

Endowment Funds Training Workshop

Updated May 2021

Objectives

Participants understanding of:

- ❖ What is an endowment?
- ❖ Types of Endowment Funds
- ❖ Additional Terms and Definitions
- ❖ UHCL Endowment Funds and Income Cost Center Funds
- ❖ True, Term or Quasi Endowment Funding and Establishment
- ❖ Minimum Funding Levels for True, Term or Quasi Endowment
- ❖ How are an Endowment Fund and the associated Income Cost Center established?
- ❖ Recommended Spending Policy
- ❖ Excessive Accumulation Operating Fund Equity



Objectives (cont'd.)

Participants understanding of:

- ❖ Roles and Responsibilities
 - ❖ University Advancement
 - ❖ General Accounting
 - ❖ Planning & Budget Office
 - ❖ Office of Student Financial Aid
 - ❖ Business Operations
 - ❖ Department Heads, Deans, College/Division Business Administrators (CBA/DBAs)

- ❖ Jointly Accountable and Responsible



University
of Houston
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Objectives (cont'd.)

Participants understanding of:

- ❖ PeopleSoft Navigation
 - ❖ Endowment Agreements
 - ❖ Running a query for an endowment listing
 - ❖ UGLS016E – Fund Equity Report by Fund Range
 - ❖ UGLS1074 – Revenue & Expense – Budget Node Account Summary, and Balance Sheet
- ❖ Additional Reports and How to Read
 - ❖ Annual Risk Assessment and Budget Analysis Report
 - ❖ Annual Market Value Report (Obtained from UH System (UHS) by end of February)



What is an Endowment?

Endowment = Donation, Gift, Bequest (inheritance)

“Endowments provide ongoing benefits for those that receive them by earning a market rate of interest while keeping the core endowment principal intact to fund future years of scholarships, or programmatic funds.”

Types of Endowment Funds



True Endowment Fund

Term Endowment Fund



**Funds Functioning as
Endowments
(Quasi Endowments)**

Types of Endowment Funds - Definitions

True Endowment: Principal amount can never be spent, and but investment income expended.

Term Endowment: Principal may be spent on or after a predetermined date or period of time or the occurrence of a specified event.

Quasi Endowment: Established by the university using spendable current funds, treated as an endowment but not subject to any legal prohibitions against spending.

Additional Terms and Definitions

Endowment Agreement: The written document, including an university's solicitation, under which property (cash, real estate, etc.) is donated or granted to the university and held as an endowment.

Distributable Income: The portion of income available for expenditure according to the purpose of the endowment.

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

Additional Terms and Definitions (cont'd.)

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.

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.

Additional Terms and Definitions (cont'd.)

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

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

Endowment Fund Group

Fund	Type	Description	Currently UHCL has
6045	True	Restricted Student Aid	X
6046	True	Unrestricted Student Aid	
6061	True	Restricted General Purpose	X
6062	True	Unrestricted General Purpose	X
6048	Term	Restricted Student Aid	
6054	Term	Unrestricted Student Aid	
6063	Term	Restricted General Purpose	
6064	Term	Unrestricted General Purpose	
6051	Quasi	Restricted Student Aid	X
6052	Quasi	Unrestricted Student Aid	X
6065	Quasi	Restricted General Purpose	X
6066	Quasi	Unrestricted General Purpose	

UHCL Income Cost Center Funds

Fund	Description
2076	Designated Endowment Income
4028	Restricted Scholarship - Endowment Income
4042	Restricted General - Endowment Income

True of Term Endowment Funding

- ❖ With an initial gift of at least \$1,000
- ❖ Has a minimum funding level of \$25,000
- ❖ Must be fully funded within 5 years

Minimum Funding Levels for True, Term & Quasi Endowments

Chairs	\$500,000
Professorships	\$250,000
Other Academic Appointments	\$100,000 - \$250,000
Graduate Student Fellowships	\$50,000
All Others	\$25,000

