



## Policy 108

### **Endowment Funds Policy**

Section: 100 – General Administration

Responsible Executive: Trust Administrator

Responsible Department: Trust and Investments

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#### **1.0 PURPOSE**

1.1. To provide a policy and procedural framework for managing endowment and related accounts.

#### **2.0 BACKGROUND**

- 2.1. An endowment consists of money or other assets received for a purpose where the donor, grantor or source has specified that the principal shall be preserved.
- 2.2. The Cal Poly Corporation (“CPC”) provides investment management services to California Polytechnic State University (“University”) -related organizations and community groups for funds intended "for endowment". In this role, CPC shall serve as trustee of the assets. CPC will comply with fiduciary standards to use and account for endowment assets as prescribed by accepted financial standards and under industry guidelines, within program and policy objectives of the University, and, where applicable, in accordance with the trust instrument.

#### **3.0 POLICY**

- 3.1. Management of Endowment Funds. The Trust Administrator, under the oversight of the Executive Director and the Associate Executive Director, Finance and Business Operations, is responsible for the implementation of this policy and related policies of the Board, and in accordance with California and federal law. This policy and any related Guidelines must complement and comply with Policy 121- General Investment Policy and its Guidelines. The objectives of managing these Endowment Funds are to:
- 3.1.1. Support the University's Integrated Endowment Program with a systematic and interactive mechanism through which such endowments are evaluated and managed; and
- 3.1.2. Ensure compliance with restrictions imposed by the owners of these funds on the use of these funds and their earnings.
- 3.2. Types of Endowment Funds.
- 3.2.1. CPC shall establish and utilize a group of accounts known as Endowment Funds. This group shall include funds whose principal is generally nonexpendable as of the date of reporting and is invested, or is available for investment, for the purpose of producing income and/or capital growth. Resulting income shall be available for expenditure or for inclusion in the principal.
- 3.3. Endowment Funds Types and Spending Restrictions. Endowment Funds are classified based on the restrictions on expenditures, such as:
- 3.3.1. Permanent Endowments. Funds received with the restriction that the principal is not expendable.
- 3.3.2. Term Endowments. Funds may be expended after a stated period or upon the occurrence of a certain event.

- 3.3.3. Quasi-Endowments. Funds are established by a governing board to function like a Permanent or Term Endowment, but the funds may be expended at any time at the discretion of the owner, including principal.
- 3.4. Accounting and Investment Principles. The following primary principles shall govern the accounting for and reporting of Endowment Funds:
- 3.4.1. Except as may be prescribed by law or regulations, Endowment Funds may be commingled for investment purposes;
  - 3.4.2. Accounting records shall include a written Register on each Endowment Fund to ensure accurate and complete documentation of all conditions under which such funds are accepted and used; and
  - 3.4.3. The character of Endowment Funds shall be traced accurately to separate the principal of each endowment from the income earned there from to be available for expenditure or reinvestment.
  - 3.4.4. Assets of Endowment Funds shall not be hypothecated or pledged for any purpose, and shall not be loaned or invested in a manner inconsistent with the CPC's investment policies.
- 3.5. Establishing or Amending Endowments. The Trust Administrator, or his or her designee, is authorized to establish or amend endowments at the request of the Endowment Fund's owner(s), in consultation with the University. An endowment agreement or statement shall include or make specific reference to the purpose, conditions and restrictions accorded to each endowment. The document shall be approved by the University and found consistent with applicable law and regulations, and the Endowment Fund owner's intent.
- 3.6. Minimum Funding for New Endowment. Threshold amounts required to fund, at a minimum level, an endowment have been established by the University, consistent with objectives of the University's overall endowment program and prudent investment management standards. Exception to any established threshold shall be approved by the University and submitted to the Executive Director, or his or her designee, for consideration.
- 3.7. Initial Investment Period. The threshold amount designated for an endowment fund shall generally be available for investment for no less than twelve (12) consecutive months prior to the availability of earnings. Exceptions may be authorized in writing by the Executive Director or his or her designee at the request of the fund's owner. Assets for endowment other than cash or securities must be referred to the Executive Director or Designee for consideration.
- 3.8. Register for Each Endowment Fund. A written register shall document each Endowment Fund and shall include, at minimum, such information as:
- 3.8.1. Fund owner and University approval of endowment,
  - 3.8.2. CPC Trust Administrator, Executive Director or his or her designee, or Board approval.
  - 3.8.3. Endowment statement or agreement of purpose,
  - 3.8.4. Description of Endowment Fund owner's affiliation with University,
  - 3.8.5. Amount and date of funding,
  - 3.8.6. Type of endowment,
  - 3.8.7. Endowment number and title, and
  - 3.8.8. Contact information.
- 3.9. Process to Establish New Endowment. The review and approval process to establish an endowment shall be generally as follows:

- 3.9.1. An endowment statement or agreement is developed between Endowment Fund owner, University and CPC staff;
  - 3.9.2. University approves the endowment statement or agreement and requests that CPC establish the endowment;
  - 3.9.3. CPC executes the endowment agreement and the owner funds the proposed endowment;
  - 3.9.4. CPC takes action to accept the assets for investment; and
  - 3.9.5. CPC management takes appropriate actions to establish the Endowment Fund account(s), and set up fund administration in collaboration with appropriate University staff and the fund's owner.
- 3.10. Reports. The Investment Administrator and/or Trust Administrator will report to the Board quarterly regarding the status of endowments, including quantities, new endowments, and investment information.

#### **4.0 DEFINITIONS**

- 4.1. None.

#### **5.0 PROCEDURES, GUIDELINES AND FORMS**

- 5.1. Guidelines. The Trust Administrator is authorized to establish procedures, Guidelines and forms consistent with and in implementation of this policy, with final approval by the Executive Director. Guidelines will include philosophy and procedures for specific investment vehicles or funds, as needed.
- 5.2. Reporting. Substantial revisions to Guidelines will be reported to the Board by the Trust Administrator or his/her designee as soon as practical. The Trust Administrator must timely advise the Board of any problems or changes within the trust or investment activities that could require changes in policy.

#### **6.0 COMPLIANCE**

- 6.1. All CPC personnel involved in trusts and investments must comply with this policy

#### **7.0 REFERENCES AND RELATED POLICY**

- 7.1. Uniform Management of Institutional Funds Act ("UMIFA") (Cal. Probate Code §18506).