

UNIVERSITY OF HOUSTON SYSTEM
ADMINISTRATIVE MEMORANDUM

SECTION: Fiscal Affairs

NUMBER: 03.F.02

AREA: Asset Management

SUBJECT: Endowment Management

1. PURPOSE

This document sets forth policies and procedures for establishing endowments within the guidelines of Board policies.

2. DEFINITIONS

- 2.1. Above Water: A term used to describe an endowment whose current market value is more than its corpus.
- 2.2. 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.
- 2.3. 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.
- 2.4. 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.
- 2.5. 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.
- 2.6. 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.
- 2.7. 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.
- 2.8. Income: Interest, dividend income, realized gains and royalties received from the principal of the endowment.

- 2.9. Minimum Funding Level: The minimum corpus level required per the agreement.
- 2.10. 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.
- 2.11. 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.
- 2.12. Restricted Income: Endowment income whose use is restricted by donor instructions.
- 2.13. 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.
- 2.14. 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.
- 2.15. Under Water: A term used to describe an endowment whose current market value is less than its corpus.
- 2.16. 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.

3. POLICY AND PROCEDURES

3.1. Overall Endowment Management

- 3.1.1. The Chancellor is responsible for the general management of the System's endowments as authorized by the Texas Education Code and as further specified by the Board. The Chancellor delegates authority and responsibilities to the Executive Vice Chancellor for Administration and Finance and other System administrators and staff as specified in this document.
- 3.1.2. The Executive Vice Chancellor for Administration and Finance is responsible for the management of and accounting for endowment and related investment funds under guidelines set by the Board and in accordance with Generally Accepted Accounting Principles. The Executive Vice Chancellor delegates authority and responsibilities to the Associate Vice Chancellor for Finance, who in turn delegates authority

and responsibilities to the System Treasurer, System Executive Director of Financial Reporting and other staff within the System Office of Finance as specified in this document.

3.1.3. The System Treasurer is responsible for maintaining all management documents associated with endowment funds and endowment investment funds. This includes items such as Endowment Requests, Standard System Endowment Agreements and related documents, endowment registries and management reports. The System Treasurer also has responsibilities as specified in this document.

3.1.4. The Executive Director of Financial Reporting is responsible for maintaining the System's official financial records associated with endowments. The Executive Director of Financial Reporting also has responsibilities as specified in this document.

3.2. Funds That Qualify For Endowments

3.2.1. True and term endowments may only be funded with gifts and matching gifts to the component university that are either specified by the donor as funds to be endowed or explicitly solicited for the purpose of endowment.

3.2.2. Quasi-endowments may only be funded with funds already owned by the System and which have no restrictions against being endowed. Quasi-endowments may not be liquidated in whole or part until at least five years after the endowment was established.

3.3. Minimum Funding Levels for Endowments

3.3.1. Effective September 1, 2009, minimum amounts for true, term and quasi-endowments are as follows:

UH	
Chairs	\$1,000,000
Professorships	500,000
Other Academic Appointments	100,000 – 250,000
Graduate Student Fellowship	50,000
UH TierOne Scholarships	50,000
Passport Scholarships	50,000
Presidential Endowed Fellowships	50,000
Library Materials Support	10,000
All Others	25,000

UHCL, UHD, UHV

Chairs	500,000
Professorships	250,000
Other Academic Appointments	100,000 – 250,000
Graduate Student Fellowships	50,000
All Others	10,000

- 3.3.2. A true or term endowment may be established with an initial gift of at least \$1,000 and must be fully funded at the relevant minimum funding level within a specific time as indicated in the table below:

<u>Minimum Funding Level</u>	<u>Maximum Payoff Years</u>
\$25,000 and more	five years
\$15,000 to \$24,999	three years
\$10,000 to \$14,999	two years

Any variation to these payment schedules (i.e. when a challenge grant is involved) must be pre-approved by the Vice Chancellor for University Advancement.

- 3.3.3. Only gifts and matching gifts count toward the minimum funding level of true or term endowments.
- 3.3.4. Endowments must be fully funded per the agreement before income is distributed.
- 3.3.5. All distributable income from a true or term endowment that has not yet been fully funded will be returned to the endowment's principal. Income returned to principal may not count toward the fully funded status of the endowment.
- 3.3.6. The System Office of Stewardship has primary responsibility for tracking the funding levels of endowments.
- 3.3.7. A quasi-endowment must be funded at the relevant minimum funding level at the time it is created.
- 3.3.8. Endowment funds pending documentation, cost center creation or transfer will reside in the Treasurer's holding account until all required elements to establish the endowment are provided to the Treasurer.

