

University Of Houston - Downtown
Endowment Guidelines

(A UHD Supplement to SAM 03.F.02)

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Introduction

The University of Houston-Downtown is committed to creating and strengthening its endowment management process and procedures. University of Houston - Downtown currently has over 85 endowments. Prudent financial management and increased accountability will ensure that UHD is complying with the intentions of endowment benefactors, as well as utilizing endowment income in the most strategic way. An audit of the UHD endowment management in April, 2014 identified areas and processes for improvement. This document is not only in response to the audit findings, but a tool to better understand and manage endowment funds. It should be considered a UHD supplement to SAM 03.F.02 Endowment Management.

Definitions

Endowment

A funding account with limits on spending the principal. Endowments are stable philanthropic investments that yield secure, significant annual operating support.

Above Water

A term used to describe an endowment whose current market value is more than its corpus.

Book Value (Carrying Value; Fund Balance)

The original cost basis of an endowment, plus adjustments for gains or losses, additional gifts, external management fees and any other transfers to or from the fund.

Corpus (Historic Dollar Value)

The aggregate amount of all contributions by a donor or donors to an endowment. This is not the same as book value.

Cy Pres

A procedure for releasing restrictions on a gift if the donor is deceased and the component university finds it impractical or impossible to conform to the restrictions. The component university may attempt to have the limitations on the original gift released by bringing "cy pres" action in an appropriate court.

Distributable Income

The portion of income available for expenditure according to the purpose of the endowment. Policy for determining the amount of distributable income is set by the Board. Currently the policy is to distribute 4% of the rolling 3 year average Market Value.

Endowment Agreement

The written document or records, including an institutional solicitation, under which property (cash, real estate, etc.) is donated or granted to the institution and held as an endowment.

Fully Funded

The term given to an endowment whose historic dollar value equals or exceeds the amount pledged by the donor as stipulated in the endowment agreement.

Income

Interest, dividend income, realized gains and royalties received from the principal of the endowment.

Minimum Funding Level

The minimum corpus level required per the agreement.

Quasi-endowment (Funds Functioning As Endowment)

A fund established by the institution that is treated as an endowment but not subject to any legal prohibitions against spending. Gifts and other funds that are not restricted from being endowed may be used.

Realized Gain or Loss

The difference (gain or loss) between the value at the time of purchase or other acquisition of an asset, and the market value of that asset at a point in time when the asset is sold.

Restricted Income

Endowment income whose use is restricted by donor instructions.

Return to Principal

The process of returning all or a portion of the annual distributed income to the endowment principal according to the endowment agreement or until the required funding level is achieved.

Term Endowment

A fund established through a gift with provisions which state that the principal may be spent on or after a predetermined date or period of time, or the occurrence of a specified event.

True Endowment

A fund established through a gift with provisions that prohibit the spending of principal. Only investment income generated from the principal may be used.

Under Water

A term used to describe an endowment whose current market value is less than its corpus

Unrestricted Income

Endowment income whose use is not restricted by donor instructions, but may be designated for a specific use by an internal component university decision.

Endowment Fund Groups

Fund Short Description

| | |
|------|-------------------------------|
| 6045 | TRUE ENDOW-RESTR-STDNT AID |
| 6046 | TRUE ENDOW-UNRESTR-STDNT AID |
| 6048 | TERM ENDOW-RESTR-STDNT AID |
| 6051 | QUASI ENDOW-RESTR-STDNT AID |
| 6052 | QUASI ENDOW-UNRESTR-STDNT AID |
| 6054 | TERM ENDOW-UNRESTR-STDNT AID |
| 6061 | TRUE ENDOW-RESTR-GEN PURP |
| 6062 | TRUE ENDOW-UNRESTR-GEN PURP |
| 6063 | TERM ENDOW-RESTR-GEN PURP |
| 6064 | TERM ENDOW-UNRESTR-GEN PURP |
| 6065 | QUASI ENDOW-RESTR-GEN PURP |
| 6066 | QUASI ENDOW-UNRESTR-GEN PURP |
| 6700 | QUASI ENDOW-UNRESTR GROWTH |

