

**UNIVERSITY OF HOUSTON SYSTEM  
ADMINISTRATIVE MEMORANDUM**

**SECTION: Fiscal Affairs**

**NUMBER: 03.F.02**

**AREA: Asset Management**

**SUBJECT: Endowment Management**

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1. PURPOSE

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

2. DEFINITIONS

- 2.1. 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.
- 2.2. 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.
- 2.3. 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.
- 2.4. Income: Interest, dividend income, realized gains and royalties received from the principal of the endowment.
- 2.5. Restricted Income: Endowment income whose use is restricted by donor instructions.
- 2.6. 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.
- 2.7. 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.
- 2.8. Capital 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.

- 2.9. Book Value (Carrying Value; Fund Balance): The original cost basis of an endowment, plus adjustments for gains or losses, additional gifts, external management fees and any other transfers to or from the fund.
- 2.10. 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.

### 3. POLICY AND PROCEDURES

#### 3.1. Overall Endowment Management

- a. 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 Vice Chancellor for Administration and Finance and other System administrators and staff as specified in this document.
- b. The 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 Vice Chancellor delegates authority and responsibilities to the Associate Vice Chancellor for Finance who in turn delegates authority and responsibilities to the System Treasurer, System Executive Director of Financial Reporting and other staff within the System Office of Finance as specified in this document.
- c. The System Treasurer is responsible for maintaining all management documents associated with endowment funds and endowment investment funds. This includes items such as Endowment Requests, Standard System Endowment Agreements and related documents, endowment registries and management reports. The System Treasurer also has responsibilities as specified in this document.
- d. The Executive Director of Financial Reporting is responsible for maintaining the System’s official financial records associated with endowments. The Executive Director of Financial Reporting also has responsibilities as specified in this document.

#### 3.2. Funds That Qualify For Endowments

- a. 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.

- b. Quasi-endowments may only be funded with funds already owned by the System and which have no restrictions against being endowed.
- c. 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

- a. Minimum amounts for true, term and quasi-endowments are as follows:

Chairs (UH)	1,000,000
Chairs (UHCL, UHD, UHV)	500,000
Professorships (UH)	500,000
College Professorship (UH)	250,000
Professorships (UHCL, UHD, UHV)	250,000
Other Academic Appointments	100,000 – 250,000
Graduate Student Fellowship	50,000
All Others	10,000

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

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

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

- c. Only gifts and matching gifts count toward the minimum funding level of true or term endowments.
- d. Endowments must reach the relevant minimum funding level before income is distributed.
- e. All distributable income from a true or term endowment that has not yet reached the minimum funding level will be returned to the endowment's principal. Income returned to principal may not count toward the minimum funding level of the endowment.
- f. The System Office of Development has primary responsibility for tracking the funding levels of endowments.

- g. A quasi-endowment must be funded at the relevant minimum funding level at the time it is created except when the endowment is an extension of an existing true endowment that has already reached the minimum funding level.

### 3.4. Endowment Terms and Agreements

- a. True and term endowments require a Standard System Endowment Agreement (Exhibit A) with donors, specifying the terms of the endowment.
  - When there are multiple donors to an endowment (i.e. memorials or tributes), a standard agreement with a primary donor (usually the person who initiates the endowment) is required.
  - Donor prepared agreements or award letters may be used in lieu of the standard agreement if General Counsel and the System Treasurer approve.
  - When endowment funds are raised through a special event or activity where there is no primary donor, the benefiting component university is required to complete a Memorandum of Understanding for Endowments (Exhibit C) that specifies the terms of the endowment. 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.
- b. When a donor establishes an endowment with an initial payment and pledge balance to be paid over time, the endowment agreement must specify the payment schedule and provide terms for the possibility that the endowment does not get fully funded.
  - The payment schedule should adhere to the table listed in section 3.3.b. of this document.
  - The Vice Chancellor for University Advancement or designee may grant a grace period of up to two additional years when a donor does not make payments totaling at least the minimum funding level for a true or term endowment within the specified timeframe.
  - The System is no longer obligated to honor the terms of the agreement when an endowment does not reach the minimum funding level within the specified time frame, including any approved grace period. In this case, the benefiting component university may initiate the transfer of any existing funds in the endowment to another similar endowment or use the funds for current operations in a way that closely resembles the donor's original intent.

