

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 and managing 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 realized 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. Net Asset Value: An amount equal to the total value of the pooled investment fund's assets, less any liabilities to be paid by the fund.
- 2.11. 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.
- 2.12. 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.
- 2.13. Restricted Income: Endowment income whose use is restricted by donor instructions.
- 2.14. 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.
- 2.15. 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.
- 2.16. Under Water: A term used to describe an endowment whose current market value is less than its corpus.
- 2.17. 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 Senior Vice Chancellor for Administration and Finance and other System administrators and staff as specified in this document.
- 3.1.2. The Senior 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 Senior Vice Chancellor for Administration and Finance delegates authority and responsibilities to the Senior Associate Vice Chancellor for Finance, who in turn delegates authority and responsibilities to the Treasurer, Executive Director of Financial Reporting and other staff within the System Office of Finance as specified in this document.

- 3.1.3. The Treasurer is responsible for maintaining all management documents associated with endowment funds and endowment investment funds. This includes items such as Standard System Endowment Agreements and related documents, endowment registries and management reports. The Treasurer also has other 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 other responsibilities as specified in this document.
- 3.1.5. The Executive Director of Accounting Services is responsible for recording in the general ledger and reconciling all financial transactions for the endowment. The Executive Director of Accounting Services also has other 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 December 1, 2009, minimum amounts for true, term and quasi-endowments are as follows:

UH	
Chairs	\$1,000,000
Professorships	500,000
College Professorships	250,000
Other Academic Appointments	100,000 – 250,000
University Scholars	100,000
Graduate Student Fellowship	50,000

UH Tier One Scholarships	50,000
Passport Scholarships	50,000
Presidential Endowed Fellowships	50,000
Library Materials Support	10,000
Operating Scholarship Gifts	1,000
All Others	25,000

UHCL

Chairs	\$500,000
Professorships	250,000
Other Academic Appointments	100,000 – 250,000
Graduate Student Fellowships	50,000
Hawk Advantage Scholarships	50,000
Operating Scholarship Gifts	1,000
All Others	25,000

UHD, UHV

Chairs	\$500,000
Professorships	250,000
Other Academic Appointments	100,000 – 250,000
Graduate Student Fellowships	50,000
Operating Scholarship Gifts	1,000
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 five years.

Any variation to the five-year maximum payoff (i.e., when a challenge grant is involved) must be pre-approved by the Vice Chancellor for University Advancement or designee.

- 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 an income distribution will be considered. However, a University Advancement assessment fee can be assessed on endowments that are not fully funded subject to Section 3.14.10 and provided the endowment agreement does not expressly prohibit the assessing of this fee.
- 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 will not count toward the fully funded status of the endowment.

- 3.3.6. The System Office of Gift Compliance has primary responsibility for tracking the funding levels of endowments and timely notifying the Treasurer when an endowment becomes fully funded.
- 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 or designee.
 - Earnings from each account will be credited to the growth fund and distributed to a single income account. This will 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.
- Tier One Scholarship program is a plan at the University of Houston, whereby new scholarship contributions (\$25,000 minimum) are matched dollar-for-dollar by funds from the UH Tier One Scholarship Fund in order to spur the creation of scholarship endowments to attract high achieving students seeking a Tier One education. The annual distributed income from each endowment is pooled and used to provide scholarship funding for the UH Tier One Scholarship program at the University of Houston.

3.4. Endowment Terms and Agreements

3.4.1. True and term endowments require a Standard System Endowment Agreement 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 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 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, within the five-year maximum payoff, and provide terms for the possibility that the endowment does not get fully funded.
- 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 time frame.
 - 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 subject to approval per Section 3.15 of this document.
 - Any change in use of endowment funds must be documented in a Memorandum of Understanding for Endowments and approved by the General Counsel, Senior 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 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

