Changes to Endowment Handling Process at the University of Houston

Effective June 1, the Office of Stewardship will be responsible for assisting development officers through the process of developing and executing an endowment agreement.

The attached document explains the procedures in detail; please take the time to review and understand it.

The following changes are especially important for you to understand:

1) The Office of Stewardship will be responsible for drawing up endowment agreements and working with the Office of General Counsel and Treasury to ensure agreements are correct as to form.

2) Development officers will work directly with their donors to ensure the donors understand the endowment terms and to ensure the agreement is signed in a timely manner.

3) SAM rules require that pledge terms be part of the endowment agreement. Please work with your donor to develop pledge terms and please communicate them to Stewardship for inclusion in the Final Endowment Agreement.

4) You will be part of the endowment signature process as you will be given two copies of the original Final Endowment Agreement to bring to the donor for signature. Please do not lose these originals and please ensure that they are signed within 15 days of your receiving them.

5) Modifications to endowments should be extremely rare, but when they do occur, they must be facilitated through the Office of Stewardship.

6) Please remember that questions concerning distributed income available in a unit’s endowment spending account should be addressed to the unit’s business manager as that information is stored in PeopleSoft. Advance is a gift reporting database, not a financial tracking one.

Syvalia McKinley will be your main point of contact related to endowment agreements (ext. 38874) but Tina Vasquez (ext. 38902) will manage the signature process and the endowment signature log.

1) Endowment Process Overview (see also https://uaintranet.e.uh.edu/endowment/endowment_process.htm)
2) Step by Step Procedures
3) Modifications/Transfers
4) Award Process
5) Annual Stewardship Activities
6) Signature Process (see also https://uaintranet.e.uh.edu/endowment/fmpro?-db=endowments.fp5&-lay=single&-format=index.htm&-view)
7) Contact Information
8) Forms/Templates
1) **Endowment Process Overview**

a) An endowment is a funding account with limits on spending the principal. Endowments are stable philanthropic investments that yield secure, significant annual operating support.

b) The governing document for the endowment process is found in System Administrative Procedure 03.F.02. All development personnel should take the time to read and understand the SAM.

c) At the University of Houston, the following terms are used to describe three different endowments with defined spending restrictions:

i) **True Endowment** – a fund established through a gift or bequest with provisions, which prohibit the spending of the principal. The donor specified, “that the money was to be put in endowment” or “that only earnings are to be spent.”

ii) **Term Endowment** – a fund established through a gift or bequest with provisions that state that the principal may be spent on or after a predetermined date of period of time, or the occurrence of a specified event.

iii) **Quasi-Endowment** – a fund established by the institution which is treated as an endowment but which is not subject to any legal prohibitions against spending. Funds may come from gifts or operating funds. Quasi-endowments may be created by the university with unrestricted gifts.

d) The minimum amounts for endowments and the maximum number of years to fully fund each endowment type at the University of Houston follow:

<table>
<thead>
<tr>
<th>Endowment Type</th>
<th>Minimum Funding Amt</th>
<th>Maximum Yrs to Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairs</td>
<td>$1,000,000</td>
<td>5</td>
</tr>
<tr>
<td>Professorships</td>
<td>$500,000</td>
<td>5</td>
</tr>
<tr>
<td>College Professorships</td>
<td>$250,000</td>
<td>5</td>
</tr>
<tr>
<td>Other Academic Appointments</td>
<td>$100,000-250,000</td>
<td>5</td>
</tr>
<tr>
<td>Graduate Student Fellowships</td>
<td>$50,000</td>
<td>5</td>
</tr>
<tr>
<td>Presidential Endowed Fellowship</td>
<td>$50,000</td>
<td>5</td>
</tr>
<tr>
<td>Presidential Endowed Scholarship</td>
<td>$30,000</td>
<td>3</td>
</tr>
<tr>
<td>Scholarships/Program Support</td>
<td>$10,000</td>
<td>2</td>
</tr>
</tbody>
</table>

e) The minimum amounts for endowments and the maximum number of years to fully fund each endowment type at the University of Houston Clear Lake, University of Houston Downtown and the University of Victoria follow:

<table>
<thead>
<tr>
<th>Endowment Type</th>
<th>Minimum Funding Amt</th>
<th>Maximum Yrs to Fund</th>
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<tbody>
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<td>$10,000</td>
<td>2</td>
</tr>
</tbody>
</table>

To summarize payout schedule:

- $25,000 and more five years
- $15,000 to $24,999 three years
- $10,000 to $14,999 two years