- Any transfer or use of endowment funds must be documented in a Memorandum of Understanding for Endowments form and approved by the President of the benefiting component university as well as the Chancellor, General Counsel, 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 transfer.
- c. Quasi-endowments require a written Memorandum of Understanding for Endowments specifying the terms of the endowment.
- d. Quasi-endowments made up of restricted funds must adhere to those restrictions.
- e. Quasi-endowments linked to a true or term endowment must adhere to the terms of the original endowment agreement.
- f. An Endowment Registry must be prepared for each endowment by the System Treasurer. The registry officially records terms and restrictions type of fund and associated cost centers.

### 3.5. Approval of True and Term Endowment Agreements

- a. The development officer assigned to a department or program wishing to establish an endowment must be involved in originating an endowment request and agreement. If there is no assigned development officer, the Chief Development Officer at the benefiting component university should be involved.
- b. Two original agreements must be signed by the General Counsel, Chancellor and President of the benefiting component university and donor.
- c. The System Office of Development, in its capacity of providing system-wide development services, is responsible for facilitating signature approvals by the General Counsel and Vice Chancellor for Administration and Finance.
- d. The Chief Development Officer at the benefiting component university is ultimately responsible for facilitating signature approvals by the President of the benefiting component university and donor.
- e. One of the fully executed original agreements is maintained by the System Treasurer while the other is returned to the donor.

- f. A Endowment Establishment Request must accompany a Standard System Endowment Agreement and/or other necessary documentation when submitted for approval. This form requires the signature approval from the Associate Vice Chancellor for University Advancement, the Dean of the benefiting component university and the component university Provost.
- g. The System Chief Planned Giving Officer must be notified immediately when an endowment is to be established through a bequest or deferred gift instrument. This person will work with the assigned development director (and donor if appropriate) to help facilitate the gift and any special related documents.
- h. Procedures
- Once tentative terms have been reached with a donor, the assigned development officer submits a completed Endowment Establishment Request along with the Standard System Endowment Agreement and/or other required documentation to the System Office of Development.
  - The System Office of Development reviews and approves the documentation, facilitates System-level signature approvals, and returns it to the assigned development officer at the benefiting component university.
  - The assigned Development Officer obtains approval signatures from the component university President and, when there is an endowment agreement, the donor. The donor should be the last to sign.
  - A copy of the Endowment Establishment Request along with a completed original Standard System Endowment Agreement and/or other necessary documentation is returned to the System Office of Development, which keeps copies for its records, forwards the originals to the System Treasurer, and sends copies to the donor, Associate Vice Chancellor for Finance, appropriate Dean of College and/or Division Business Manager and/or the component university Office of Scholarships and Financial Aid.
  - When a gift is received and the System Treasurer has all of the necessary documentation, he/she establishes necessary endowment cost centers and completes an Endowment Registry, which summarizes the terms of the endowment.
  - Once the endowment is established, the benefiting component university's CFO establishes and informs the System Treasurer of the associated income beneficiary cost center(s).

## 3.6. Approval of Quasi-Endowments

- a. Two original Memorandums of Understanding for Quasi Endowments must be signed by the UHS Treasurer and the benefiting component university's President and Chief Financial Officer. If the quasi-endowment is linked to a true or term endowment, then the Memorandum of Understanding for Endowments must also be signed by the benefiting component university's Chief Development Officer and UHS Chief Development Officer.
- b. A Request for Quasi-Endowment Establishment (Exhibit B) must be approved and signed by the Associate Vice Chancellor for Advancement and the Vice Chancellor for Legal Affairs and must accompany the Memorandum of Understanding for Quasi Endowments when submitted for approval by the System Treasurer. A copy of the completed document is forwarded by University Advancement to the component university Dean of College and the component university CFO.
- c. A copy of the Request for Quasi-Endowment Establishment and one completed original Memorandum of Understanding for Endowments must be maintained by the System Treasurer. The second original Memorandum of Understanding for Endowments will be maintained by the benefiting component university.
- d. Procedures
  - The benefiting university's CFO facilitates signatures on the Memorandum of Understanding for Endowments and forwards it along with the completed Request for Quasi-Endowment Establishment and forwards it to the System Treasurer.
  - The UHS Treasurer will review and sign the Memorandum of Understanding for Endowments and return a set of the documentation to the benefiting component university.
  - When a quasi-endowment is linked to a true or term endowment, the Treasurer provides the System Office of Development with a copy of the documentation.
  - When the System Treasurer has all of the necessary documentation, he/she establishes necessary endowment cost centers, completes an Endowment Registry, and transfers the funds.
  - Once the quasi-endowment is established, the benefiting component university's CFO establishes and informs the System Treasurer of the associated income beneficiary cost center(s).

