

8. ENDOWMENTS

I. ENDOWMENT POLICY

The Foundation will always follow any and all regulatory requirements in its endowment management. Whenever there is a question about the endowment policies of the Foundation, it should be resolved in a donor-centric manner.

The Board of Directors of the Foundation, upon the recommendation of the appropriate committees, review and approve the policies and procedures of the Foundation governing endowment gifts. All endowed funds established through the Foundation will remain the property of the Foundation and invested under the approved investment policy of the Foundation Board (see Section 2).

Funds must only be held and invested under the Board of Director's approved investment policies. No unit of the University is allowed to establish their own endowment fund outside of the Foundation. Donors should be advised that the Foundation will not manage or invest endowed funds for the benefit of external entities without the express approval of the Executive Committee of the Foundation.

On the rare occasion that a special exception must be made to any endowment policy, the Executive Director will recommend and communicate the exception to the appropriate Board committee for approval.

Single Donor Cash/Pledge Commitments

In order for an endowment account to be opened by a single or lead donor, the Foundation must receive a signed Memorandum of Understanding (MOU) and either a gift of cash or marketable securities, or the first payment of a multi-year pledge equal to or greater than the required threshold amount for that type of endowment.

Multi-year pledge arrangements should not exceed a maximum period of five years. Under special circumstances, the Executive Director or CFO of the Foundation may make exceptions to the maximum time period required for multi-year pledge arrangements.

The name of an endowment will be included in the MOU and put on the account at the time the account is opened.

Multi-Donor Cash/Pledge Commitments

Often a fund-raising initiative is launched to establish an endowment in honor or memory of an individual. In such cases, an MOU must be prepared that indicates the primary purpose of the endowment and the period of time in which funds must be secured to become an endowment. In general, the acceptable period of time should be 12 months. A lead donor or the donor representative proposing a "group fund raising project" is responsible for personally pledging at least 50% of the endowed threshold amount. The MOU may be signed by a donor, donor representative and an appropriate University staff person.

All fund-raising materials must be written to include the primary purpose of the endowment and the ultimate allocation of the funds if the thresholds are not achieved. Approval to begin the fund-raising efforts must be granted by the Vice President for University Development or designee.

The endowment account may be opened once contributions of cash or marketable securities reach the required threshold for that type of endowment (see Recognition of Gifts). Until such time, the funds will be held in the Undesignated Major Gifts account (which is a suspense holding account). If the cash received does not reach the threshold within the specified time period, a Program Fund will be opened, the Foundation administrative fee will be assessed and the funds will be expended in accordance with the alternative allocation of funds stated in the MOU.

Whenever funds are transferred from the Undesignated Major Gifts account to a newly-established fund the Foundation must advise the Office of Development Data Entry and UAF Accounting to make an adjustment on the appropriate gift transactions to move them from Undesignated Major Gifts to the new account.

The name of an endowment will be included in the MOU and listed on the account at the time the account is opened. The Executive Director of the Foundation may make exceptions to the required funding level for naming the endowment, or extend the time required for cash contributions to reach the required threshold.

Single Donor Irrevocable Planned Gift

An endowment may be named for an individual if a planned gift is given irrevocably to the University at Albany Foundation and the face value of the assets is at least 200% of the required threshold. The account will be opened when the planned gift matures and the assets are transferred to the Foundation's endowment fund even if the amount transferred is less than the required minimum at the time the fund is established. An MOU must be prepared as if for a single donor gift.

Sample Endowment Amounts

<u>Faculty Endowments*</u>	<u>Minimum Amount</u>	<u>Apx. Yield 4%</u>
Dean	\$3,500,000	\$140,000
Vice President or Distinguished Chair	\$3,000,000	\$120,000
Chair	\$2,000,000	\$80,000
Professorship	\$1,500,000	\$60,000
Excelsior Professorship	\$500,000	\$20,000
Faculty research endowment	\$50,000	\$2,000
Academic program enhancement endowment	\$25,000	\$1,000

**These faculty positions are minimum amounts, and higher amounts may be sought if warranted*

Student Endowments—Undergraduate

Named, Endowed Scholarship (need or merit, program + addtl)	\$30,000	\$1,200
Named, Endowed Scholarship (need or merit + program)	\$25,000	\$1,000
Undergraduate Student Research Fund	\$25,000	\$1,000
Scholarship for Study Abroad	\$25,000	\$1,000

Student Endowments—Graduate

Named, Endowed Research Fellowship	\$250,000	\$10,000
Graduate Student scholarship	\$25,000	\$1,000

General Endowments

Named Lecture or Symposium Fund	\$100,000	\$4,000
Named Memorial or Honor Fund	\$25,000	\$1,000

II. DISTRIBUTIONS FOR SPENDING

Once an endowment account is opened, no spending distributions may be made from the endowment until the end of the following fiscal year, however, investment performance will be credited to the endowment account. Investment performance will be credited based on actual investment return for that fiscal year minus any fees (prorated for current year gifts). Distributions are only posted annually.