Any person or entity can make additions to the endowment provided that the additions are made subject to the provisions of the endowment agreement.
2) **Step by Step Procedures**

a) When a donor wishes to establish an endowment at the University, it is important for the development officer to be familiar with the terms and conditions listed above.

b) Because most endowments exist in perpetuity, 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.”

c) Endowment agreements are drawn up by the Office of Stewardship as a service to development officers. Stewardship also manages the steps related to the endowment signature process. However, the main point of contact between the donor and the university is the development officer.

d) Donor prepared agreements or award letters may be used in lieu of the standard agreement if General Counsel and the System Treasurer agree. Stewardship will facilitate any required signature process.

e) When the assigned development officer reaches tentative terms with the donor, the development officer submits a Request for Endowment Establishment and Endowment Agreement worksheet and/or other required documentation to the Office of Stewardship (templates attached). 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 minimum gift to establish an endowment account is $1,000. (see also UASYS - Endowments Process)

f) The Stewardship Office reviews and approves the documentation, then develops a Draft Endowment Agreement for the Development Officer to present to the donor for signature.

g) The donor reviews and approves or makes changes to the draft, and then the development officer returns the draft to Stewardship for preparation of the Final Endowment Agreement.

h) Stewardship facilitates approval of two sets of the Final Endowment Agreement by following a step-by-step signature process to include system level officers.

i) When the two sets of the Final Endowment Agreement have been signed by appropriate UHS personnel, Stewardship gives the Final Endowment Agreement to the development officer to bring to the donor for signature. Stewardship will also supply a return FedEx envelope if the donor wishes the agreement to be left with him/her. The development officer is responsible for ensuring that the donor returns the agreement within 15 days.

j) When the signed agreement is returned from the donor, Stewardship forwards an original Final Endowment Agreement to the Treasurer who is the final custodian of all original copies of endowment agreements. Stewardship binds the other original agreement and delivers it to the assigned development officer for delivery to donor.

k) Stewardship then sends copies of the Final Endowment Agreement to the appropriate College or Division Business Manager and/or the Office of Scholarship and Financial Aid. In addition, Stewardship scans copies of the endowment agreement in Advance in the “Allocation Notes” section.

l) When the Treasurer has the Final Endowment Agreement and has received any funding for the endowment, she establishes an endowment cost center, completes an Endowment Registry, which summarizes the terms of the endowment, and deposits the funds. After the System Treasurer has received the gift and supporting documentation, the value of the gift will be recorded to the credit of the endowment. (Cash gifts without supporting documentation will be placed into an endowment holding account administered by the Treasurer until documentation confirming donor intent is received and the endowment account is established.)
m) Supporting documentation is sent to Stewardship who prepares the Gift Transmittal form and sends it and the gift back up to Donor and Alumni Records.

n) Donor and Alumni Records sets up an endowment record in **Advance** and records details of any pledge related to the endowment.

o) Endowment pledge statements are issued by Stewardship based on the schedule set up in **Advance**.

p) The Treasurer periodically monitors endowment accounts to determine if they are meeting funding goals and works with Stewardship and the Development Officer in cases where goals are not being met. Remember that 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.

q) Questions concerning distributed income available in a unit’s endowment spending account should be addressed to the unit’s business manager, as that information is stored in PeopleSoft. **Advance** is a gift reporting database, not a financial tracking one.

3) **Modifications/Transfers**

a) Modifications may not be made to endowment agreements or promises made to donor about the use of endowment income without a formal modification agreement being drawn up. The modification agreement is to be signed by the donor and the Office of General Counsel. All modifications will be handled through Stewardship.

b) At times, funds need to be transferred from an operating account to an endowment account or from one endowment account to another. In those cases, the **Transfer of Funds** form is to be used and submitted to Stewardship who facilitates the fund transfer process (see Forms/Templates section). [https://uaintranet.e.uh.edu/endowment/transfer_funds.xls](https://uaintranet.e.uh.edu/endowment/transfer_funds.xls)

4) **Award Process**

a) When an endowment is fully funded, it is Stewardship’s responsibility to notify the College/the office of scholarships and Financial Aid or other beneficiary unit. Endowment funds are held in “ledger 6.” When an endowment is fully funded, a “ledger 4” or operating account is set up by the benefiting unit to receive the distributable income. Each ledger 6 account requires a separate ledger 4 account to receive the income. The business unit notifies Treasury of which ledger 4 is to receive the distributable income.

b) In addition, in the case of Chairs/Professorships/Faculty Fellowships/College Professorships, Stewardship notifies the Provost, Dean and Business Officer that an endowment is fully funded and when distributable income may be spent on the faculty appointment. While the college selects the beneficiary, no appointment may be made without approval of the Provost. The Provost notifies Stewardship when an appointment has been approved.