3.7. Additions to Existing Endowments

- a. Additions to existing endowments, including income returned to principal, are subject to the same terms and restrictions as the original endowment.
- b. Additions to an existing true or term endowment will be treated as a true or term addition to the endowment's principal.
- c. If an endowment agreement does not provide for income to be returned to principal within the original true or term endowment, a quasi-endowment must be established to receive the returned income.
- d. Funds having different restrictions cannot be commingled in the same quasi-endowment fund.

3.8. Gift Acceptance (Gift Transfer)

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

3.9. Gift Receipts

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

3.10. Stewardship

- a. The Vice Chancellor for University Advancement is responsible for establishing and maintaining acceptable donor relations processes for endowments, including donor-reporting requirements.
- b. 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.
- c. The Vice Chancellor for University Advancement will notify appropriate personnel within the division and at colleges annually to review relevant endowment registries for accuracy and completeness, and to submit any updates to the System Treasurer and a copy to the Vice Chancellor for University Advancement.
- d. UHS 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 UH development web site (<http://www.advancement.uh.edu/development>).

## 3.11. Endowment Cost Centers

- a. Each endowment must have one asset management cost center, one endowment fund cost center and at least one income beneficiary cost center.
- b. The System Treasurer establishes asset management and endowment fund cost centers and is the primary signatory.
  - 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.
- c. 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.
  - Each endowment fund requires at least one component university income beneficiary cost center.
  - An endowment fund may have more than one income beneficiary cost center if the endowment's restrictions require that the income be utilized for several discrete purposes or departments.
  - An endowment with income restrictions must have a separate income cost center. If there are no income restrictions, the cost center may also be the repository for other funds.
  - The existing income beneficiary cost center of a true or term endowment must be used as the income cost center for a related quasi-endowment.
- d. The Treasurer is responsible for ensuring that:
  - Endowment funds are properly credited with their pro rata ownership of the investment fund's assets;
  - Income due to the endowment funds is distributed when due; and
  - Realized gains/losses are properly credited or debited to the endowment funds.

3.12. Investment of Endowed Funds

- a. The endowment fund is governed by the Endowment Fund Statement of Investment Objectives and Policies approved by the Board.
- b. 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.
- c. Assets in the Pooled Investment Fund are used to purchase shares (units). The System Treasurer, on a monthly basis, calculates the unit value by dividing the total endowment fund market value by the total fund units as of the close of the previous month.
- d. Units are purchased in the Pooled Investment Fund. The number of units purchased is determined by dividing the Pooled Investment Fund's unit value into the total value of the endowment addition.
- e. Unless a donor gift instrument specifies differently, realized capital gains may be distributed or added to the endowment. Realized capital losses are deducted from the endowment.
- f. The System Treasurer is responsible for:
  - The deposit of endowed funds;
  - Ensuring funds are properly invested in accordance with Board policies; and
  - Reviewing investment managers' performance and adherence to guidelines.

3.13 Endowment Income

- a. 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.
- b. Income from a quasi-endowment will be restricted if the source of the original principal was restricted. Otherwise, it will be unrestricted income.
- c. The primary signatory of the income beneficiary cost center is responsible for the income utilization of the endowment fund.

## 3.14. Distribution of Income

- a. Endowment income will be distributed to recipient income beneficiary cost centers at the end of each fiscal year.
- b. Distributed income will be net of administrative expenses.
- c. CFOs are responsible for certifying the accuracy of their component university's income beneficiary cost centers.
- d. CFOs are responsible for approving and informing the UHS Treasurer of special instructions regarding income distribution, including the return of income to principal.
- e. The System Treasurer is responsible for calculating and certifying for each endowment fund:
  - The amount of income available for distribution;
  - The actual distribution of net income; and
  - The return of income to principal.
- f. The Chancellor is responsible for allocating distribution of income to the component universities from System endowments for which there are no specific donor instructions. A review of the allocations will be performed on an annual basis.
- g. The President at each component university is responsible for budgeting distributed income and ensuring that it is expended in accordance with any restrictions.
- h. 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.
- i. The President/Vice President/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.
- j. Procedures
  - The System Treasurer sets deadlines for certifying income cost centers and special instructions and provides each chief financial officer with a list of income beneficiary cost centers on file.