3.3. 9. Special Endowment Building Techniques at the University of Houston

- Growth Funds: The president, each college and the University Library may choose to establish a growth fund endowment at \$25,000; the start up dollars for the growth fund must be donated or come from prior unrestricted gifts. The use of the income distributed from the growth fund will be at the president or dean's discretion.
 - The purpose of a growth fund is to provide an avenue for donors who wish to establish an endowment but do not have the funds necessary to establish one within the normal time frame of 5 years. After the initial growth fund is established with a gift of \$25,000, additional donors may open a named "account" within the growth fund with a minimum gift of \$1,000. Only one Growth Fund is allowed per college, unless approved by the Vice Chancellor for Advancement.
 - Earnings from each account will be credited to the growth fund and distributed to a single income account. This would allow for earnings to be used immediately to fund a unit's greatest needs.
 - Donors will be allowed to add to their accounts and when the corpus of their account within a growth fund reaches the \$25,000 minimum amount to qualify as a named endowment (\$10,000 in the case of the M.D. Anderson Library), it would be pulled out and treated as a separate endowment with a beginning corpus value of \$25,000. Restrictions on the use of funds would be allowed at that time.
 - Any account not reaching the minimum would remain in the growth fund, perpetually providing funds for the unit's greatest need. Any income returned to principal will be returned to the corpus of the growth fund rather than to individual accounts. Any growth of the fund will be retained by the fund.
- Jump Start Endowment Builder program is a plan where a donor agrees to fund an endowment (\$25,000 minimum) over a period of time and agrees to give an additional annual gift equal to the expected payout of the endowment. With this approach, distributed earnings, less fees, are returned to the corpus until the endowment is fully funded and the annual gift supports the intended purpose of the endowment.

3.4. Endowment Terms and Agreements

3.4.1. True and term endowments require a Standard System Endowment Agreement (Exhibit A) with donors, specifying the terms of the endowment.

- When there are multiple donors to an endowment (i.e., memorials or tributes), a standard endowment agreement with a primary donor (usually the person who initiates the endowment) is required.
- Donor prepared endowment agreements or award letters may be used in lieu of the standard endowment agreement if General Counsel and the System Treasurer approve.
- When endowment funds are raised through a special event or activity where there is no primary donor, the benefiting component university is required to complete a Memorandum of Understanding for Endowments (Exhibit C) that specifies the terms of the endowment prior to funds being solicited. Any letters or materials requesting gifts for the endowment, either mailed to prospective donors or presented at an event, must be attached to the Memorandum of Understanding for Endowments.

3.4.2. When a donor establishes 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 for the possibility that the endowment does not get fully funded.

- The payment schedule should adhere to the table listed in Section 3.3.2. of this document.
- The Vice Chancellor for University Advancement or designee may grant a grace period of up to two additional years when a donor does not make payments totaling at least the minimum funding level for a true or term endowment within the specified timeframe.
- The System is no longer obligated to honor the terms of the endowment agreement when an endowment does not reach the minimum funding level within the specified time frame, including any approved grace period. In this case, the benefiting component university may initiate the transfer of any existing funds in the endowment to another similar endowment or use the funds for current operations in a way that closely resembles the donor's original intent.

- Any change in use of endowment funds must be documented in a Memorandum of Understanding for Endowments (Exhibit C) and approved by the General Counsel, Executive Vice Chancellor for Administration and Finance and the Vice Chancellor for University Advancement or designee. The benefiting component university may also require additional approvals. If possible, the donor should be informed of the ultimate change in use and transfer of funds.
- 3.4.3. Quasi-endowments require a written Memorandum of Understanding for Quasi-Endowments specifying the terms of the endowment.
- 3.4.4. Quasi-endowments made up of restricted funds must adhere to those restrictions.
- 3.4.5. Quasi-endowments linked to a true or term endowment must adhere to the terms of the original endowment agreement.
- 3.4.6. An online Endowment Registry must be prepared for each endowment by the System Treasurer. The registry officially records terms and restrictions, type of fund and associated cost centers.
- 3.5. Approval of True and Term Endowment Agreements
- 3.5.1. The development officer assigned to a department or program wishing to establish an endowment must be involved in originating an endowment request and agreement. If there is no assigned development officer, the chief development officer at the benefiting component university should be involved.
- 3.5.2. Two original agreements must be signed by the General Counsel, the Chancellor, the president of the benefiting component university and the donor.
- 3.5.3. The System Office of Stewardship, in its capacity of providing system-wide development services, is responsible for facilitating signature approvals by the General Counsel and Executive Vice Chancellor for Administration and Finance.
- 3.5.4. The chief development officer at the benefiting component university is ultimately responsible for facilitating signature approvals by the president of the benefiting component university and donor.
- 3.5.5. One of the fully executed original agreements is maintained by the System Treasurer while the other is returned to the donor.