5) **Annual Stewardship Activities**

a) Stewardship provides annual endowment reports to all endowment stewardees. These reports are issued in November of each year and discuss the earnings and growth of each endowment.

b) A Scholarship Lunch for Central Scholarships is held in April of each year and chair/professorship holders have a studio portrait and biography framed and presented for their personal use with a copy to the donor. The development officer is to arrange for the presentation of the portrait and the biography to the faculty appointee as well as to the donor. A web version is also posted on the UH website after Stewardship receives faculty permission.

6) **Endowment Signature Process**
a) Endowment agreements are approved for processing by Stewardship. Final drafts are prepared by Stewardship.

b) Endowment agreements are hand-delivered to each office and dropped off for signature.

c) Each office is asked to call for the endowment to be picked up and delivered to the next office.

d) Note: You may check the status of the signature process clicking on the following link 
https://uaintranet.e.uh.edu/endowment/fmpro?-db=endowments.fp5&-lay=single&-format=index.htm&-view. 
This log reports where each endowment agreement is at any given moment.

e) Agreements are hand delivered in the order below:

   i) Office of General Counsel-Dona Hamilton
   ii) Dean of College
   iii) University Advancement, Associate Vice Chancellor/Associate Vice President for Advancement
   iv) Executive Vice Chancellor/Executive Vice President for Administration and Finance -- if endowment is $25k or more;
   v) Associate Vice Chancellor/Associate Vice President for Finance -- if endowment is less than $25k
   vi) Vice Chancellor/Vice President for Academic Affairs—Provost
   vii) Chancellor/President’s Office
   viii) Stewardship Office for donor's signature
   ix) Stewardship Office for processing and distribution

f) Original endowment agreements are distributed to the following offices:

   i) Original document to Treasurer’s Office
   ii) Development Officer with a bound copy for the donor

g) Copies are distributed to the following offices:

   i) Business Administrator of the college
   ii) Scholarships and Financial Aid, if it is a scholarship endowment
   iii) Graduate and Professional Studies, if it is a fellowship endowment
   iv) Planned Giving Office, if University of Houston is in the donor’s will
   v) Provost Central Business Office
   vi) Development Research Center
   vii) Donor and Alumni Records
   viii) Office of Development
   ix) Scanned in Advance under Endowment Allocation Note tab
7) Contact Information

Treasurer’s Office

Anne Montgomery: 713-743-8782

Office Of Stewardship/Endowment Draft Process

Syvalia McKinley: 713-743-8874
Beth Schaefer: 713-743-6140

Signature Process

Kitty McDaniel: 713-743-8862
ENDOWMENT AGREEMENT WORKSHEET
https://uaintranet.e.uh.edu/endowment/endowment_process.htm

1. Name to be given to endowment fund:_________________________________________

2. Name of donor(s): _________________________________________________________

3. Signatory: ________________________________________________________________

4. Brief bio on donor or endowment:___________________________________________
   __________________________________________________________________________
   __________________________________________________________________________

5. Type of asset given: (circle all that apply)
   a. cash b. payroll deduction c. EFT d. real estate
   e. securities f. other________________________

6. Total Endowment Value:____________________________________________________

7. Initial amount given to establish fund $___________, on ___________. (date)

8. Additional gifts of $___________________ will be made
   monthly/quarterly/annually over the next _________ years.

9. Anticipated non-donor funding such as designated or matching funds. ______________________________

10. Designation or restriction of endowment:
    a. scholarship c. chair
    b. student fellowship f. distinguished chair
    c. graduate fellowship g. general program endowment
    d. professorship h. college professorship
    i. other ______________________

11. Criteria for spending annual distributed income:
    __________________________________________________________________________
    __________________________________________________________________________

SUBMITTED BY: ______________________________ __________________
   (name of Development Director)   (date)
REQUEST TO ESTABLISH AN ENDOWMENT ACCOUNT

UNIVERSITY OF HOUSTON
INTER-OFFICE MEMORANDUM

DATE:

TO:       Paula Kelleher - Treasurer

FROM:     (Development Officer)

RE:       Request to Establish Endowment Account

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 the **XYZ Endowment**.

