The Endowment Process at the University Of Houston
I. General Overview of Endowments

II. How to Create an Endowment

III. Submitting Request to Establish Endowment (UA Intranet)

IV. Signature Process

V. Endowment Lookup

VI. Scanned Agreements

VII. Modifications and Transfers

VIII. Endowment Income Distribution

IX. Annual Endowment/Activity Reports

X. Other Useful Tools/Reports

I. Endowment Overview

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

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.

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

- **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.”

- **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.

- **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.
Minimum Amounts for Endowments and Pledge Payout Schedule

<table>
<thead>
<tr>
<th>Endowment Type</th>
<th>Minimum Funding Amount</th>
<th>Maximum Years 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>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 Fellowships</td>
<td>$50,000</td>
<td>5</td>
</tr>
<tr>
<td>UH Tier One Scholarships</td>
<td>$50,000</td>
<td>5</td>
</tr>
<tr>
<td>Scholarships/Program Support</td>
<td>$25,000</td>
<td>5</td>
</tr>
<tr>
<td>Library Materials Support</td>
<td>$10,000</td>
<td>2</td>
</tr>
</tbody>
</table>

II. How to Create 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. Stewardship will facilitate any required signature process.

- Endowment agreements are drawn up by the Office of Stewardship as a service to development officers. However, the main point of contact between the donor and the university is the development officer.

- When the assigned development officer reaches tentative terms with the donor, the development officer submits an Endowment Agreement worksheet from UA Intranet.

- 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 for the possibility that the endowment does not get fully funded. The minimum gift to establish an endowment account is $1,000.

Below are a few topics that should be discussed with the donor prior to submitting a request to establish an endowment:

- Name to be given to endowment fund.
- Name of donor(s).
- Signatory: Who will sign the agreement?
- Type of asset given: (cash, payroll deduction, EFT, real estate, securities, ect.)
- Total Endowment Value
- Initial amount given to establish fund if pledge balance to paid over time.
- Will additional gifts be made? monthly/quarterly/annually over the next _________ years.
- Anticipated non-donor funding such as designated or matching funds ________.
- Designation or restriction of endowment:
  a. scholarship
  b. student fellowship
  c. graduate fellowship
  d. professorship
  e. chair
  f. distinguished chair
  g. general program endowment
  h. college professorship
  i. other ______________________

Once the above terms have been discussed with the donor you are ready to initiate the *Endowment Agreement* worksheet from the UA Intranet.

### III. Submitting request to establish endowment (Advancement Intranet)

On the lower left hand side of the page is the “Forms” listing. Click on this and you will be taken to the Forms Page.
Click on “Stewardship Forms” and then click on “Endowment Agreement Request”.

Once the request to establish an endowment agreement has been submitted, 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.

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

IV. Signature Process

- Endowment agreements are hand-delivered to each office and dropped off for signature.
- Each office is asked to call Stewardship for the endowment to be picked up and delivered to the next office. Note: You may check the status of the signature process clicking on the following link https://uaintranet.e.uh.edu/forms/stewardship/endowment-lookup/index.php. This log reports where each endowment agreement is at any given moment.
- 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.
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.

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

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.)

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.

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

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

The Stewardship office 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. 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.

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.
V. **Endowment Draft Agreement Lookup**

Go to the Stewardship Forms in the Advancement Intranet and click on “Endowment Lookup”.

![Stewardship Forms](image)
On the Endowment Search page go to “Lookup by Endowment Name”. The endowments are listed in alphabetical order. Click on the drop down arrow then select the endowment name and choose “Search by Endowment Name”.

![Endowment Lookup](image)
The summary page will display the current status of the endowment and where it is in the signature process as well as when the endowment was completed.

<table>
<thead>
<tr>
<th>Campus</th>
<th>University of Houston</th>
</tr>
</thead>
<tbody>
<tr>
<td>College</td>
<td>Central</td>
</tr>
<tr>
<td>Coordinating D.O.</td>
<td>Amy Leggio</td>
</tr>
<tr>
<td>Endowment Value</td>
<td></td>
</tr>
<tr>
<td>Purpose</td>
<td>UH TierOne Scholarship</td>
</tr>
<tr>
<td>Type (e.g., standard, custom, memo)</td>
<td>TRUE</td>
</tr>
<tr>
<td>Draft Prepared By</td>
<td>Sylvia McKinley</td>
</tr>
<tr>
<td>Draft to DO</td>
<td>5/25/10</td>
</tr>
<tr>
<td>Draft changes to DO</td>
<td></td>
</tr>
<tr>
<td>General Counsel</td>
<td>DCornell recvd 5/24/11, released 5/26/11.</td>
</tr>
<tr>
<td>Dean or Director</td>
<td></td>
</tr>
<tr>
<td>Development</td>
<td></td>
</tr>
<tr>
<td>Provost</td>
<td></td>
</tr>
<tr>
<td>Provost</td>
<td></td>
</tr>
<tr>
<td>President</td>
<td>AJowins recvd 5/26/11, released 6/7/11.</td>
</tr>
<tr>
<td>Sent to Donor for Signature</td>
<td>ALeggio recvd 5/24/11, released 5/24/11.</td>
</tr>
<tr>
<td>Signed Agreement from Donor</td>
<td>5/24/11; to Treasury 6/8/11.</td>
</tr>
<tr>
<td>Book Sent</td>
<td>Stewardship 6/10/11</td>
</tr>
<tr>
<td>Date Initial Payment Received</td>
<td>6/7/11</td>
</tr>
<tr>
<td>Account Number</td>
<td>HEI8178RN</td>
</tr>
<tr>
<td>Matching Claim Filed?</td>
<td></td>
</tr>
<tr>
<td>Completed</td>
<td></td>
</tr>
</tbody>
</table>
VI. Copies of Endowment Agreements

Stewardship attaches copies of the agreements to the Allocation in Advance. To view an agreement in Advance, click on the “Allocation” Icon on your toolbar. Enter the Allocation that begins with “HE” or you may enter the Endowment Cost Center (Ledger 6) in the “Account Field”. For example: 00730-6045-H0650-H9616-NA, You must include the Campus (00730) and the Project code (NA).