Endowment Establishment

- ❖ University Advancement (UA) initiates solicitation
- ❖ All endowment establishment originates at UA
- ❖ Standard System Endowment Agreement for True and Term Endowments
- ❖ Written Memorandum of Understanding (MoU's) for Quasi-Endowments
- ❖ General Accounting coordinates with UHS and UHCL CBA/DBAs to establish Endowment Cost Center and corresponding Income Cost Center respectively

Recommended UHCL Spending Policy

- ❖ Endowment Department/College Income Cost Centers Managers have full responsibility to utilize endowment income and not allow distributed income to accumulate excessively.
- ❖ Expend budgeted funds in accordance to the endowment terms.
- ❖ Endowment Department/College Income Cost Centers Managers to provide justification for excessive accumulation and details of future spending plan annually approved by President/Provost.

Roles & Responsibilities –

University Advancement

- ❖ Initiates solicitation
- ❖ Originates an endowment request, agreement and signature approvals
- ❖ Initiates Memorandum of Understanding (MoU's)
- ❖ MoU's required for:
 - Any change in use of endowment funds
 - Endowment Funds raised through special event or activity with no primary donor
 - Quasi-Endowments

Roles & Responsibilities –

University Advancement (cont'd.)

- ❖ Responsible for appropriate stewardship and reporting to donors
- ❖ UA and Business Operations will coordinate to produce Annual Endowment Reports with corresponding income cost center for all departments/colleges
- ❖ Responsible for maintaining information on endowment purposes, endowment appointments, account holders, account balances, and endowment reporting
- ❖ Serves as liaison for donors on all matters relating to UHCL endowments

Roles & Responsibilities –

General Accounting

- ❖ Establishes endowment cost center based on endowment agreement terms and conditions
- ❖ Communicates and coordinates with UA on endowment cost centers on regular basis
- ❖ Review quarterly departmental financials with CBA/DBAs
- ❖ Follow through on outstanding items from quarterly review meetings
- ❖ Record all endowment related journal entries
- ❖ Reconcile and report quarterly and annually

Roles & Responsibilities – Planning & Budget

- ❖ Responsible for providing estimated endowment income to departments during budget development cycle to be entered into Budget Development Module (BDM)

Roles & Responsibilities –

Student Financial Aid (Scholarship)

- ❖ Request Income cost center and Item type set up for new scholarship
- ❖ Item type set up in PeopleSoft Financial Aid Module
- ❖ Collaborate with respective CBA/DBAs and Business Operations on Reports and projected Fund Equity available for Fall, Spring and Summer Semesters

Roles & Responsibilities –

Student Financial Aid (Scholarship) (cont'd.)

- ❖ Review and allocate scholarship awards based on endowment terms and conditions (also known as criteria and/or restrictions)
- ❖ Communicate and collaborate with Department Head and University Advancement for any revisions to the original endowment agreement
- ❖ Post and disburse awards (credit student account)

Roles & Responsibilities –

Business Operations

- ❖ Serves as liaison for department heads, CBA/DBAs, on matters relating to UHCL endowments financial reports and follow through non-compliance
- ❖ Provide Annual Risk Assessment and Budget Analysis Report to Upper Management, Department Heads and Deans
- ❖ Provide Annual Endowment Market Value Report
- ❖ Provide detailed donor report to UA as requested

Roles & Responsibilities –

Department Heads, Deans & CBA/DBAs

- ❖ Responsible for budgeting distributed income and ensuring that it is expended in accordance with endowment terms/restrictions
- ❖ CBA/DBAs to meet and communicate to Department Heads/Deans on a quarterly basis on the status of endowment operating income cost centers
- ❖ Ensure funds are expended per terms and conditions of the endowment agreement. Otherwise provide justification and spending plan approved by President and/or Provost

Roles & Responsibilities –

Department Heads, Deans & CBA/DBAs (cont'd.)