3.5.6. An Endowment Establishment Request must accompany a Standard System Endowment Agreement and/or other necessary documentation when submitted for approval. This form requires the signature approval from the Associate Vice Chancellor for University Advancement, the dean of the benefiting component university and the component university provost.

3.5.7. The System Chief Planned Giving Officer must be notified immediately when an endowment is to be established through a bequest or deferred gift instrument. This person will work with the assigned development director (and donor if appropriate) and the System Office of Stewardship to help facilitate the gift and any special related documents.

3.5.8. Procedures

- Once tentative terms have been reached with a donor, the assigned development officer submits a completed Endowment Establishment Request along with the Standard System Endowment Agreement and/or other required documentation to the System Office of Stewardship.
- The System Office of Stewardship reviews and approves the documentation, facilitates System-level signature approvals, and returns it to the assigned development officer at the benefiting component university.
- The assigned development officer obtains approval signatures from the component university president and, when there is an endowment agreement, the donor. The donor should be the last to sign.
- The System Office of Stewardship is ultimately responsible for monitoring the timeliness of the signature process.
- A copy of the Endowment Establishment Request along with a completed original Standard System Endowment Agreement and/or other necessary documentation is returned to the System Office of Stewardship, which keeps copies for its records, forwards the originals to the System Treasurer, and sends an original to the donor, copies to the appropriate dean of college and/or division business manager and/or the component university office of scholarships and financial aid.
- When a gift is received and the System Treasurer has all of the necessary documentation, including a fully executed and signed endowment agreement, he/she establishes necessary endowment cost centers and completes an online Endowment Registry, which summarizes the terms of the endowment.

- Once the endowment is established, the Treasurer notifies the benefiting CFO or designee with the endowment detail and requests the establishment of an endowment income cost center. The benefiting component university's CFO establishes and informs the System Treasurer of the associated income beneficiary cost center(s).

3.6. Approval of Quasi-Endowments

3.6.1. Two original Memorandums of Understanding for Quasi-Endowments must be signed by the System Treasurer and the benefiting component university's president and chief financial officer. If the quasi-endowment is linked to a true or term endowment, then the Memorandum of Understanding for Endowments must also be signed by the benefiting component university's chief development officer and System Chief Development Officer.

3.6.2. A Request for Quasi-Endowment Establishment (Exhibit B) must be approved and signed by the Associate Vice Chancellor for Advancement and the Vice Chancellor for Legal Affairs and must accompany the Memorandum of Understanding for Quasi-Endowments when submitted for approval by the System Treasurer. A copy of the completed document is forwarded by University Advancement to the component university dean of college and the component university CFO.

3.6.3. A copy of the Request for Quasi-Endowment Establishment and one completed original Memorandum of Understanding for Quasi-Endowments must be maintained by the System Treasurer. The second original Memorandum of Understanding for Endowments will be maintained by the benefiting component university.

3.6.4. Procedures

- The System Office of Stewardship facilitates signatures on the Memorandum of Understanding for Quasi-Endowments and forwards it along with the completed Request for Quasi-Endowment Establishment to the System Treasurer.
- The System Treasurer will review and sign the Memorandum of Understanding for Quasi-Endowments and returns the signed documentation to Stewardship for forwarding to the benefiting component university.
- When a quasi-endowment is linked to a true or term endowment, the Treasurer provides the System Office of Stewardship with a copy of the documentation.

- When the System Treasurer has all of the necessary documentation, including a fully executed and signed endowment agreement, he/she establishes necessary endowment cost centers, completes an online Endowment Registry, and transfers the funds.
- Once the quasi-endowment is established, the Treasurer notifies the component CFO or designee with the endowment detail and requests the establishment of an endowment income cost center, the benefiting component university's CFO establishes and informs the System Treasurer of the associated income beneficiary cost center(s).