Income Beneficiary Fund Group (also known as Endowment Income/Expenditure Fund Groups)

Fund Short Description

| | |
|------|--------------------------------|
| 2076 | DESIG-ENDOWMENT INCOME |
| 2087 | DESIG-ENDOWMENT ASSESSMENT |
| 4028 | RSTR SCH-ENDOWMENT INCOME |
| 4040 | RSTR GEN-CULLEN ENDOWMENT INC |
| 4042 | RSTR GEN-ENDOWMENT INCOME |
| 4046 | RSTR GEN-CULLEN PROF ENDOW INC |
| 4051 | RSTR GEN-CT BAUER ENDOWMNT INC |
| 4052 | RSTR SCH-CULLEN ENDOWMENT INC |

Minimum Funding Levels for Endowments

| Endowment Type | Minimum Funding Amount | Maximum Years to Fund |
|------------------------------|-------------------------------|------------------------------|
| Chairs | \$500,000 | 5 |
| Professorships | \$250,000 | 5 |
| Other Academic Appointments | \$100,000-250,000 | 5 |
| Graduate Student Fellowships | \$50,000 | 5 |
| Scholarships/Program Support | \$10,000 | 2 |

Additional gifts to endowment accounts beyond the minimum funding amount are always welcome.

Navigation to Find Endowment Agreement >>>

Main Menu

Search Menu:

- Business Processes
- Custom Reports
- Computer Operations
- Budget Development Module
- Manager Self-Service
- Supplier Contracts
- Vendors
- Procurement Contracts
- Purchasing
- eProcurement
- Services Procurement
- Accounts Payable
- Asset Management
- Commitment Control
- General Ledger
- SCM Integrations
- Set Up Financials/Supp**
- Enterprise Component
- Tree Manager
- Reporting Tools
- PeopleTools
- Change My Password
- My Personalizations
- My System Profile
- My Dictionary
- Return to Portal Hub

Budget Journal Worklist

Filter on [] for value []

| Source | From | Worklist Date | Worklist Action |
|--------|------|---------------|-------------------|
| PUR | | 08/28/2008 | Approval Denied |
| BAP | | 09/17/2010 | Approval Required |
| BAP | | 08/25/2011 | Approval Required |
| BAP | | 09/20/2011 | Approval Required |
| ACC | | 08/16/2012 | Approval Required |

Journal Worklist

No Journals

Click

- Business Unit Related
 - Common Definitions
 - Design ChartFields
 - Payroll Tax
 - Define Values
 - Reports
 - ChartField Values
 - SpeedTypes

Navigation to Find Endowment Agreement



Favorites ▾ | Main Menu ▾ > Set Up Financials/Supply Chain ▾ > Common Definitions ▾ > Design ChartFields ▾ > Define Values ▾ > ChartField Values



UHS
Finance

ChartField Values

ChartField Values

You do not have security privileges to access the ChartFields that are not hyperlinks.

Account

Fund Code

Department

Program Code

Project

Budget Reference

ChartField 1

Alternate Account

Book Code

Adjustment Type

Scenario

Statistics Code

← Click

Navigation to Find Endowment Agreement



Favorites ▾ Main Menu ▾ > Set Up Financials/Supply Chain ▾ > Common Definitions ▾ > Design ChartFields ▾ > Define Values ▾ > ChartField Values



UHS
Finance

Program Code

Enter any information you have and click Search. Leave fields blank for a list of all values.