- ❖ CBA/DBAs to prepare budget journal as needed for any additional budget or amendment to the original budget
- ❖ Department Heads, Deans, CBA/DBAs to communicate and collaborate with University Advancement for any revisions to the original endowment agreement or anything related to potential endowment prospects/solicitations
- ❖ Provide justifications on unexpended funds and future plans to expend the funds as requested by Business Operations and/or UA

Roles & Responsibilities –

Department Heads, Deans & CBA/DBAs (cont'd.)

- ❖ Communicate to UA how the funds are being used generally and specifically highlight specific success stories and/or special uses that will help UA communicate to donors the value that their donations have to the operations and vision of the university
- ❖ Department Heads, Deans held accountable for non-compliance and excessive accumulation of endowment operating funds
- ❖ Be good stewards of Donor's contribution

Together We Are Accountable to Donors

Roles and responsibilities for adhering to the terms of the official endowment rests jointly with those benefiting from the generosity of our benefactors. This includes the President, Provost, Vice President A&F, Office of University Advancement, Deans, Department Heads, AVP's, Directors, and those with signature authority for endowment operating accounts.

PeopleSoft Navigation – Endowment Agreements

Follow this path in UHS Finance: Main Menu > Set Up Financials/Supply Chain > Common Definitions > Design ChartFields > Define Values > ChartField Values

The screenshot shows the UHS Finance PeopleSoft interface. The breadcrumb navigation at the top reads: Favorites > Main Menu > Set Up Financials/Supply Chain > Common Definitions > Design ChartFields > Define Values > ChartField Values. The page title is "ChartField Values". Below the title, there is a message: "You do not have security privileges to access the ChartFields that are not hyperlinks." A list of chartfield categories is displayed, including Account, Fund Code, Department, Program Code, Project, Budget Reference, ChartField 1, Alternate Account, Book Code, Adjustment Type, Scenario, and Statistics Code. A red arrow points from a red-bordered callout box containing the text "Select Program code" to the "Program Code" item in the list.

PeopleSoft Navigation – Endowment Agreements (cont'd.)

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

▼ Search Criteria

SetID: = 00759

Program Code: begins with

Description: begins with

Include History Case Sensitive

Search

Clear

Basic Search



Save Search Criteria

Change the "Set ID" to 00759

Put the program code from the ENDOWMENT cost center (not the income cost center).

PeopleSoft Navigation – Endowment Agreements (cont'd.)

The screenshot shows the PeopleSoft interface for Endowment Fund Document Images. At the top, the 'UHS FINANCE' logo is visible. Below it, a breadcrumb trail shows 'Program' > 'UHS Endowment Acct' > 'Endowment Document Image'. The main content area is titled 'Endowment Fund Document Image' and includes a search bar with 'Find | View All' and navigation buttons for 'First', '1 of 1', and 'Last'. A 'Print Endowment Registry' link is located above the main content. The document details are as follows:

<input checked="" type="checkbox"/>	Active Status
<input type="checkbox"/>	Secured Document
	Document Type
	Document Status Active
	Document Seq Nbr 1
	Created By 0082699
	Created Date/Time 02/17/2011 4:20:14PM
	Last Update User ID
	Last Update Date/Time
	File Type APPLICATION/PDF

At the bottom, there are buttons for 'Save', 'Return to Search', and 'Notify'. A breadcrumb trail at the very bottom reads 'Program | UHS Endowment Acct | Endowment Document Image'.

Click on the Endowment Document Image tab.

Click on the "Print Endowment Registry" link to see summary level information for this endowment.

Click on "View All" to ensure you have all documents.

Click here for the endowment agreement documentation.

Useful Reports

- ❖ Running a query for an endowment listing
- ❖ UGLS016E – Fund Equity Report by Fund Range
- ❖ UGLS1074.1 – Revenue & Expense – Budget Node Account Summary
- ❖ UGLS1074.6 – Balance Sheet
- ❖ Annual Risk Assessment and Budget Analysis Report

References and Suggestions Used From

- ❖ *UH SAM [03.F.02 Endowment Management](#)*
- ❖ *UHS Office of the Treasury <http://www.uh.edu/treasury/>*

Questions and Answers

