

# Advancement | UCF Foundation, Inc.

## Endowment Policy

Policy# 7.13

Effective Date: July 1, 2021

Responsible Department: Accounting

### 1. **PURPOSE**

This policy establishes minimum contributions to create an endowment within the University of Central Florida Foundation, Inc. (Foundation) and the overall management of endowment spending, investment allocations from the endowment pool, and internally designated endowments/quasi endowments.

### 2. **APPLICABILITY**

Endowments established by a donor(s) and internally designated endowments/quasi endowments.

### 3. **POLICY**

Endowments can be established with a minimum commitment of \$25,000 over five years (5) or less. Endowed funds are permanent and are established to support the needs of the University of Central Florida (University) in perpetuity. Gifts received for endowments are invested in the endowment pool in accordance with the Foundation's Investment Policy. It is the goal of the endowment pool to provide a total real return from assets invested that will preserve or increase the purchasing power of the endowment principal, while generating a current income stream to support the activities of the funds held for the colleges and units of the University, while assuming a prudent level of investment risk.

Donors can place restrictions on an endowment based on the level of giving:

- A. A donor can establish an unrestricted endowment in support of a college or department at a minimum of \$25,000 with no further restrictions.
- B. A donor can establish a restricted endowment, further defining support for the student, research, or program level at a minimum of \$50,000.

When an endowment is created, two distinct funds are established: an endowment fund and the endowment spendable fund.

- A. Endowment Fund. Each endowment will retain two values, the corpus value, and the market value.
  - i. The Corpus Value the original gift plus any subsequent gifts including corporate and state matches that are placed in the endowment fund.
  - ii. The Market Value is the actual value of each endowment fund at a given time. The market value will include the corpus and the net of investment activity, spending, endowment fee, and related investment expenses.
    - a. Each endowment will be invested in the endowment pool and receive allocations from the pool on a monthly basis.
    - b. Endowments will begin receiving distributions from the endowment pool when the corpus value reaches \$25,000.
  
- B. Endowment Spending Fund. The endowment spending fund allows spending in accordance with the written agreement with the donor. The spending fund will consist of distributions from the endowment and may also include donor contributions. Spending from the Endowment Fund must be in accordance with the Foundation's Spending Policy on Endowment Accounts which outlines qualifications for spending, the spending rate, and underwater funds.
  
- C. Quasi Endowments. Quasi endowments consist of internally designated funds established by vice presidents and deans of the University or by the Foundation. These funds are established to support the needs of the University over a long period of time. Whereas the endowment corpus remains intact in perpetuity, the corpus of quasi endowments can be transferred to a non-endowed fund and expended. Like the endowment, each quasi endowment will retain two values, the corpus value, and the market value as defined above.
  - i. Expending Corpus is permissible upon receipt of correspondence from a vice president or dean relaying the reason for drawing down the corpus. Due to the nature of investments held in the endowment pool, the drawdown and transfer may take time.
  
- D. Underwater Endowments. "Underwater Endowment" refers to endowments in which the market value of the endowment fund is less than its corpus value. Spending for underwater funds is outlined in the Foundation's Spending Policy on Endowment Accounts.
  
- E. Endowment Fee. Endowed funds that have met the minimum requirements for endowments are subject to the below fee (includes quasi endowed funds).

	<b>Rate</b>	<b>Frequency</b>	<b>Basis</b>
Invested Endowed Funds	1.95%	Annual	The fee will be assessed each month at 1/12 <sup>th</sup> of 1.95% or .16% and will be based on the endowed fund's market value.
Invested Endowed Funds Three Year Reduction	2.15%, 2.05%, & 1.95%	Annual over the next three fiscal years.	The fee will be reduced by .10 each year for the following three fiscal years starting on July 01, 2021, ending at the 1.95% fee by July 01, 2023.  The fee will be assessed each month at 1/12 <sup>th</sup> of total fee and will be based on the endowed fund's market value.

#### 4. 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 April 1, 2021.

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Name: Rachel Schaefer

Title: Associate Vice President for Advancement Strategy and Chief Operating Officer

Revision History: 05/11/2005

Adoption Date: 06/04/2020