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 (if applicable), and the donor(s). The System Office of Gift Compliance, in its capacity of providing System-wide development services, is responsible for facilitating signature approvals.
- 3.5.3. The chief development officer at the benefiting component university is ultimately responsible for facilitating signature approvals by the president of the benefiting component university, the dean of the benefiting unit, and the donor(s).
- 3.5.4. One of the fully executed original agreements is maintained by the Treasurer while the other is returned to the donor(s).
- 3.5.5. 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(s) if appropriate) and the System Office of Gift Compliance to help facilitate the gift and any special related documents.
- 3.5.6. Procedures
 - Once tentative terms have been reached with the donor(s), the assigned development officer requests a gift agreement and submits other supporting documentation to the System Office of Gift Compliance.
 - The System Office of Gift Compliance reviews and approves the documentation, facilitates System-level signature approvals as required in this document, and sends it to the assigned development officer at the benefiting component university or unit.
 - The assigned development officer obtains approval signatures from the component university president (if applicable), the dean of the benefiting unit (if applicable) and the donor(s). The donor(s) should generally be the last to sign.
 - The System Office of Gift Compliance is ultimately responsible for monitoring the timeliness of the signature process.
 - A completed original gift agreement and/or other necessary documentation is returned to the System Office of Gift Compliance, which keeps copies for its records, forwards the originals to the Treasurer, and sends an original to the donor if an

original was not kept upon signature), 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 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 or designee establishes and informs the Treasurer of the associated income beneficiary cost center(s).

3.6. Approval of Quasi-Endowments

3.6.1. Two original Quasi-Endowment Agreements must be signed by General Counsel, the Treasurer, Associate Vice Chancellor of Advancement, the benefiting component university's president (if applicable) and the chief financial officer (if applicable).

3.6.2. One completed original Quasi-Endowment Agreement must be maintained by the Treasurer. The second original agreement will be maintained by the benefiting component university.

3.6.3. Procedures

- The System Office of Gift Compliance facilitates signatures of the Quasi-Endowment Agreement and forwards it to the Treasurer.
- The Treasurer will review and sign the Quasi-Endowment Agreements and returns the signed documentation to the System Office of Gift Compliance for forwarding to the benefiting component university.
- When the 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 or designee establishes and informs the 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 Gift Compliance.
- 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 Gift Compliance to facilitate the fund transfer process to the 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 \(SAM\) 08.A.03 - Gift Acceptance – Gifts from Individual Donors](#).

3.9. Gift Receipts

The System Office of University of Advancement is responsible for receipting all gifts to any component university. See [SAM 08.A.03 – Gift Acceptance – Gifts from Individual Donors](#) 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 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 exception to Section 3.11.1 above shall be made regarding the one unique income beneficiary cost center for the following endowments:
 - Ross M. Lence Distinguished University Teaching Chair Endowment and the Lence Distinguished Chair Quasi Endowment;
 - Roy and Lillie Cullen Endowment and the African-American Studies Endowed Chair Endowment.In this case, the same income beneficiary cost center may be assigned to these endowments in order to adhere to the terms of the endowment agreement for the distribution of income.

- 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, except for in the case of the UH Tier One Scholarship Program and the UH Red Rose Ball Scholarship Program which allows for the pooling of distributed income for award and disbursement purposes.

3.11.2. The 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 net 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 Treasurer, on a monthly basis, calculates the net asset unit value by dividing the total endowment fund net asset 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 net asset 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 Treasurer is responsible for:

- The deposit and transfer of endowed funds.
- Ensuring funds are properly invested in accordance with Board policies.
- Working with the investment consultants who monitors 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. The component CFOs are responsible for certifying the accuracy of their component university's income beneficiary cost centers.

3.14.4. The component CFOs are responsible for approving and informing the Treasurer of special instructions regarding income distribution, including the return of income to principal.

3.14.5. The 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. The component 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 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.
- The component CFOs inform the Treasurer of any errors, omissions or designated changes regarding the income beneficiary cost centers.
- The component CFOs approve and forward to the Treasurer any special instructions regarding income distribution.
- Income distribution is calculated based on a payout rate and methodology provided for in the [Endowment Fund Statement of Investment Objectives and Policies](#).
- The Treasurer compares each endowment's market value to its corpus as of December 31 of each year to determine which endowments are under water and which endowments are above water.
- If the endowment is under water or the income distribution causes the endowment to go under water, the income distribution amount is governed by the [Endowment Fund Statement of Investment Objectives and Policies](#).
- If the endowment is above water after the income distribution and the University Advancement assessment fee causes the endowment to go under water, the assessment fee amount is governed by the [Endowment Fund Statement of Investment Objectives and Policies](#).
- Endowments created in the current fiscal year will not be eligible for an income distribution until the following fiscal year. Also, additions to an existing endowment during the current fiscal year are not included in the market value calculation for purposes of income distribution or University Advancement assessment fee.
- The Treasurer prepares a report of under water and above water endowments as part of the annual budget process.