If you do not know the allocation or the endowment cost center you may enter part of the name of the endowment in the “Long Name” Field and click ok. Enter %name% ; for example: %Hearst%

Allocation The code for the Allocation.
Account Ledger 6 account information.
Account 2 Ledger 4 account information.
The Allocation Stewardship Profile has several tabs on the right: Allocation, Assignment, Beneficiaries, Financial, Stewardee, Note and Task.

**Beneficiaries**-displays the beneficiaries (scholarship or faculty) of the endowment by fiscal year.

**Financial**- Holds the current market value, income distribution and expenses. The data is provided by UH Treasury and is imported annually (mid October) into Advance. This data is used in generating the annual endowment reports. Please contact the Office of Stewardship for help in understanding how to read this data.

**Stewardee**-displays the current stewardee (this reflects the donor who established the agreement and report recipients for receiving copies of the endowment report).

**Notes**-Hold copies of agreements, award criteria, endowment purpose (extracted from agreement) as well as other documentation related to the management of the endowment.
To find the scanned agreement, click on the “Note” tab on the right hand side of the page and the double click on the note type of “Endowment Agreement”. Click on the “Documents” tab and choose, the double click on the image.
The Endowment Process at the University of Houston

This is an example of a scanned document regarding the endowment.

The Roger and Victoria Berry UH TierOne Scholarship Endowment at the University of Houston

1.

This agreement dated June 5, 2009, between Roger and Victoria Berry and the University of Houston at Houston, Texas, establishes the Roger and Victoria Berry UH TierOne Scholarship Endowment at the University of Houston.

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

This endowment account is established with a gift of $3,500 given on June 5, 2009, towards a commitment of $25,000 to be paid in full or before November 2011. Additionally, $8,000 in matching funds are anticipated from Walt Disney World Company. Once the commitment has been satisfied, this gift will be matched with $25,000 from the UH TierOne Scholarship Fund.

Donor's Pledge Payout Schedule
$5,000 to be paid on or before November 30, 2009
$4,250 to be paid on or before November 30, 2010
$4,250 to be paid on or before November 30, 2011

Roger Berry, who graduated from UH in 1972 with a bachelor's degree in mathematics, oversees information technology for the Walt Disney Co. As senior vice president and CIO, Roger oversees about 1,400 IT professionals at Disney's worldwide resorts. In 2002, he was selected one of the top 100 CIOs in the country by CIO magazine and the following year was appointed to Florida's technology board by then-Gov. Jeb Bush. He also serves on the technology advisory boards of the University of Florida and the University of Central Florida. Roger and his wife Victoria credit the education he received at UH with helping the son of a Houston refinery worker become a top executive at the world's largest media and entertainment company.

2.

The annual distributed income from this endowment will be used to provide scholarship.
VII. Modifications and Transfers

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.

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 Funds Form is to be used and submitted to Stewardship who facilitates the fund transfer process (see Forms section).

Expenses

Stewardship staff transfers deposits from the operating account to the Endowment Account as follows:

- The University department requesting the transfer completes an Endowment Fund Transfer Form memo, signed by the department business manager, dean or director of the college or unit, and sends the memo to Stewardship.
- Stewardship staff then reviews and approves the Endowment Fund Transfer Form memo and forwards to the University Treasury Department.
- When the Treasury Department completes the transfer, Stewardship and Donor and Alumni Records staff receive a confirmation.

VIII. Endowment Income Distribution

When an endowment is fully funded, it is Stewardship’s responsibility to notify the College, Treasury and 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.

For 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.

IX. Annual Endowment/Activity Reports

Annual Endowment Reports

Stewardship provides annual endowment reports to all endowment stewardees. These reports are issued usually beginning in mid November of each year and discuss the earnings and growth of each endowment, gains and losses, distributed income and expenditures. FY07 reports may include fund usage.

Stewardship/Activity Reports

Stewardship also coordinates stewardship reports to Corporation/Foundations who request a “Report on Fund usage” as part of their giving requirement. Stewardship will also begin producing stewardship reports for selected donors and will be contacting the appropriate Development staff member for information regarding the fund usage.

X. Other Useful Tools/Reports

Endowment Status Reports-Reports/Reports (Advance)

This report can be exported to excel and includes the Advance allocation, endowment cost center from (Peoplesoft), income cost center (Peoplesoft), endowments purpose, criteria, total gifts, current pledge status, funding status, market value and ect.
<table>
<thead>
<tr>
<th>Who to call for Questions</th>
<th>Contact Name</th>
<th>Phone Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Endowment Financial Reports</td>
<td>Beth Schaefer</td>
<td>713-743-6140</td>
</tr>
<tr>
<td>Endowment Questions</td>
<td>Syvalia McKinley</td>
<td>713-743-8874</td>
</tr>
<tr>
<td>Endowment Signature Process</td>
<td>Syvalia McKinley</td>
<td>713-743-8874</td>
</tr>
<tr>
<td>Chair/Professorship Photos/Bios</td>
<td>Tina Vasquez</td>
<td>713-743-8902</td>
</tr>
<tr>
<td>Maintaining Accurate List of Chair/Professorship Holders</td>
<td>Tina Vasquez</td>
<td>713-743-8902</td>
</tr>
</tbody>
</table>