3.7. Additions/Modifications/Transfers to Existing Endowments

- 3.7.1. All modifications to endowment agreements and Memorandums will be handled through System Office of Stewardship.
- 3.7.2. All modifications to endowments must be approved by the General Counsel. The benefiting component university may also require additional approvals. If possible, the donor should be informed of the modification.
- 3.7.3. Additions to existing endowments, including income returned to principal, are subject to the same terms and restrictions as the original endowment.
- 3.7.4. Additions to an existing true or term endowment will be treated as a true or term addition to the endowment's principal.
- 3.7.5. If an endowment agreement does not provide for income to be returned to principal within the original true or term endowment, the unexpended income balances must be retained in the income account, until an endowment modification or memorandum of understanding is executed.
- 3.7.6. Funds having different restrictions cannot be commingled in the same quasi-endowment fund.
- 3.7.7. Component university requests for funds being transferred to or from an endowment cost center must be transacted using the Transfer of Funds form accompanied by back up documentation to support the request including donor detail when applicable. Documentation will be submitted to the System Office of Stewardship to facilitate the fund transfer process to Treasury.

3.8. Gift Acceptance (Gift Transfer)

All endowment gifts must be accepted and processed according to policies and procedures stated in System Administrative Memorandum 03.F.01 - Gift Acceptance.

3.9. Gift Receipts

The System Office of University of Advancement is responsible for receipting all gifts to any component university. See System Administrative Memorandum 03.F.01 - Gift Acceptance for information.

3.10. Stewardship

3.10.1. The Vice Chancellor for University Advancement is responsible for establishing and maintaining acceptable donor relations processes for endowments, including donor-reporting requirements.

3.10.2. Each component university office of development is responsible for implementing appropriate stewardship and reporting within the guidelines specified by the Vice Chancellor for University Advancement.

3.10.3. The Vice Chancellor for University Advancement will notify appropriate personnel within the division and at colleges annually to review relevant endowment registries for accuracy and completeness, and to submit any updates to the System Treasurer and a copy to the Vice Chancellor for University Advancement.

3.10.4. The Vice Chancellor for University Advancement, in conjunction with appropriate fiscal authorities, will routinely monitor disbursements from endowment income beneficiary accounts to ensure funds are expended in accordance with endowment instructions.

3.10.5. The System supports the Donor Bill of Rights as promulgated by the Council for Advancement and Support of Education (CASE). This Bill of Rights may be found at the CASE web site (<http://www.case.org>) and the University development web site (<http://www.uh.edu/about/offices/university-advancement/>).

3.11. Endowment Cost Centers

3.11.1. Each true, term and quasi-endowment must have one unique asset management cost center, one unique endowment fund cost center and at least one unique income beneficiary cost center.

- An endowment fund may have more than one income beneficiary cost center only if the endowment's restrictions require that the income be utilized for multiple discrete purposes or departments.
- Co-mingling of funds within income beneficiary cost centers is not allowed; therefore:
 - Income beneficiary cost centers may not be used as a repository for other funds, even if there are no income restrictions on the endowment fund.
 - Current operating gifts may not be deposited into beneficiary cost centers, even if the donor intention is to seed or augment distributable income for the endowment.
 - Funds may not be transferred between income beneficiary cost centers, even if the cost centers are linked to the same endowment fund.

3.11.2. The System Treasurer establishes asset management and endowment fund cost centers, is the primary signatory, and is responsible for ensuring proper set-up of accounts.

- Asset management cost centers are System cost centers while endowment fund cost centers are at the component university level.
- For System-level endowments, one cost center serves as both asset management and endowment fund cost centers.
- The value of an endowment gift or transfer of existing funds is recorded to the asset management cost center. If the endowment gift or transfer is for a component university endowment, a payable due for the amount, is recorded to the corresponding component university endowment fund cost center. If it is a System endowment, the gift or transfer is credited to the fund balance of the endowment cost center.

3.11.3. The benefiting component university's CFO establishes endowment income beneficiary cost centers. The person who is responsible for the day-to-day management of the cost center is primary signatory.

3.11.4. The Treasurer is responsible for ensuring that:

- Endowment funds are properly credited with their pro rata ownership of the investment fund's assets.
- Income due to the endowment funds is distributed when due.
- Realized gains/losses are properly credited or debited to the endowment funds.

