NAU Foundation Terminology

**3rd Party administrator** – BNY/Mellon manages our planned gift annuities and trusts.

**Bequest** – A transfer of property such as cash, securities, and tangible property through a will.

**Development** – A term used since the 1940’s to define the total process of institutional fundraising, frequently inclusive of public relations and alumni affairs.

**Discretionary Funds** – These are funds that are not restricted by a specific purpose. They are usually set up for the benefits of a department or chair.

**Charitable Gift Annuity** – A transaction in which a donor transfers cash or property in exchange for the promise to make fixed annuity payments to life annuitants. Similar to a regular annuity.

**Charitable Remainder Trust** – A donor creates and funds an irrevocable trust that provides income to beneficiaries for life or term of years, after which time the remainder of the trust is distributed to NAU for the benefit the donor designated when the trust was created.

**Corpus** – Original donation to an endowed fund.

**EBS** – Educational Broadband Service – NAUF owns several EBS licenses that we lease to a large telecommunications’ provider.

**Endowment** – A subset of the investment pool – at conferences people ask what your endowment is – this figure is less than the investment pool.

**Endowment Fee** – Currently 1.5% of the market value of the investment pool at December 31st

**Endowment Fund** – These are funds established by a donor as an endowment. The original corpus of gifts to the fund must remain intact in perpetuity. However any payout may be spent according to Board guidelines within the purpose restriction prescribed by the donor. Endowments are restricted funds and each endowment has two parts the Principal and the income.

**Endowed Pool** – Same as investment pool.
Endowment Spending Policy – The objective of the policy is to achieve a proper balance between present and future needs of the University. Other objectives are to achieve a reasonable degree of stability and predictability in income available for current operations/scholarships.

Fund – A fund is the account at the Foundation.

Funds Under management – Same as investment/endowed pool.

Governance – Relates to consistent management, cohesive policies, processes and decision-rights for a given area of responsibility.

Grant – Generally an allocation from a foundation, corporation or government agency.

HEPI – Higher Education Price Index – a measure of the inflation rate applicable to higher education. Schools often set target returns including HEPI.

Income/Expendable – The income or expendable is where the earning or the payout is held. Money in the income can be used for scholarships or expenses as outlined in the LOU.

Investment Consultant – May be a separate entity/individual from the investment manager. A professional that helps the committee select investment managers.

Investment Manager – The professional managers of our investment funds.

Investment Policy Statement – IPS – A document that defines how the investment pool will be managed. Provides guidelines for all investment decisions and responsibilities of the managers and committee members along with assets classes allowed and performance measurements for managers.

Investment Pool – Total investment managed by our investment managers and the SMIF group.

LOA – Letter of Agreement. This documentation is generally for donor directed activity.

LOU – Letter of Understanding. This documentation sets up the endowed or quasi endowed fund. These funds will receive an annual payout if at the endowed level.

Major gift – A gift of $25,000 or more.

Market Value – The value of the endowed fund based on the earnings/losses as invested in the pool. Market value is based on the number of shares purchased and the current share price.
**Payout** – This is the annual earnings of the principal. The payout is calculated each year in late February. The payout will not be posted until 6/30 of each year, and are available for the following year scholarships.

**Payout Rate** – The rate established in the endowment spending policy currently at 4% - see the endowment spending policy for details on this calculation.

**Permanently Restricted gift** – a gift given to an endowed fund that cannot be spent but can be invested to generate earnings that can be spent.

** Planned Gift** – An effort to identify and cultivate a person for the purpose of generating a major gift that is structured and that integrates sound personal, financial, and estate planning concepts with the prospects plans for lifetime or testamentary giving. A planned gift has tax implications and often in transmitted through a legal instrument, such as a will or trust.

**Principal/Non Expendable** – The principal or non expendable is where the gift donations are held and accumulated. This money cannot be spent but must be held intact in perpetuity. Market gain or loss is allocated based on the number of units held in principal.

**Quasi-Endowed** – These are funds that have not reached the endowment level or funds designated by the university to operate as an endowment for investment purposes but the principal is considered temporarily restricted and can be spent at any time.

**Reinvestment Fee** – There are two reinvestment fees – a fee on current gifts to current funds, and the endowment fee which is assessed on an annual basis and reduces the total dollar payout. See the Reinvest Fee Policy for more information.

**Restricted/Non Endowed Program** – Non Endowed or Expendable funds are established by an academic unit for the purposes of supporting a specific program.

**Restricted/Non Endowed Scholarships** – Non Endowed or Expendable funds are established by the donor and/or an academic unit for the purposes of scholarships. Gifts are restricted for this purpose.

**SMIF** – The NAU Student Managed Investment Fund. The student group was given $500,000 in 2000 to manage.

**Spending Rate** – Endowed spending divided by the overall endowment value. See the Endowment Spending Policy for more details.

**Temporarily Restricted Gift** – A gift with a specific purpose clearly stated by the donor such as a named scholarship or a specific program.
Underwater – When a fund market value is below the original corpus.

Unrestricted gift – A gift given that is not specifically designated to a particular use by the donor or for which restrictions have expired or have been removed.

UPMIFA – The uniform prudent management of institutional funds act – as adopted in Arizona called the SPMIFA – a uniform act that governs the investment, management and expenditure of endowment funds. Allows us to spend into corpus if funds are underwater.