Find an Existing Value

Add a New Value

Search Criteria

SetID: = ▾ 00784 🔍

Program Code: begins with ▾ h9540 🔍

Description: begins with ▾

Include History Correct History Case Sensitive

Search

Clear

Basic Search


Save Search Criteria

Enter Business Unit 00784

Enter Income Cost Center
Program Code

Navigation to Find Endowment Agreement

Favorites ▾ Main Menu ▾ > Set Up Financials/Supply Chain ▾ > Common Definitions ▾ > Design ChartFields ▾ > Define Values ▾ > ChartField Values

 UHS Finance

Program | UHS Endowment Acct | Endowment Document Image

Click on Tab




Program Code

SetID: 00784 Program Code: H9540

Effective Date

Personalize | Find | View All |  | 

| *Effective Date | Status | *Description | Short Description | Manager Name | Budgetary Only | Attributes | Long Description |
|---|----------|---------------------|-------------------|--------------|--------------------------|------------|------------------|
| 09/01/2003  | Active ▾ | CAIN SCHOLARSHIP FD | | | <input type="checkbox"/> | Attributes | Long Description |

 Save  Return to Search  Notify

 Add  Update/Display  Include

Navigation to Find Endowment Agreement

Favorites ▾ Main Menu ▾ > Set Up Financials/Supply Chain ▾ > Common Definitions ▾ > Design ChartFields ▾ > Define Values ▾ > ChartField Values



UHS
Finance

Program

UHS Endowment Acct

Endowment Document Image

SetID: 00784

Program Code: H9540

CAIN SCHOLARSHIP FD

[Print Endowment Registry](#)

Endowment Fund Document Image

Active Status

[Add New Document](#)

Image

Click

[Find](#) | [View All](#)

First  1 of 1  Last

Secured Document

[Details](#)



Document Type

Document Status Active

Document Seq Nbr 1

Created By GREENAN


Created Date/Time 05/23/2007 2:47:00PM

Last Update User ID

Last Update Date/Time

File Type application/pdf

 Save

 [Return to Search](#)

 Notify

Roles and Responsibilities

University Advancement

UA Initiates solicitation

Utilizes Endowment Agreement template provided by UH System and approved by UHS Vice Chancellor for Advancement, UHS General Counsel, UHS Regents and coordinated through UH Advancement, Office of Gift Records.

UHD University Advancement manages endowment agreement process for UHD donor. Topics to be covered with donor include name of endowment, restrictions and designations for gift, assets, total gift amount, pledge terms, signatory, donor biography and related issues.

Initiates Memorandum of Understanding (MoU) required for:

- Change in use of endowment funds

- Creation of term endowment utilizing funds raised through special event or activity with no primary donor

- Creation of endowment agreement for quasi-Endowments

Provides appropriate stewardship and reporting to donors

Maintains information on endowment purposes, endowment appointments, account holders, account balances, and endowment reporting

Serves as liaison for donors on all matters relating to UHD endowments

Budget Office

Establishes endowment cost center based on endowment agreement terms and conditions.

Communicates and coordinates, on a regular basis, with UA on endowment cost centers

Reviews departmental fund equity and budget balance available throughout the year and follows through with departments on outstanding items from review

Records all endowment related journal entries (Budget Office and General Accounting)

Provides estimated endowment income to departments during budget development cycle

Serves as liaison for department heads and business administrators on financial information relating to UHD endowments and follows through on financial issues of non-compliance

Business Affairs

Coordinates with UA and Treasury to ensure appropriate cost centers are established

Ensures Banner Detail Codes (DETCs) for endowment scholarships are created by Student Accounting, and communicated to Office of Scholarships and Financial Aid.

Produces Annual Endowment Reports with corresponding income cost center for all departments/colleges.

Performs all accounting transactions for deposits into the endowments per Bank Confirmations

Performs reconciliations of endowment cost centers to ensure they tie to the UH-System cost centers

Reconciles endowment scholarship cost centers on a monthly basis to ensure Banner information is posted correctly.

