

# Advancement | UCF Foundation, Inc.

## Spending Policy on Endowment Accounts

Policy# 7.09

Effective Date: 05/05/2020

Responsible Department: Accounting

### 1. **PURPOSE**

The University of Central Florida Foundation, Inc. (Foundation) is the legal conduit for the acceptance, investment and distribution of all private gifts made to the University of Central Florida (UCF) for eligible funds invested in the endowment investment pool. The spending policy seeks to resolve the tension between the competing goals of preservation of an endowment and stability in budgetary support. Foundation Investment Committee has a fiduciary responsibility for reviewing this policy each year and if necessary making any recommended changes to the foundation board for approval.

### 2. **APPLICABILITY**

This policy applies to all endowment funds and endowment spending accounts.

### 3. **POLICY**

For an endowment fund to be eligible for a spending distribution the following criteria must be met:

- It must be the intent of the donor that the fund be an endowment.
- The corpus total must be a minimum of \$25,000. Exceptions can only be made in accordance with the Donor Recognition Policy.
- The corpus must be invested for a minimum of one year.
- The endowment fund must have appropriate criteria outlining the donor's intent of the use and purpose of the spending. Please see the Endowment Policy.
- Faculty endowments will qualify for spending once the corpus has reached \$600,000. Exceptions can only be made by the Chief Executive Officer (CEO) of the Foundation. Proceeds of the endowment spending may be used as salaries or supplement for salaries for the chair holder and for those individuals directly associated with the chair holder's scholarly work and for expenses related to that scholarly work.

The following spending calculation will determine the actual spending distribution:

- The initial spending rate for new endowments without a prior year's spending shall be 4% applied to the December 31 market value.
- The current spending rate established by the Board on 3/28/2012 is 4%. The following calculation will be utilized to determine annual spending:

$((70\%)(\text{prior year's spending distribution})(1 + \text{CPI})) + ((30\%)(\text{Dec 31 market value})(\text{spending rate}))$

- The spending distribution will be allocated to the endowment's corresponding spending account as of July 1 of each year.
- If the endowment fund contains state matching funds then the Foundation will ensure that the spending policy complies with all state rules and regulations.

At the time the spending is calculated for each endowment, a comparison will be made of the fund's market value to corpus. An underwater fund can only yield a spending distribution so long as the ratio of the market value to the corpus value will not surpass ninety percent (90%).

#### 4. **DEFINITIONS**

CEO. Chief Executive Officer of the University of Central Florida Foundation, Incorporated.

CFO. Chief Financial Officer of the University of Central Florida Foundation, Incorporated.

Corpus. The portion of an endowment fund representing the total gifts made to the fund. This total amount does not include any investment earnings or appreciation.

Endowment Fund. A permanent fund with provisions that prohibit spending the corpus.

Eligible endowment fund. An endowment fund that fits the criteria for spending distribution outlined above. Foundation Board. The University of Central Florida Foundation, Incorporated elected body as defined and governed in the foundation's bylaws.

Spending. The cash distributed from an endowment fund into an operating account for current use.

Underwater funds: Endowments with a market value less than its historic dollar value, or corpus.

#### 5. **PROCEDURES**

Before the beginning of each fiscal year, the CFO of the Foundation will provide the investment committee with the necessary information to review and evaluate the spending policy. Based on the outcome of this analysis, the investment committee will either keep the policy unchanged or make a recommendation to change the policy to the Foundation Board. If the change is approved by the board, then the policy will be updated and distributed.

After December 31<sup>st</sup> of each calendar year, the endowment market balances will be finalized and the Office of Accounting and Financial Management Services will identify the final eligible endowment funds and their corresponding spending amounts. Each college and division will then be provided with a list of the final spending distribution for each of their endowment funds.

Any unused spending as of the end of a fiscal year will remain in the spending account, unless the donor agreement stipulates otherwise. Authorized signers may request in writing that the unused spending be transferred back to the endowment investment fund. These requests will be submitted

to the Foundation Office of Accounting and Financial Management Services by the deadline date provided in the Office of Accounting and Financial Management Services annual reminder notification.

**6. CLARIFICATION**

Requests for clarification of this policy should be sent to the Associate Vice President and Chief Financial Officer.

Certified as approved by the Executive Committee of the Foundation Board of Directors on May 5, 2020.

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Name: Michael J. Morsberger  
Title: Vice President Advancement and Chief Executive Officer

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