3.12. Investment of Endowed Funds

3.12.1. The endowment fund is governed by the Endowment Fund Statement of Investment Objectives and Policies approved by the Board.

3.12.2. All assets of an endowment fund available for investment, unless specifically prohibited, are to be invested in the System Pooled Investment Fund, which is intended to provide a predictable source of income to meet current needs and growth through market value appreciation of assets.

3.12.3. Assets in the Pooled Investment Fund are used to purchase shares (units). The System Treasurer, on a monthly basis, calculates the unit value by dividing the total endowment fund market value by the total fund units as of the close of the month.

3.12.4. Units are purchased in the Pooled Investment Fund. The number of units purchased is determined by dividing the Pooled Investment Fund's unit value into the total value of the endowment addition.

3.12.5. Realized gains are added to the book value of an endowment. Realized losses are deducted from the book value of an endowment.

3.12.6. The System Treasurer is responsible for:

- The deposit and transfer of endowed funds.
- Ensuring funds are properly invested in accordance with Board policies.
- Reviewing investment managers' performance and adherence to guidelines.

3.13. Endowment Income

- 3.13.1. Income from a true or term endowment will be restricted income according to the donor's specified use of the income. Income will be unrestricted if the donor does not specify the use of the income.
- 3.13.2. Income from a quasi-endowment will be restricted if the source of the original principal was restricted. Otherwise, it will be unrestricted income.
- 3.13.3. The primary signatory of the income beneficiary cost center is responsible for the income utilization of the endowment fund.

3.14. Distribution of Income

- 3.14.1. Endowment income will be distributed to recipient income beneficiary cost centers at the end of each fiscal year.
- 3.14.2. Distributed income will be net of administrative expenses.
- 3.14.3. CFOs are responsible for certifying the accuracy of their component university's income beneficiary cost centers.
- 3.14.4. CFOs are responsible for approving and informing the System Treasurer of special instructions regarding income distribution, including the return of income to principal.
- 3.14.5. The System Treasurer is responsible for calculating and certifying for each endowment fund:
 - The amount of income available for distribution.
 - The actual distribution of income.
 - The return of income to principal.
- 3.14.6. The Chancellor is responsible for allocating distribution of income to the component universities from System endowments for which there are no specific donor instructions. The Vice Chancellor for University Advancement, in conjunction with appropriate fiscal authorities, is responsible for reviewing the allocations on an annual basis.
- 3.14.7. The president at each component university is responsible for budgeting distributed income and ensuring that it is expended in accordance with any restrictions.

3.14.8. CFOs are responsible for notifying new Chancellors and presidents of all endowment income allocations where they may exercise their discretion or delegate the authority to others.

3.14.9. The president/vice president/associate vice president or dean who is responsible for the endowment income cost center is also responsible for notifying, on an annual basis, the primary signatory of the endowment income beneficiary cost center of any restrictions on expenditures from the cost center.

3.14.10. Procedures

- The System Treasurer sets deadlines for certifying income cost centers and special instructions and provides each chief financial officer with a list of income beneficiary cost centers on file.
- CFOs inform the System Treasurer of any errors, omissions or designated changes regarding the income beneficiary cost centers.
- CFOs approve and forward to the System Treasurer any special instructions regarding income distribution.
- The System Treasurer compares each endowment's market value to its corpus to determine which endowments are under water and which endowments are above water.
- The System Treasurer provides a report of under water and above water endowments to the Associate Vice Chancellor for Finance for review.

3.15. Withdrawal from The Pooled Investment Fund

3.15.1. The principal of a true or term endowment may only be divested when the component university has agreed to accept a donor's change of terms or through cy pres.

3.15.2. Quasi-endowment principal may be withdrawn in whole or part for uses in accordance with the approved Memorandum of Understanding for Quasi-Endowments and other conditions specified throughout this document.

3.15.3. The appropriate CFO and the Board must approve full and partial withdrawals of any endowment fund.

3.15.4. Withdrawals will be made at the end of the fiscal year. The Executive Vice Chancellor for Administration and Finance must approve any exceptions.

3.15.5. The Executive Vice Chancellor for Administration and Finance, after consultation with the System Treasurer and the appropriate CFO, will decide what action will be taken on any special situations not discussed in this document.