3.15. Withdrawal from the Pooled Investment Fund

3.15.1. Except in the case where the terms of the endowment necessitate the transfer of funds to the University of Houston Foundation, 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, provided the endowment has been in the pooled fund for the minimum required period per this policy, for uses in accordance with the approved Quasi-Endowment Agreement and other conditions specified throughout this document.

3.15.3. The appropriate component President and the Board must approve full and partial withdrawals of any endowment from the pooled investment fund, unless the terms of the endowment necessitate the transfer of funds to the University of Houston Foundation. In this case, the Chancellor is delegated the authority to approve the transfer to the University of Houston Foundation.

3.15.4. Withdrawals will be calculated at the end of the month with the transfer of cash from the investment pool as soon as practical thereafter.

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

3.15.6. Procedures

- In the case of a withdrawal, either in whole or in part, from the Pooled Investment Fund not necessitated by the agreement, the appropriate component university will contact Gift Compliance. Gift Compliance will review the request and send the request with supporting documentation to the Office of General Counsel for review if appropriate. Upon approval by the Office of General Counsel, Gift Compliance will forward the withdrawal request to the Treasurer, who will take the necessary actions to seek Board of Regents approval at the next meeting.
- In the case of a transfer to the UH Foundation necessitated by the terms of the endowment, Gift Compliance will submit the request to the Office of General Counsel for review and approval. Upon approval by the Office of General Counsel, Gift Compliance will forward the transfer request to the Chancellor for approval. Upon

approval by the Chancellor, Gift Compliance will send the request to the Treasurer for transfer of endowment funds.

- Once the withdrawal or transfer request has been approved, the Treasurer provides a calculation of the market value and transfers the funds as described in this document.

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. Year-end reports indicating market values, gifts, gains or losses, transfers, and other increases or decreases to principal will be distributed to the component CFOs 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 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.

3.18. 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 subject to Section 3.14.10.

4. REVIEW AND RESPONSIBILITIES

Responsible Parties: Vice Chancellor for University Advancement

Senior Associate Vice Chancellor for Finance

Review: Every three years on or before March 1

5. APPROVAL

Approved: Eloise D. Brice
Vice Chancellor for University Advancement

Jim McShan
Senior Vice Chancellor for Administration and Finance

Renu Khator
Chancellor

Date: February 14, 2018

REVISION LOG

Revision Number	Approval Date	Description of Changes
1	10/26/1993	Initial edition
2	04/08/2002	Applied revised SAM template to meet current documentation standards. Simplified documentation in Section 1. Clarified definition for Quasi-endowment in Section 2.3. Added Section 2.7, Distributable Income, Section 2.9, Book Value, and Section 2.10, Cy Pass. Consolidated all documentation into Section 3, Policy and Procedures. Removed Sections 4 through 13. Changed responsible party from System Treasurer to Associate Vice Chancellor for Finance and Vice Chancellor for University Advancement. Added Vice Chancellor for Administration and Finance to approval process in Section 5. Updated Exhibits A, B C, and D content