Ensures all year end endowment and income distribution journal entries are complete

Office of Scholarships and Financial Aid

Reviews and allocates institutional scholarship awards based on endowment terms and conditions (also known as criteria and/or restrictions)

Communicates and collaborates with department head and University Advancement for any revisions to the original endowment agreement for institutional scholarships

Coordinates with Business Administrators to award college scholarships

Ensures scholarship DETC is set up in Banner Financial Aid

Posts and disburses awards (credit student account)

The Provost Office

Provides final approval of all endowment scholarships awarded in the Division of Academic and Student Affairs to ensure accuracy and compliance in accordance with the agreement.

Conducts mid-year assessment of funds spent for scholarship and endowment cost centers with Business Administrators.

Ensures the annual Endowment Fiscal Reports are completed and submitted to the UA Office.

Reviews and approves scholarship and endowment criteria modifications and submit to the UA Office.

Serves as the Division liaison for communicating deadlines and updates related to scholarships and endowments.

Deans, Department Heads and Business Administrators

Business Administrators are responsible for ensuring available cost center balance is expended in accordance with endowment terms/restrictions. If necessary, provides justification and spending plan to the Budget Office.

Business administrators are to meet and communicate with department heads/deans the status of endowment operating income cost centers

Business administrators request budget adjustments as needed for any additional budget or amendment to the original budget, including returns to principal.

Deans/Department Heads/Business Administrators will communicate and collaborate with University Advancement Office for any revisions to the original endowment agreement or anything related to potential endowment prospects/solicitations

Endowment Lifecycle Guidelines

I. Establishment of an Endowment

An endowment account may not be established without a formal legal agreement between the University and the donor(s). This legal agreement is referred to as an "endowment agreement." Donor-prepared agreements or award letters may be used in lieu of the standard agreement if General Counsel and the System Treasurer agree.

The main point of contact between the donor and the university is the development officer. Topics that should be discussed with the donor prior to submitting a request to establish an endowment include: name to be given to endowment fund, name of donor(s), signatory, type of asset given, total endowment value, initial amount given to establish fund if pledge balance to be paid over time, anticipated non-donor funding such as designated or matching funds, and designation or restriction of endowment

If the donor wishes to establish an endowment with an initial payment and pledge balance to be paid over time, the endowment agreement must specify the payment schedule and provide terms in the event that the endowment is not fully funded. The minimum gift to establish an endowment account is \$1,000.

When the development officer reaches tentative terms with the donor, the development officer submits an *Endowment Agreement* worksheet (available on the UA Intranet) to the UH System Office of Gift Management.

Once the request to establish an endowment agreement has been submitted, the UHS Office of Gift Management reviews and approves the documentation, then develops a *Draft Endowment Agreement* for the development officer to present to the donor. The donor reviews and approves or makes changes to the draft, and then the development officer returns the draft to Office of Gift Management for preparation of the *Final Endowment Agreement*. Signatures are coordinated through the UH Office of Gift Management for UH/UH System signatures and UHD University Advancement for UHD signatures and donor's signature. The donor provides the final signature.

An original signed endowment agreement is maintained by UHS Treasury. A second original is provided to the donor. Copies are distributed to UHD Advancement and the appropriate UHD departments (appropriate Dean, Provost, Business Affairs, and Scholarship).

UHS Treasury creates the system cost center (fund 6). Endowment agreement is uploaded by UHS Treasury in PS Finance behind the "Program Code" page in the "Endowment Document Image" tab. UHS Treasury notifies UHD Business Affairs. Business Affairs requests the Budget Office create a UHD endowment cost center and UHD endowment income cost center.

The Budget Office creates the endowment cost center (fund 6) and income cost center (fund 4) utilizing the program code created by UHS Treasury in PS Finance. Related documents are uploaded in the "Cost Center Definition" page in the "Documents" tab. Budget Office emails

UHS Treasury and UHD General Accounting the UHD endowment and income cost center information. General Accounting provides cost center information to Student Accounting to set up a Banner detail code (DETC) for scholarship endowments. Student Accounting provides the Financial Aid Office and the Budget Office with the Banner detail code. The Financial Aid Office establishes the Banner DETC in the Banner Financial Aid system.