3.15.6. Procedures

- The appropriate CFO submits a written request to the System Treasurer for withdrawal of endowment funds.
- The System Treasurer prepares documentation for approval by the Board at their next scheduled meeting.
- Once the Board has approved the withdrawal, the System Treasurer provides a calculation of the market value and transfers the funds at the end of the fiscal year.

3.16. Endowment Reports

3.16.1. Fiscal year-end reports will be prepared in conjunction with the annual endowment audit. These audited financial reports will be distributed to the Board, the Chancellor, presidents and chief financial officers of all component universities and the vice chancellors. Year-end reports indicating market values, gifts, gains or losses, transfers, and other increases or decreases to principal will be distributed to the presidents and chief financial officers of all component universities or their designee.

3.16.2. Reports indicating market value, diversification of assets, investment manager performance and total investment return on the endowment will be presented to the Endowment Management Committee at least quarterly.

3.16.3. Requests for financial information concerning the endowment should be directed to the System Treasurer.

3.17. System Matching Endowment Fund

Principal of the System Matching Endowment Fund may be used to match gifts that fund new endowments or to create new endowments. Income from the endowment may be used to match other endowed or non-endowed gifts, or to match endowment income. A portion of the income is also being used to help meet Endowment Plus obligations (see Section 3.18. of this document).

3.18. Endowment Plus

Endowment Plus was a program created and concluded during the Creative Partnerships Campaign (FY90-FY96). It was a way to encourage donors to create new endowments by matching up to 50 percent of distributable income for 10 years. The Vice Chancellor for University Advancement had approval authority for determining which new endowments qualified for the match. No new applications are being accepted.

3.19. University Advancement Assessment

As authorized by the Board, the system will annually assess a reasonable fee against the assets of specified endowment funds to offset expenses associated with gift acquisition and fundraising at the component universities.

4. REVIEW AND RESPONSIBILITIES

Responsible Party: Associate Vice Chancellor for University Advancement
Associate Vice Chancellor for Finance

Review: Every three years, on or before March 1

5. APPROVAL

Approved: Michael Rierson
Vice Chancellor for University Advancement

Carl P. Carlucci
Executive Vice Chancellor for Administration and Finance

Renu Khator
Chancellor

Date: November 23, 2010

Exhibit A

UNIVERSITY OF HOUSTON
INTER-OFFICE MEMORANDUM

DATE:

TO:

Treasurer, System

FROM:

Executive Director of Advancement Services

RE:

Endowment Establishment Request

The attached endowment agreement meets the financial and development acceptance guidelines of the University of Houston System and the University of Houston.

An endowment account may be established to receive gifts designated for **XYZ Endowment** at the University of Houston.

APPROVALS:

Dean
College

Date

AVC/AVP for University Advancement

Date

AVC/AVP for Finance

Date

VC/VP Academic Affairs - Provost

Date

Cc: Development Officer
College Business Manager

Attachment: Endowment Agreement

Exhibit A (page 2)

The XYZ Endowment

at the
University of Houston

1.

This agreement dated _____, between _____ and the University of Houston at Houston, Texas, establishes **XYZ Endowment** at the University of Houston.

This endowment account consists of money irrevocably given, and to be given, to the University of Houston by _____.

This endowment account is established with a gift of \$xxx given on xxxxx. **(Remember to add words on a payout schedule if this is to be a multi-year pledge towards the minimum amount needed.)**

Pledge Payout Schedule (example)

- \$5,000 due on or before December 31, 200_
- \$5,000 due on or before December 31, 200_
- \$5,000 due on or before December 31, 200_
- \$5,000 due on or before December 31, 200_
- \$5,000 due on or before December 31, 200_

Add a paragraph here with biographical information on the donor(s) which can include information on their relationship with the University.

2.

If a Scholarship:

The annual distributed income from this endowment will be used to provide scholarship funding in the College of _____.

The recipient(s) of the scholarship will be determined by the College of _____ Scholarship Selection Committee.

The annual distributed income shall be spent for student scholarship(s) based on the following criteria (examples of typical criteria are listed below):

- a. Scholarship prospect exhibits leadership qualities as determined by the College of _____ Scholarship Committee.
- b. Scholarship applicant should demonstrate an interest in pursuing a career in _____.

Exhibit A (page 3)

- c. Scholarship applicant must be a certified full-time undergraduate or graduate certificate or degree-seeking student in good standing at the University of Houston.
- d. Scholarship recipient must maintain a GPA in accordance with the standards set by the College _____ Scholarship Committee.

