

**HEALTH SCIENCE CENTER HANDBOOK OF OPERATING PROCEDURES**

Chapter 6	Fiscal Policies and Procedures	Effective:	October 2007
Section 6.10	Endowments	Revised:	May 2010
<b>Policy 6.10.3</b>	<b>Establishment and Management of Endowments</b>	Responsibility:	Vice President and Chief Development Officer

## **ESTABLISHMENT AND MANAGEMENT OF ENDOWMENTS**

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### **Overview**

The Health Science Center seeks and receives private sector contributions for the purpose of establishing endowments to fulfill the mission and goals of the institution. Endowment gifts are those for which donors have stipulated, under the terms of the gift agreement creating the fund, that the principal of the fund is not expendable. That is, it is to remain in perpetuity and invested for the purpose of producing present and future income.

It is the Health Science Center’s responsibility to uphold the highest level of accountability between the Health Science Center and the donor, and to annually report to our donors on the use of income distributions.

Income distributions on endowments are deposited into local endowment accounts (Funds 48004 and 48500) on a quarterly basis. Distributions from endowment funds represent an important and growing source of funding for the Health Science Center. Endowments are designated for the following purposes:

- Endowed Faculty Positions (Chairs and Professorships)
- Scholarships and Fellowships
- Programs and Other Education Activities

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### **Definitions**

**ENDOWMENT ADMINISTRATOR:** Individual responsible for managing, reporting, and complying with the Health Science Center and donor guidelines for endowments, in most cases the department Administrator.

**ENDOWED HOLDER:** Faculty member officially appointed by the President to an endowed faculty position (Chair or Professorship).

**ENDOWMENT COMPLIANCE EXECUTIVE:** Individual responsible, Vice President for Development, for ensuring the Health Science Center’s endowments are in compliance, and annually certifies

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endowment compliance to The University of Texas System. The Endowment Compliance Executive serves as the Chair of the Endowment Compliance Committee.

**ENDOWMENT COMPLIANCE COMMITTEE:** Is responsible for ensuring the appropriate level of endowment compliance from a broad institutional perspective, and for reviewing the institution’s endowment compliance plan. The Committee is composed of the Chair and representatives from a Dean’s Office and from the Office of Regulatory Affairs & Compliance, Office of Finance or Accounting and a School representative. To assist the Committee, representatives from Academic Administration, Business Affairs, Student Financial Aid, Student Services, the Executive Research Committee, and other selected departments that hold or manage endowments may be invited to provide advice to the Committee on an as-needed basis.

**DIRECTOR OF ENDOWMENT ADMINISTRATION:** Individual responsible for designing, developing, implementing and evaluating the Endowment Compliance Program of the Health Science Center.

**MANAGER OF ADVANCEMENT AND ENDOWMENT SERVICES:** Individual responsible for designing, developing, implementing and evaluating acceptance of endowment gifts following The University of Texas System “[Gifts Acceptance Procedures](#)” (GAP).

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**Establishing an Endowment**

When accepting a new endowment gift:

1. The Development Office prepares a gift agreement defining the donor’s purpose and terms.
2. The Development Office, following instructions in The University of Texas System “[Gift Acceptance Procedures](#)” requests administrative approval through the SABER system web site that is electronically sent to The University of Texas System for approval.
3. All monies for endowments are received by the Development Office, which then notifies the Accounting Office to prepare a wire transfer to The University of Texas System.

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4. Upon final approval of the endowment, written notification is sent to the Office of the President by The University of Texas System, Office of Development and Gift Planning Services.
  5. The Development Office provides the Endowment Administrator a copy of the gift agreement and supporting documentation which defines the donor's purpose and the terms for each established endowment.

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**Addition to an Established Endowment**

When accepting an addition to an established endowment, notification and monies should be forwarded to the Development Office (see Step 3 above).

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**Managing an Endowment**

The Endowment Administrator, in conjunction with the Endowed Holder/Manager is responsible for the management of the endowment distributions for each of the endowments in their department and/or division.

The Endowment Administrator and the Endowed Holder/Manager are responsible for ensuring that endowment distributions are used:

For the purpose(s) intended by the donor(s) and according to the official document(s) associated with the establishment of the endowments(s) by the Board of Regents of The University of Texas System or its designee(s); and, in accordance with applicable policies approved by the Board of Regents and the Health Science Center.

1. Endowment distributions will be budgeted and used by the Endowment Administrator, and Endowed Holder to carry out Health Science Center's mission of instruction, research and service in compliance with the donor(s) wishes and Health Science Center's policies.
2. The Endowment Administrator, and/or Endowed Holder will approve all expenditures and transfers of funds from the endowment distribution account. In some instances, approval from the Endowment Compliance Executive will also be required.