- CFOs inform the System Treasurer of any errors, omissions or designated changes regarding the income beneficiary cost centers.
- CFOs approve and forward to the System Treasurer any special instructions regarding income distribution.

3.15. Withdrawal From The Pooled Investment Fund

- a. 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.
- b. Quasi-endowment principal may be withdrawn in whole or part for uses in accordance with the approved Memorandum of Understanding for Endowments and other conditions specified throughout this document.
- c. The appropriate CFO and the Board must approve full and partial withdrawals of any endowment fund.
- d. Withdrawals will be made at the end of the fiscal year. The Vice Chancellor for Administration and Finance must approve any exceptions.
- e. The Vice Chancellor for Administration and Finance, after consultation with the System Treasurer and the appropriate CFO, will decide what action will be taken on any special situations not discussed in this document.
- f. Procedures
  - The appropriate CFO submits a written request to the System Treasurer for withdrawal of endowment funds.
  - The System Treasurer prepares documentation for approval by the Board at their next scheduled meeting.
  - Once the Board has approved the withdrawal, the System Treasurer provides a calculation of the market value and unit and transfers the funds.

3.16. Endowment Reports

- a. Fiscal year-end reports will be prepared in conjunction with the annual endowment audit. These audited financial reports will be distributed to the Board, the Chancellor, Presidents and Chief Financial Officers of all component universities and the Vice Chancellors. Year-end reports indicating market values, gifts, gains or losses, transfers, and other increases or decreases to principal will be distributed to the Presidents and Chief Financial Officers of all component universities.
- b. Reports indicating market value, diversification of assets, investment manager performance and total investment return on the endowment will be presented to the Board on a quarterly basis.
- c. Requests for financial information concerning the endowment should be directed to the System Treasurer.

3.17. System Matching Endowment Fund

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

3.18. Endowment Plus

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

3.19. University Advancement Assessment

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

4. REVIEW AND RESPONSIBILITIES

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

Review: Every five years, on or before January 1

5. APPROVAL

Approved: John Rudley  
Vice Chancellor for Administration and Finance

Jay Gogue  
Chancellor

Date: January 26, 2005

6. INDEXING TERMS

Endowments  
Gifts  
Quasi-endowments

Exhibit A

UNIVERSITY OF HOUSTON SYSTEM  
INTER-OFFICE MEMORANDUM

**DATE:**

**TO:** Treasurer

**FROM:**

**RE:** Endowment Establishment Request

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

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

**APPROVALS:**

\_\_\_\_\_  
Associate Vice Chancellor for Advancement

\_\_\_\_\_  
Date

\_\_\_\_\_  
Dean of College

\_\_\_\_\_  
Date

\_\_\_\_\_  
Component University Provost

\_\_\_\_\_  
Date

- o Endowment Agreement Attached
- o Account Create Form Attached

Exhibit A (page 2)

Standard System Endowment Agreement

1.

This agreement dated \_\_\_\_\_, between \_\_\_\_\_ and the \_\_\_\_\_, establishes the **XYZ Endowment**. Component University

This endowment account consists of money irrevocably given, and to be given, to the \_\_\_\_\_ by \_\_\_\_\_. Component University

This endowment account is established with a gift of \$xxx given on xxxxx. (Remember to add words on a payout schedule if this is to be a multi-year pledge towards the minimum amount needed. For example, currently \$10,000 is needed for a fully funded scholarship endowment.)

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

2.

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

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

The annual distributed income shall be spent for student scholarship(s) based on the following criteria:

*(Note: This section can be deleted, leaving scholarship selection up to the official Scholarship Selection Committee in the college. If criteria will include preference based on race or ethnicity, General Counsel must be consulted. The following criteria are only suggested wordings to show what appears in this section.)*

- a. Scholarship prospect exhibits leadership qualities as determined by the College of \_\_\_\_\_ Scholarship Committee.
- b. Scholarship applicant should demonstrate an interest in pursuing a career in \_\_\_\_\_.
- c. Scholarship applicant must be a certified full-time undergraduate or graduate certificate or degree-seeking student in good standing at the component university.