Investment performance will be credited to an endowment, but distributions cannot be spent until 100% of the required threshold for that type of endowment fund is achieved with gifts or pledge payments.

Once an allocation is posted to a Program Fund account, the Fund Manager has until the end of that fiscal year to spend it. To the extent allowed by the MOU, any unexpended distributions may be returned to the endowment principal by the Foundation. A Fund Manager may request an exception to this policy if the Fund Manager plans to use the posted amount in a later year. Such requests should be directed to the Office of Donor Relations on behalf of the Foundation.

III. RECLASSIFICATION OF ENDOWMENTS

If a fund, related to a donor's pledge or fundraising goal, does not reach 100% of the required threshold after five years, it may be re-categorized in accordance with the required thresholds and in consultation with the donor(s) (if possible). See Endowment Gift Thresholds under Recognition Opportunities section.

IV. ENDOWMENTS & OTHER TYPES OF GIFTS

Endowment accounts cannot be opened or named for unrealized bequests, revocable trusts or unrealized life insurance policy gifts. In the case of gifts of stock, real estate or other tangible assets, the University at Albany Foundation must sell the assets prior to establishing the endowment. Under extraordinary circumstances, the Board of Directors may, in their discretion, decide to hold tangible assets and use other liquid resources to fund an endowment. Thresholds must be fulfilled at the resulting net proceeds to the University at Albany Foundation and not at gift value.

Gifts of intangible assets (such as patents, copyrights and trademarks) or illiquid tangible personal property (artwork, books, recordings) pursuant to a gift restriction or those that cannot be sold may not be used to fund an endowment unless they produce liquid financial assets greater than or equal to the threshold.

For gift types that do not fall within these categories, please contact the Executive Director.

Supplemental Gift Agreements

The donor may make a separate pledge to fund a Program Fund account to be used for the same purpose as the endowment distribution. In these cases, spending for the donor's stated purpose can commence prior to the endowment being fully funded, but only to the extent of any cash available as a result of the donor's separate contribution. Spending is prohibited unless the pledge payments are received.

Term Endowment (30)

A term endowment differs from a permanent endowment in that it does not stipulate that the principal of the endowment remain permanently intact. Up to 10% of the principal may be utilized, each fiscal year, unless otherwise directed in the MOU or by the donor.

Quasi-Endowment (25) (or "Board-designated endowment")

Quasi-endowed funds function as an endowment, and are typically established by the institution from either donor or institutional funds, and will be retained and invested rather than expended. To establish this type of endowment, approval from the Foundation's Board of Directors is required.

V. STEWARDSHIP & ENDOWMENT REPORTING

Donors will receive annual Donor Impact Reports about the status, performance, and use of their endowment fund.

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The Office of Donor Relations is responsible for working with Foundation personnel to track when endowment gifts reach the threshold. The Foundation then takes the following actions:

- 1) opens account,
- 2) names account, and
- 3) distributes funds to program fund.

In addition, Donor Relations is responsible for notifying the Foundation when the five-year pledge payment period has expired, along with the decision to reclassify or deactivate the account. Donor Relations tracks all gifts in the suspense/UMG account and groups them according to like restrictions.

Endowment Gift Requirements			
Action	Single or Lead Donor	Multiple Donor / Group Gift Initiative	Single Donor Irrevocable Planned Gift
Open Account	Signed MOU, plus cash or marketable security of at least required threshold amount for the type of endowment or first pledge payment of multi-year pledge.	Signed MOU, upon receipt of cash or marketable securities totaling 100% of required threshold for type of endowment to establish the endowed account. A single pledge or outright gift of at least 50% of the threshold amount is required in order to move forward with a multiple donor/group gift solicitation or initiative.	Signed MOU, when planned gift matures.
Name Account	In MOU, at time account is opened.	In MOU, at time account is opened.	In MOU, at time gift is made if face value of gift is 100% or more of required threshold for type of endowment.
First distributions made	At the end of the fiscal year following the fiscal year in which the account is opened.	At the end of the fiscal year following the fiscal year in which the account is opened.	At the end of the fiscal year following the fiscal year in which the account is opened.
Distributions Spent	After receipt of cash or marketable securities equal to 100% of required threshold for type of endowment.	After receipt of cash or marketable securities equal to 100% of required threshold for type of endowment.	After receipt of cash or marketable securities equal to 100% of required threshold for type of endowment.
Reallocate to Program Fund account or Deactivate	If the threshold is not met after 5 years, the endowment may be reclassified to an appropriate level and/or spent down.	As stated in MOU, if the threshold is not met after 1 year.	Does not apply.