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3. Transfers of funds from the endowment distribution account to the Health Science Center's operating account(s) may be made only when the restrictions for the operating account are consistent with the terms of the endowment agreement.
  4. Endowment distributions cannot be used to establish or create, in whole or in part, another endowment, except in accordance with UT System Gift Acceptance Procedures.
  5. Endowment distributions are an important source of funding and should be expended on an annual basis. Accumulations greater than 10% of the ending market value of the previous fiscal year (unless below \$5,000) should include a plan to expend the accumulated balance in the annual report of use. The Endowment Compliance Committee advises and may review for propriety, along with the Endowment Compliance Executive, the "Report of Use" submitted by the departments.
  6. When it is impossible or impracticable to use an endowment's distribution accumulations, an exception may be granted upon request of the Endowment Administrator. The Endowment Compliance Committee advises and may review and approve, along with the Endowment Compliance Executive, the exceptions submitted by the departments.
  7. Requests for reinvestment of distributions into the corpus may be granted upon request of the Endowment Administrator. The Endowment Compliance Committee advises and may review and approve, along with the Endowment Compliance Executive, the requests submitted by the departments.
  8. The Endowment Administrator will be notified of a non-compliance item to ensure a timely resolution. At the discretion of the Endowment Compliance Executive and Endowment Compliance Committee, if after 30 days the item is determined to be of significance and cannot be resolved at this level, the Endowment Compliance Executive will refer the non-compliance item to the appropriate Chair. If after 60 days, the item has not been resolved, a third written follow-up memo will be sent to the appropriate Dean requesting a face-to-face meeting to resolve

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the item. If the item is properly resolved, the Endowment Administrator should properly notify the Endowment Compliance Executive and Endowment Compliance Committee.

9. Holders/Managers are required to adhere to The University of Texas Standards for Endowment Compliance in order to continue as holders.

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**Training Responsibilities**

The Endowment Administrator will annually review and update the list of department staff with signature authority or assist in the management of endowments, and will include Endowed Holders, in accordance with the *Handbook of Operating Procedures* (HOP), [Section 3.1.4](#), “Endowed Appointments”.

The revised list of staff names should be provided to the Director of Endowment Administration at the beginning of each fiscal year.

In addition, the Endowment Administrator will notify the Director of Endowment Administration of any changes to the staff as they occur throughout the year.

Endowment training will be required annually by these individuals.

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**Reporting Responsibilities**

Below are the reporting responsibilities on endowments:

1. The Endowment Administrator will follow the “Report of Use” example below, and provide a detailed “Report of Use” and “Self-Assessment Certification” to the Manager of Endowment Administration by November 1 each year.
2. The Endowed Holder will submit directly to the Office of the President, by November 1 each year, a “Letter to the President” outlining research, educational programs, or other activities that have directly benefited from the endowed Chair or Professorship and support the endowment purpose.
3. If the endowed faculty position is unfilled, the Dean and the department Chair will consider the appointment of a qualified interim holder and defined budget for a designated time while

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recruitment efforts continue for a holder. The interim holder’s qualifications should support the purpose and intent of the endowment. See the HOP, [Section 3.1.4](#), “Endowed Appointments”.

EXAMPLE: John Brown, Chair, interim holder appointed for two years with a percentage of the total endowment distributions (possibly 25%, or set amount of \$10,000) allocated over a two year period.

4. Recruitment efforts and interim holder appointment plans for unfilled faculty positions should be submitted directly to the Office of the President, in a “Letter to the President” by November 1 of each year.
5. The “Report of Use” and “Letter to the President” will annually be developed into a letter from the President to the donor for annual stewardship.
6. All Endowment Holders/Managers will be re-approved annually by the President. Holders/Managers whose endowments meet compliance standards and/or have approved spending plans will be automatically re-approved.

All Endowments Holders/Managers whose endowments are not in compliance and/or do not have approved spending plans will be provided specific options and timelines for restoring endowment compliance. Holders/Managers must implement the recommended plans to restore compliance within the approved time period, and plan implementation will be monitored by the Director for Endowment Administration.

Endowment Holders/Managers whose endowments remain out of compliance and who do not implement their approved spending plans by the end of the fiscal year may be removed as Holders/Managers. In such cases, Holders/Managers will have been counseled throughout the year, and will be formally notified in writing.

Holders may appeal a decision not to reappoint. The appeal procedure for a Holder who is not reappointed is through their Dean. See the HOP, [Section 3.1.4](#), “Endowed Appointments”.