Revision Number	Approval Date	Description of Changes
3	01/12/2005	Applied revised SAM template to meet current documentation standards. Removed references to UHS as part of title throughout document, and inserted "System" instead. Changed "Professorship" to "College Professorship" in Section 3.3.a. Changed Exhibit B to Quasi Endowment Establishment Request, and Exhibit C to Memorandum of Understanding for Endowments. Removed Exhibit D
4	06/09/2009	Applied revised SAM template to meet current documentation standards. Rearranged definitions in Section 2 to alphabetical order. Revised references to Executive Vice Chancellor for Administration and Finance throughout. Combined Sections 3.2.b and 3.2.c into one paragraph (Section 3.2.b). Revised Section 3.3.a to separate Uh from UHCL, UHD, and UHV; added Presidential Endowed Scholarship to contents. Added Section 3.3.h on Special Endowment Building Techniques at UH. Changed System Office of Development to System Office of Stewardship throughout text. Changed Section 3.7 to Additions/Modifications/Transfers to Existing Endowments. Added documentation to Section 3.11.a. Added link to Endowment Fund Statement of Investment Objectives and policies to Section 3.12.a. Changed review period from every five years on or before January 1 st to every three years on or before March 1 st . Added Vice Chancellor for University Advancement to the approval process in Section 5. Removed Section 6, Indexing Terms. Added Page 5 to Exhibit A. Revised Exhibit B and Exhibit C
5	05/31/2010	Applied revised SAM template to meet current documentation standards. Added Section 2.1, Above Water, Section 2.3, Corpus (Historic Dollar Value), Section 2.6, Endowment Agreement, Section 2.7, Fully Funded, Section 2.9, Minimum Funding Level, Section 2.11, Realized Gain or Loss, and Section 2.15, Under Water. Changed numbering system from letters to numbers throughout document. Removed College Professorship from Section 3.3.a, and added Passport Scholarships. Changed Section 3.3.4 to be that endowments must be fully funded before income is distributed. Changed Section 3.16.2 from the board to the Endowment Management Committee to receive reports

Revision Number	Approval Date	Description of Changes
6	06/21/2016	<p>Added new SAM revision log. Adding “managing” endowments to Section 1. Revised Section 2.2 with realized gains/losses. Added Section 2.10, Net Asset Value. Changed title to Senior Vice Chancellor for Administration and Finance, “System Treasurer” to “Treasurer,” and System Office of Stewardship to System Office of Gift Compliance throughout text, and removed all references to Endowment Establishment agreement and Memorandum of Understanding throughout text. Removed endowment requests from Section 3.1.3. Added Section 3.1.5 on responsibilities for Executive Director of Accounting Services. Separated UHCL from UHD and UHV in Section 3.3.1, and added Hawk Advantage Scholarships to UHCL. Removed minimum and maximum funding levels from Section 3.3.2, and made requirement for funding within five years. Added University Advancement assessment fee to Section 3.3.4. Added timely treasurer notification to process in Section 3.3.6. Added Tier One Scholarship program to Section 3.3.9. Added reference to Section 3.15 to Section 3.4.2. Made facilitating signature approvals part of System Office of Gift Compliance’s responsibilities in Section 3.5.2. Removed Section 3.5.3 and Section 3.5.6. Added General Counsel, and the Associate Vice Chancellor to the signature process in Section 3.6.1. Removed requirement for Treasurer to provide documentation on a Quasi endowment linked to a true or term endowment in Section 3.6.3. Changed link to SAM 08.A.03 in Sections 3.8 and 3.9. Added case for UH Tier One Scholarship and UHD Red Rose Ball Scholarship to Section 3.11.1 to allow pooling of distributed income. Added net asset to Sections 3.11.4, 3.12.3, and 3.12.4. Added responsibility to Treasurer to work with investment consultants in Section 3.12.6. Added current procedure to Section 3.14.10. Removed Senior Vice Chancellor for Administration and Finance from approving exceptions in Section 3.15.4. Removed Section 3.18, and Exhibits A, B, and C</p>
7	09/08/2017	<p>Added exception to Section 3.11.1 for four endowments to receive same income beneficiary cost center assignment meet the terms of the endowment agreement for distribution of income. This modification was made per AR2017-16 from Internal Audit for the Office of the Treasury to modify the document to allow comingling of funds with income beneficiary cost centers for certain specific endowments</p>
8	10/10/2017	<p>Added specific endowments in Section 3.3.1, effective December 1, 2009, to remove duplicate information from SAM 08.A.04, Naming Opportunities. No other changes were made by the Subject Matter Experts (SMEs)</p>

Revision Number	Approval Date	Description of Changes
9	02/14/2018	Revised Section 3.15.1 on transfer of funds based on terms of endowment to the University of Houston Foundation. Added information to Section 13.5.3 on transfer of funds to the University of Houston Foundation being delegated to the Chancellor for approval, per Board of Regents' requirements. Also added modification to Section 3.15.6 on responsibilities of Gift Compliance Committee, the Treasurer, and the Chancellor regarding withdrawal and transfer of endowments funds and the University of Houston Foundation per Board of Regents' requirements