Scholarship recipient may accept other scholarships and grants in conjunction with **XYZ Scholarship**.

Funds may be used to cover expenses for tuition, books, fees, and/or supplies for the coming academic semester. Any expenses of a recipient in excess of the amount deposited must be borne by the student.

If a Chair/Professorship:

The **XYZ Chair Endowment** will support a full-time tenured faculty member in (College) who can broaden course offerings, spearhead new research, and increase community outreach. The University of Houston will support the basic salary requirements of the holder of the chair and the annual distributed income from the **XYZ Chair Endowment** will be used to provide for his or her research and support services. The annual distribution may be spent by the selected faculty member on, but not limited to, research, professional development, travel, library materials, office/clerical support, salary enhancement or other activities deemed to enrich and enhance the (college).

The University of Houston Committee on Distinguished and Named Professorships and Chairs will make a recommendation for selection of the Chair recipient. This recommendation shall be promptly acted upon pursuant to University policy.

If Program Support:

The annual distribution from the endowment may be spent by (the college) on, but not limited to, student scholarships, research, professional development, travel, library materials, office / clerical support, equipment acquisition, or on other areas deemed to enrich and enhance the (college).

For all Endowments:

The dean of the college of _____ will have administrative control over the annual distributed income from this endowment.

All distributable income will be returned to the endowment's principal until the endowment reaches the minimum funding level of \$ _____. Income returned to principal may not count toward the minimum funding level of the endowment.

Exhibit A (page 4)

If it is determined by the President of the University of Houston that any portion of distributed income is not spent for the designated purpose within six months after a fiscal year, it may be returned to principal.

3.

The University of Houston System agrees to:

- a. Hold and preserve the fund as a permanent endowment fund. The University of Houston President and the University of Houston System Board of Regents fully intend to direct the income from the endowment for the purpose(s) outlined above. However, if the purpose(s) for which the endowment income is spent should cease to exist, or if the purpose(s) for which the endowment is established become illegal, impractical, or otherwise insupportable, the President and the Board reserve the right to direct the income of the endowment to a purpose as close as possible to the donor's original intent.
- b. Invest and manage the fund consistent with guidelines outlined by the System Board of Regents; endowment funds will be pooled for investment purposes. As authorized by the Board of Regents, the University will annually assess a reasonable fee against the assets of the endowed fund to offset expenses associated with gift acquisition and fundraising at the University.
- c. Not expend any of the principal sum of the fund without approval of the President and the System Board of Regents.

The System will be unable to honor the terms of this agreement if an endowment does not reach the minimum funding level within the specified time frame. In this case, the benefiting component university may initiate the transfer of any existing funds in the endowment to another similar endowment or use the funds for current operations in a way that closely resembles the donor's original intent.

Exhibit A (page 5)

This agreement is executed on the date first written above by:

Date
Donor

Date
Chancellor, University of Houston System
President, University of Houston

Reviewed as to form by:

Date
Vice Chancellor for Legal Affairs, UH System
Vice President for Legal Affairs, UH
General Counsel, UH System/UH

Original to: Donor
Treasurer, System

cc: College
UH Office of Stewardship

Exhibit B

UNIVERSITY OF HOUSTON
INTER-OFFICE MEMORANDUM

DATE: Date
TO: Treasurer, System
FROM: Executive Director of Advancement Services

SUBJECT: Quasi-Endowment Establishment Request

The attached quasi-endowment agreement meets the financial and development acceptance guidelines of the University of Houston System and the University of Houston.

A quasi-endowment account may be established to receive funds designated for the **XYZ Quasi-Endowment** at the University of Houston.

Amount: \$

The Quasi-Endowment is funded with the restricted/unrestricted balances from the following account:

PeopleSoft Cost Center: Amount: \$
Income Recipient Account #:
College/Department to Benefit:

APPROVALS:

Dean Date
College

AVC/AVP for University Advancement Date

AVC/AVP for Finance Date

VC/VP Academic Affairs - Provost Date

Exhibit B (page 2)

Reviewed as to form by:

Date

Vice Chancellor for Legal Affairs, UH System
Vice President for Legal Affairs, UH
General Counsel, UH System/UH

cc: College

UH Office of Stewardship

Exhibit B (page 3)

Memorandum of Understanding
to establish the
XYZ Quasi-Endowment
at the University of Houston

1.

This agreement dated _____, establishes the **XYZ Quasi-Endowment** at the University of Houston.