**Exhibit A (page 3)**

- d. Scholarship recipient must maintain a GPA in accordance with the standards set by the College of \_\_\_\_\_ Scholarship Committee.
- e. Scholarship recipient may accept other scholarships and grants in conjunction with the **XYZ Scholarship**.
- f. Funds can be used to cover expenses for tuition, books, fees, and/or supplies for the coming academic semester. Any expenses of a recipient in excess of the amount deposited must be borne by the student.

The Dean of the College of \_\_\_\_\_ will have administrative control over the annual distributed income from this endowment.

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

If it is determined by the President of the component university that any portion of earned income is not spent for the designated purpose within a reasonable timeframe after a fiscal year, it may be returned to principal.

**3.**

The University of Houston System agrees to:

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

**Exhibit A (page 4)**

- d. If in the opinion of the Board, future circumstances change so that the purposes for which the endowment is established become illegal, impractical, or no longer able to be carried out to meet the needs of the System, said Board may designate an alternative use for the endowment payout to further the objective of the component university, in the spirit of the donor's original purpose.

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

\_\_\_\_\_  
Donor

\_\_\_\_\_  
Date

\_\_\_\_\_  
Component University Chief Financial Officer

\_\_\_\_\_  
Date

\_\_\_\_\_  
Chancellor

\_\_\_\_\_  
Date

Reviewed as to form by:

\_\_\_\_\_  
Vice Chancellor for Legal Affairs  
General Counsel

\_\_\_\_\_  
Date

Original to: Treasurer  
cc: donor  
System Office of Development  
Dean of College  
AVC Finance  
Component University Office of Scholarship and Financial Aid

**Exhibit B**

**QUASI ENDOWMENT ESTABLISHMENT REQUEST**

**DATE:**

**TO:** 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:**

\_\_\_\_\_  
Associate Vice Chancellor for Advancement

\_\_\_\_\_  
Date

\_\_\_\_\_  
Vice Chancellor for Legal Affairs  
General Counsel

\_\_\_\_\_  
Date

cc: Dean of College  
Campus Chief Financial Officer

**Exhibit C**

**Memorandum of Understanding for Endowments**

Date:

To: UHS Treasurer

From: Component University

Re: Memorandum of Understanding to establish (*an endowment/a quasi- endowment*)

This Memorandum of Understanding establishes the \_\_\_\_\_  
(*Endowment/Quasi-Endowment*).

*If a true endowment:*

This endowment consists of money irrevocably given (and to be given) to the (component university) by various donors through (specified event or activity). If more money is expected, note the schedule of when all funds are expected to be received.

*If a quasi- endowment:*

This quasi-endowment consists of money from (source).

The annual distributed income from this endowment will be used to provide (*purpose/type of support*) in (*college/program*).

(*Dean, Program Director, etc.*) will have administering control over the annual distributed income from this endowment.

*If a Scholarship:*

A (university/college) committee will determine the recipient(s) of the scholarship(s).

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

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

*If a Chair, Professorship, etc:*

**Exhibit C (page 2)**

The (*Endowment Name*) will: *list the purpose of the endowment including designated college and/or program.*

The recipient of the (*Chair*) will be determined by the University of Houston Committee on Distinguished and Named Professorships and Chairs which makes a recommendation to the component university President who in turn submits the recommendation to be accepted and approved by the Board.

The System agrees to:

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

If it is determined by the Dean, Program Director, etc that any portion of distributed income is not spent for the designated purpose within a reasonable timeframe after a fiscal year, it may be returned to principal.

If this endowment is not fully funded, and has not reached the minimum funding level of \_\_\_\_\_ for (\_\_\_\_\_ scholarships, professorships, etc.) the component university will transfer the funds to an existing endowment that most closely matches the original intent. The component university will inform the donor if such action is to be taken.

Approvals:

*True Endowments*

\_\_\_\_\_  
President, (*component university*)

\_\_\_\_\_  
Chancellor

**Exhibit C (page 3)**

Review as to form by:

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General Counsel, Date  
The University of Houston and the University of Houston System

Original to: UHS Treasurer

cc: UH Office of Development

*Quasi Endowments*

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Chief Financial Officer, *(component university)*

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UHS Treasurer

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Chief Development Officer *(component university)*  
*Only when quasi-endowment is linked to true endowment.*