**APPROVALS:**

<table>
<thead>
<tr>
<th>Name</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dean/College</td>
<td></td>
</tr>
<tr>
<td>Interim VC/VP for University Advancement</td>
<td></td>
</tr>
<tr>
<td>AVC/AVP for Finance</td>
<td></td>
</tr>
<tr>
<td>VC/VP Academic Affairs - Provost</td>
<td></td>
</tr>
</tbody>
</table>

Endowment Agreement Attached
QUASI ENDOWMENT ESTABLISHMENT REQUEST

DATE:

TO: Paula A. Kelleher
    Treasurer

FROM:

SUBJECT: Quasi Endowment Establishment Request

Please establish the following quasi endowment:

ENDOWMENT NAME:

AMOUNT:

PURPOSE:

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

PeopleSoft Cost Center #: Amount:
PeopleSoft Cost Center #: Amount:

TOTAL:

Income Recipient Account #:

College/Department to Benefit:

APPROVALS:

________________________________  ______________
Dean of College     Date

________________________________  ______________
AVC/AVP for Advancement    Date

________________________________  ______________
Senior VC/VP for Academic Affairs - Provost Date

________________________________  ______________
Executive VC/VP, Administration and Finance Date

Reviewed as to form by:

________________________________
Dona G. Hamilton
Vice Chancellor for Legal Affairs, UH System
Vice President for Legal Affairs, UH
General Counsel, UH System/UH
ENDOWMENT FUND TRANSFER FORM
PLEASE USE ONE FORM PER COST CENTER
https://uaintranet.e.uh.edu/endowment/transfer_funds.xls

To: Syvalia McKinley, Stewardship Department

From: ________________________________
Name of Business Administrator

College: ________________________________
Name of Unit and Department

Subject: Transfer of Funds

Date: ________________________________

Route Form: From College to Stewardship Office
From Stewardship Office to Treasurer’s Office
From Treasurer’s Office to Donor & Alumni Records
From Donor & Alumni Records to Stewardship for files

Please sign below and route to Syvalia McKinley, Stewardship Department, 5016

Please complete entire form so that transfer is correctly executed. Also, please attach copies of all original documentation regarding account, including gift transmittal form and letters or memos, if available.

For questions, please call Syvalia McKinley, Stewardship Program Manager, X38874

List all donors who contributed to the original account:

<table>
<thead>
<tr>
<th>Advance ID</th>
<th>Donor</th>
<th>Amount of Gift</th>
<th>Date of Original Gift</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>______</td>
<td>$___________</td>
<td>_______________</td>
</tr>
<tr>
<td>2.</td>
<td>______</td>
<td>$___________</td>
<td>_______________</td>
</tr>
<tr>
<td>3.</td>
<td>______</td>
<td>$___________</td>
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<td>4.</td>
<td>______</td>
<td>$___________</td>
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<tr>
<td>5.</td>
<td>______</td>
<td>$___________</td>
<td>_______________</td>
</tr>
<tr>
<td>6.</td>
<td>______</td>
<td>$___________</td>
<td>_______________</td>
</tr>
</tbody>
</table>

Total Amount to be Transferred: $____________________________

Reason for Transfer: _________________________________________

From PeopleSoft Cost Center: _________________________________

To PeopleSoft Cost Center: _________________________________

Restriction of Gift: _________________________________________

Approved by:

_____________________________________________
Business Administrator for College

_____________________________________________
Dean of College (for college-based transfer)

Date transfer made by Treasury _________________________

Date transfer made in donors’ records by DAR _______________
The chart below is a representation of a dynamic worksheet that will allow you to prepare a payment schedule for your reference prior to a donor visit. To use the chart, visit [https://uaintranet.e.uh.edu/endowment/endowment_calculator.xls](https://uaintranet.e.uh.edu/endowment/endowment_calculator.xls).

### Endowment Pledge Calculator

<table>
<thead>
<tr>
<th>Endowment</th>
<th>$1,000,000.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Years to Fully Fund</td>
<td>5</td>
</tr>
<tr>
<td>Single Payment</td>
<td>$1,000,000.00</td>
</tr>
<tr>
<td>Annual Payments</td>
<td>$200,000.00</td>
</tr>
<tr>
<td>Quarterly Payments</td>
<td>$50,000.00</td>
</tr>
<tr>
<td>Monthly Payments</td>
<td>$16,666.67</td>
</tr>
</tbody>
</table>

The minimum endowment level is $10,000

Monthly payment amounts are provided for faculty/staff donors who wish to fund endowments through payroll deduction.