Special Exceptions

In extraordinary circumstances the Executive Director may, in his/her discretion, waive the threshold amount or require a different amount to establish an endowment fund.

Procedures for Memoranda of Understanding (MOU)

- 1) As part of the cultivation process or pre-solicitation visit, the development officer, University staff person, or volunteer should discuss endowment policies with prospects, including required minimum thresholds for various types of endowments, approved gift recognition levels, holding periods, and distribution policies, so the prospect is well informed prior to being solicited. In cases where a prospect asks about policies, the development officer, University staff person, or volunteer should respond with similar information. After discussion, prospects may also be directed to the web site, where they can find a written copy of the Foundation's policies, or sent a copy of the written policies.
- 2) Based on the pre-solicitation information or upon questions from a prospect, the prospect manager asks the Office of Donor Relations to prepare a draft MOU. If there are questions or issues, the Office of Donor Relations may consult with the Executive Director of the UAF or his/her designee. The proposed Fund Manager may also be consulted.
- 3) The development officer, University staff person, or volunteer presents the approved draft MOU to the prospect for review and discussion. This review should include confirming the following:
 - a) proposed name of the endowment,
 - b) required minimum threshold amounts,
 - c) the details relative to any multi-year pledge arrangements,
 - d) limitations or restrictions relating to gift recognition (i.e., need to get approval from the University Council or SUNY).
 - e) any relevant fiscal information
 - f) criteria in which selection of recipients is made or how fund is to be utilized.
 - g) current distribution policies and the fact that distribution policies may change over time and experience with the Foundation's portfolio.
- 4) If the prospect requests significant changes to the draft MOU, the development officer, University staff person, or volunteer must bring the donor's requested changes to the Office of Donor Relations to change the draft MOU. The Office of Donor Relations will secure new approvals from the proposed Fund Manager and Vice President.
- 5) If the prospect agrees to the proposed draft MOU or requests minor changes, the development officer, University staff person, or volunteer should advise the Office of Donor Relations. The Office of Donor Relations will make any minor changes and print two final original copies for signature.
- 6) The development officer, University staff person, or volunteer presents the two final original copies of the MOU to the donor for signature. Once signed by the donor, the signed copies are then forwarded to the Vice President of Development, the Executive Director of the Foundation and the Fund Manager for their final approval and signatures.
- 7) Once all involved parties have signed the MOU, the prospect manager will return one completely signed original copy to the donor for their records. The second completely signed original copy will be filed with the Foundation. In addition, the Office of Donor Relations will provide copies to the Fund Manager, Dean or other academic unit head, Provost, and President.

Endowments above their historic dollar value

A spending formula governs the portion of total return made available each year for use by endowment accounts with the objective of maintaining purchasing power relative to inflation. The spending formula is approved by the Foundation's Board annually and is subject to change. Under current policy, 4% of the five year average market value of the principal is calculated and transferred to the spending account for each endowment. (Market value of an endowment account is equal to the endowment account's opening

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balance, increased or decreased by the annual portfolio appreciation or depreciation, less the annual management fee and less the spending account transfer). (Effective 7/1/2005)(Amended 7/1/2011)

New endowments will experience a “ramp-up” period until they have been fully funded and in existence for a fully five year period, as outlined in the spending policy above. During the “ramp-up” period, a three year market value average will be utilized, increasing to a four year market value average in year four, then maturing with the fully five year period being available the calculation is be as follows.:

Year 1: (0,0,#) /3
Year 2: (0,#,#) /3
Year 3: (#,#,#) /3
Year 4: (#,#,#,#) /4

- account balance as of July 1st

Endowments below their historic dollar value

For endowments that are below their historic dollar value, “underwater spending” will be determined on an endowment by endowment basis based on the MOU unless the Board of Directors determines that different spending for an individual account is prudent under the terms of the New York Prudent Management of Institutional Funds Act (NYPMIFA).