This quasi-endowment account consists of the sum of \$____ transferred from (PS cost center, name of account) to fund the quasi-endowment at \$____.

(Include true or term endowment name, income cost center, and terms of the true or term endowment, if applicable)

(Include background on why this is being established.)

2.

The annual distributed income from this endowment will be used to provide funding in the College of _____.

The University of Houston (College) Scholarship Selection Committee will determine the recipient(s) of the scholarship(s).

Scholarship(s) will be awarded based on the following criteria:

- a. *List any criteria requested by the dean. For example, at dean's discretion, particular Grade Point Average (GPA), certain leadership qualities, particular study(ies) or career path, specific school or school system, male/female, course load, etc. Please note that no preference may be given to candidates' race or ethnicity.*
- b. *Any additional information.*

The dean of the (college) will have administrative control over the annual distributed income from this endowment.

If it is determined by the President of the University of Houston that any portion of distributed income is not spent for the designated purpose within six months after a fiscal year, it may be returned to principal.

Exhibit B (page 4)

3.

The University of Houston System agrees to:

- a. Hold and preserve the fund as a quasi-endowment fund for a minimum of five (5) years. The University of Houston President and the University of Houston System Board of Regents fully intend to direct the income from the endowment for the purpose(s) outlined above. However, if the purpose(s) for which the endowment income is spent should cease to exist, or if the purpose(s) for which the endowment is established become illegal, impractical, or otherwise insupportable, the President and the Board reserve the right to direct the income of the endowment to a purpose as close as possible to the one described above.
- b. Invest and manage the fund consistent with guidelines outlined by the System Board of Regents; endowment funds will be pooled for investment purposes. As authorized by the Board of Regents, the University will annually assess a reasonable fee against the assets of the endowed fund to offset expenses associated with gift acquisition and fundraising at the University.
- c. Not expend any of the principal sum of the fund without approval of the President and the System Board of Regents.

Exhibit C

UNIVERSITY OF HOUSTON
INTER-OFFICE MEMORANDUM

DATE:

TO:

Treasurer, System

FROM:

Executive Director of Advancement Services

SUBJECT: Memorandum of Understanding for:
Name
Cost Center (if available)

The attached endowment agreement meets the financial and development acceptance guidelines of the University of Houston System and the University of Houston.

This memorandum of understanding is (reason for MoU/why is it being created).

APPROVALS:

Dean
College

Date

Donor

Date

Reviewed as to form by:

Date
Vice Chancellor for Legal Affairs, UH System
Vice President for Legal Affairs, UH
General Counsel, UH System/UH

cc: Development Officer
Business Administrator
UH Office of Stewardship

Exhibit C (page 2)

Memorandum of Understanding
for
The XYZ Endowment
at the
University of Houston

1.

This memorandum of understanding dated _____, is in reference to (**Name of endowment**). This memorandum of understanding serves as documentation regarding the intended use of endowment income. .

This endowment account will be with gifts from _____.

2.

The annual distributed income from this endowment will be used to _____.

The dean of the college will have administrative control over the annual distributed income from this endowment.

If it is determined by the President of the University of Houston that any portion of distributed income is not spent for the designated purpose within six months after a fiscal year, it may be returned to principal.

3.

The University of Houston System agrees to:

- a. Hold and preserve the fund as a permanent endowment fund. The University of Houston President and the University of Houston System Board of Regents fully intend to direct the income from the endowment for the purpose(s) outlined above. However, if the purpose(s) for which the endowment income is spent should cease to exist, or if the purpose(s) for which the endowment is established become illegal, impractical, or otherwise insupportable, the President and the Board reserve the right to direct the income of the endowment to a purpose as close as possible to the donor's original intent.

Exhibit C (page 3)

- b. Invest and manage the fund consistent with guidelines outlined by the System Board of Regents; endowment funds will be pooled for investment purposes. As authorized by the Board of Regents, the University will annually assess a reasonable fee against the assets of the endowed fund to offset expenses associated with gift acquisition and fundraising at the University.
- c. Not expend any of the principal sum of the fund without approval of the President and the System Board of Regents.
- d. The system will be unable to honor the terms of this agreement if an endowment does not reach the minimum funding level within the specified time frame. In this case, the benefiting component university may initiate the transfer of any existing funds in the endowment to another similar endowment or use the funds for current operations in a way that closely resembles the donor's original intent.