The Budget Office emails the College Business Administrator and Department Business Administrator, Associate Dean and Provost Office the endowment income cost center information and the Banner DETC when an endowment is established. The College Business Administrator or designee should download the endowment agreement and share it with the appropriate administrator, faculty and committees.

II. Funding of an Endowment

UH Donor and Alumni Records sets up an endowment record in the *Advance database* and records details of any pledge related to the endowment. The endowment agreement is also uploaded in the *Advance database*.

UHD Advancement periodically monitors endowment accounts to determine if they are meeting funding goals and works with the development officer in cases where goals are not being met. The System is not obligated to honor the terms of the agreement when an endowment does not reach the minimum funding level within the agreed upon timeline.

All funds collected for endowments must be sent to the UHD Advancement Office, then processed as shown below

| | |
|--|--|
| The UHD Advancement Office receives the check(s) directly from a single donor. | The endowment check is submitted to UHS Treasury on a Gift Transmittal Form (GTF) to the Treasury Operations Manager. |
| The UHD Advancement Office receives the donations from multiple donors via cash, check, credit card or payroll deductions. | The UHD Advancement Office submits a request to the Budget Office to create a gift cost center. Donations are deposited into the gift cost center until the minimum endowment requirement is reached and the endowment agreement is executed. The funds are then transferred to the UHS endowment cost center, using the Endowment Fund Transfer Form. |
| The UHD Advancement Office utilizes UHD funds to create a quasi-endowment. | If the University, by and through the Division of Administration and Finance, and with the approval of the President, decides to establish an endowment utilizing university funds, UHD Advancement Office requests a transfer from the UHD operating bank to the UHS endowment bank once the endowment agreement is executed. |

| | |
|--|---|
| | If the funds are from an established gift cost center, then an Endowment Fund Transfer Form is required with associated backup documentation. |
|--|---|

All endowment funds are deposited into the UHS Treasury endowment bank and become part of the endowment pooled investment fund. When deposits are made, UHD General Accounting is notified via bank confirmation and completes the appropriate journal entry to the UHD Endowment Account (Debit: Acct. 12403 and Credit: 31103 (scholarship endowment) or 31106 (other endowment)). Business Affairs office performs reconciliations to ensure that UHS and UHD have the same balances for each endowment.

III. Income Distribution

Endowments must be funded for a full year before providing distributable income. They do not provide income in the year they are created. Until endowments are fully funded, any earned income is returned to the principal and does not count toward the minimum gift amount.

UHS Treasury sends projected endowment distribution information to the Budget Office in March. Income is distributed based on four percent of the rolling 3 year average market value as of December 31. Endowments which are "underwater" as of December 31 do not distribute income for the following fiscal year.

In March of each year, the Budget Office distributes scholarship worksheets that include endowment funded scholarships. The scholarship worksheets are budget development spreadsheets which include revenue and expense budget for the next fiscal year. Once the budget is completed, the Budget Office distributes the next FY's Megabuds, which include endowment cost centers. Megabuds are budget development reports which contain cost center revenue and expense budgets, with position and job detail.

Endowment income is distributed to the Endowment Income Cost Centers per SAM 03.F.02 at the end of each fiscal year through journal entries prepared by UHS. Co-mingling of funds is not allowed – i.e., income for one endowment may not be placed in a cost center designated for another endowment, combined with operating gifts, or mixed with institutional funds.

IV. Spending Distributed Endowment Income

Income is distributed with the intention that it will be spent in the current fiscal year and for the purposes as outlined by the endowment agreement and established spending criteria. Monthly cost center verifications are required for endowment income cost centers per UHD policy.

