

What types of endowment are there?

An endowment refers to a sum of money (usually a grant or donation) which has been invested, rather than simply held in a bank account, with the intention that it will attract investment returns and therefore grow in value, so that it can support charitable activities over a longer period of time. Endowments are common among charities and not for profit organisations, as they are a way for supporters to make a sustainable contribution to the organisation's future.

Of our endowments, some are permanent and some are expendable, which are determined according to each donor's wishes. These are defined as follows –

	Permanent endowment	Expendable endowment
Can the capital (original value of the donation) be spent?	No	Yes, if required
Can the investment returns be spent?	Yes	Yes
What is the impact of this?	The permanent endowment continues to grow in perpetuity because the original donation value cannot be spent, and it should attract investment returns each year which, if spent at a lower rate than the total returns, ensures the endowment grows in value each year to keep up with inflation	The expendable endowment can be treated in the same way as a permanent endowment, but there is greater flexibility to spend the endowment down in full if needed - for example if the investment returns on their own would not be enough to cover the required distributions in any one year, then some of the original donation itself could be spent. This would cause the expendable endowment to decrease in value if it is spent at a higher rate than the investment returns