that cannot invest quasi endowment funds for a period of greater than five years or whose risk tolerance is not suitable for long-term investments should not invest. The creation of the quasi endowment account must not result in deficits in fund balances. Inquiries about quasi endowment approvals are to be directed to the assistant vice president (AVP) for financial operations.

Program Description:

1. **Quasi Endowment Requirements:**
    a. **Investment Amount** – The minimum balance required to create a perpetual quasi endowment is $20,000. The minimum balance required to create a divestible quasi endowment account is $1,000,000. Initial deposits may be made in one or more installments over an agreed upon time period. After a quasi endowment is established, smaller amounts may be added to it provided the minimum balance is maintained. Quasi endowments in existence prior to the effective date of this Policy may not be subject to minimum balance requirements but must adhere to the plan of investment and redemption submitted when the quasi endowment was created.
    b. **Investment Term** – Deposits to a perpetual quasi endowment account are generally permanently invested in the account. Divestments may be granted by the BOV or an authorized designee when it is deemed to be in the University's best interest. Deposits to a divestible quasi endowment must be invested for a minimum term of five years before planned withdrawals may be made, excluding annual BOV approved distributions.
    c. **Plan of Investment and Redemption** – University and/or Medical Center units/departments wishing to make quasi endowment investments must document a plan detailing the:
        1. Source of the quasi endowment funds.
        2. Purpose of the quasi endowment including the program to be supported through the quasi account.
        3. Projected timing of investments and redemptions.
    d. **Advance Notification** – University and/or Medical Center units/departments investing or redeeming funds in excess of $10 million at any one time are required to provide written notification to the treasurer and AVP for financial operations at least 45 days in advance of the transaction. Quasi endowment investments typically occur on the final business day of the month, as long as the request is made by the 20th of the month. Quasi endowment divestments typically occur on the final business day of a full quarter following the request.
    e. **Quasi Endowment Distributions** – University and/or Medical Center units/departments may choose to either receive or reinvest distributions from their quasi endowment account. A designation can be made on the Create Gift Request form. The default is for University units to receive distributions.
    f. **Fees** – Investment and administrative fees will be charged on all quasi endowments.
2. **Qualifying Fund Types:**
    Fund types eligible to be invested into a quasi endowment account include:
    - Gift & Endowment Distribution Funds
    - Local Plant Funds
    - Auxiliary and Reserve Funds
    - Medical Center Reserve Funds

3. **Authorization for Transactions:**
    In December 2022, the BOV authorized the executive vice president and chief operating officer (EVP & COO) to approve individual quasi endowment transactions that are less than $5 million. Transactions of $5

million or more must be approved by the BOV.

Once a quasi endowment is established, funds must be spent in accordance with the terms of the gift instrument or the action establishing it. Changes to a quasi endowment account's fund source, fund use, or plan of investment and redemption requires the approval of either the BOV or its authorized designee depending on the size of the change.

4. **Compliance Tracking:**
   Financial Reporting and Accounting and/or the Medical Center's chief financial officer will review all requests for quasi endowment actions to determine compliance with this policy and to assure appropriate approvals.

5. **Penalties for not Meeting Minimum Requirements:**
   The table below lists the penalties assessed and the subsequent actions that may be taken for failure to meet the required guidelines:

Requirement	Penalties	Action
Minimum Balance	Forfeiture of upcoming endowment distribution.	Divestment of remaining balance in quasi account.
Minimum Term	Forfeiture of upcoming endowment distribution.	Divestment of remaining balance in quasi account.
Compliance with Plan of Investment and Redemption	Full or partial forfeiture of upcoming endowment distribution.	Divestment of remaining balance in quasi account.

   The AVP for financial operations and/or the treasurer reserves the right to close a quasi endowment account that is not meeting the guidelines listed above.

6. **Investment Returns:**
   Returns on quasi endowment investments are based on the market return achieved by UVIMCO in the management of its long-term pool. These returns are based on investments in and exposures to many different market segments. Money invested in the long-term pool is subject to significant price risk and safety of invested principal is not guaranteed. UVIMCO's asset allocation for the long-term pool and its historical investment returns can be found at the UVIMCO website.

   The Board of Visitors has established a spending policy for its endowment investments that defines the frequency and amount of distributions from endowment investments. The distributions are intended to provide a stream of income from endowment investments for University units to use in support of specified programs.

7. **Making an Investment:**
   Before making an investment, University units must decide whether they can meet the program

requirements listed above for quasi endowments. University units may request that earnings on quasi endowment investments be re-invested. University units may have multiple quasi endowment accounts provided each account meets these program requirements.

8. **Compliance with Policy:**
   Failure to comply with the requirements of this policy may result in disciplinary action up to and including termination or expulsion in accordance with relevant University and Health System/Medical Center policies as appropriate.

   Direct questions about this policy to the Office of the University Controller or to the Chief Financial Officer (Medical Center).

Procedures

Create Gift Request

Related Information

BOV-018: Endowment Spending Policy and Administrative Fee
BOV-020: Quasi-Endowment Transactions
FIN-025: Internal Interest Program

Major Category Finance and Business Operations

Next Scheduled Review Saturday, May 9, 2026

Revision History

Updated Contact Office 10/17/25; Revised 5/9/23; Minor Updates 3/25/19; Added Medical Center info 6/11/18; Updated 4/17/18; 1/13/12, 5/31/11, 5/16/11.

Policy Summary

A University and/or Medical Center unit may create, invest in, and divest from Quasi Endowment accounts for an approved purpose. University and/or Medical Center units are required to make an initial deposit that meets the guidelines identified below under “Program Description.” Deposits must be invested for a minimum term of five years. Quasi transactions require certain approvals as outlined below.

Approved By Executive Vice President and Chief Operating Officer

Approved Date Tuesday, September 15, 2009