By October 15th of each fiscal year a financial/stewardship report will be submitted to the UHD Advancement Office, appropriate division and the Budget Office utilizing the Endowment Fiscal Report which includes the following information: beginning fund equity balance (August), revenue, expenditures (with detailed explanation) and ending fund equity balance (August).

Including explanation of balances that are greater than \$3,000 and more than 25% of current year revenue.

If the endowment income will be spent on scholarships then the following procedures should be followed:

Institutional Awards

- The scholarship and the criteria should be published on the Office of Scholarship and Financial Aid website.
- The Assistant Director of Scholarships requests from IT lists of scholarship eligible candidates based on endowment criteria for each scholarship type (freshmen, transfer and continuing FT/PT students) to present to the scholarship committee. The committee reviews and approves the scholarship candidate lists.
- The award letters/agreements are prepared and sent to candidates for acceptance.
- Once award is accepted, enrollment is confirmed and awards are posted to the Financial Aid system.
- Disbursements are verified in the Financial Aid system.

College/Departmental Awards

- The scholarship and the criteria should be published on the Scholarship and Financial Aid Office and appropriate college website.
- The Assistant Director of Scholarships sends timeline and instructions to departments for submission of their Scholarship Memos. The Scholarship Memos must have appropriate signature authorization and supporting criteria documentation.
- The Scholarship and Financial Aid Office posts awards to the Financial Aid system.
- Disbursements are verified in the Financial Aid system.

Business Administrators must ensure that scholarship and endowment criteria are met and maintain record retention for three years. Business Administrators must ensure sufficient balances and scholarship memos are accurate and submitted timely to the Office of Scholarships and Financial Aid (SFA).

If endowment income funds are not restricted to scholarships or other specific purpose, Business Administrators are responsible for ensuring all funds are spent supporting the requirements of the donor.

Business Administrators are responsible for scholarship and endowment cost center verifications. Business Administrators are responsible for the completion and submission of the annual Endowment Fiscal Report by October 15th.

On occasion, distributable income may be unspent in order to prepare for an expenditure associated with a particular need or priority. In these events, the Business Administrator must submit a justification to the Budget Office.

If allowed by the terms of the endowment agreement, unspent funds may be returned to principal, in accordance with SAM 03.F.02 (section 3.14.4). The Business Administrator begins the process by preparing a request to return endowment income to principal and routing it through the appropriate VP, UA, and the Vice President for Administration and Finance, to the UHS Treasurer for system-level approval and processing.

V. Changing or Ending an Endowment

Departments may determine that the restrictions placed on the expenditure of endowment income for a specific endowment may hamper or prohibit the expenditure of those funds. For instance, if it is determined that the criteria are too restrictive, or a particular program ceases to exist, then endowment funds cannot be spent. The department can initiate a change to the criteria by contacting the University Advancement Office who will contact the endowment donor and take action to initiate a MoU via UH Office of Gift Management. The donor must approve any changes in criteria. Unless endowment restriction/criteria are officially changed with an approved MoU, the original restriction/criteria must be strictly enforced. If it becomes necessary to close an endowment and withdraw the funds from the Pooled Investment Fund, the procedures outlined in Paragraph 3.15 of SAM 03.F.02 Endowment Management must be followed. Approval of the CFO (VP, Administration and Finance) and the Board of Regents is required.

Who to Contact at UHD

| | | |
|--|-------------------------------------|--------------|
| Contributions | University Advancement | 713-221-8045 |
| Financial reporting | Business Affairs | 713-221-8449 |
| Income distribution | Budget Office | 713-221-8606 |
| Maintain list of chair/professorship holders | University Advancement | 713-221-8656 |
| Modifications | University Advancement | 713-221-8045 |
| Signature-approval process | University Advancement | 713-221-8045 |
| Solicitation | University Advancement | 713-226-5261 |
| Stewardship | University Advancement | 713-221-8656 |
| Unit-level compliance | Appropriate Business Administrators | |