

SECTION: **POLICY STATEMENT - GENERAL AND ADMINISTRATIVE**

SUBJECT: **ENDOWMENT AND SIMILAR FUNDS POLICY**

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

EFFECTIVE DATE: **March 9, 2001**

HISTORICAL: December 11, 1987

ENDOWMENT AND SIMILAR FUNDS POLICY

I. BACKGROUND AND PURPOSE

- A.** 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.

The Cal Poly Corporation ("CPC") serves as the recipient of gifts and grants intended by donors, grantors or the University "for Endowment". In this role, the CPC may serve as the trustee or may be the absolute owner of the assets. In either case, there exists a fiduciary standard to use and account for endowment assets in a manner prescribed by accepted financial standards and under industry guidelines (see reference above), within program and policy objectives of the University, and, where applicable, in accordance with the trust instrument.

This statement provides a policy framework for managing endowment accounts. The objectives of this statement are two-fold: to support the University's Integrated Endowment Program with a systematic and interactive mechanism through which proposed endowments are evaluated and managed; and to ensure compliance with restrictions imposed by donors, and designations imposed by the University and the Board on use of funds and their earnings. The policy and process set forth in the following sections are intended to complement the CPC's General Investment Policy and implementing investment guidelines.

B. Types of Endowments and Similar Funds

1. The CPC shall establish and utilize a group of accounts known as the Endowment and Similar 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, and in exceptional cases the principal, shall be available for expenditure or for inclusion in the principal.

2. The types of endowments and similar funds included are:
 - a. Permanent Endowment are funds received from a donor with the restriction that the principal is not expendable.
 - b. Term Endowment are funds for which the donor stipulates that the principal may be expended after a stated period or upon the occurrence of a certain event.
 - c. Quasi-Endowment are funds that are established by the governing board to function like endowment funds, but may be expended at any time at the discretion of the Board.

C. Accounting and Investment Principles

The following primary principles shall govern the accounting for and reporting of funds in this group:

1. Except as may be prescribed by law or regulations, endowment funds may be commingled for investment purposes;
2. Accounting records shall include a written register on each endowment to assure accurate and complete documentation of all conditions under which such funds are accepted and used; and
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, reinvestment, or as designated reserves.

II. POLICY

- A.** 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.
- B.** Subject to this policy, the Executive Director is authorized to establish or amend endowments. Such action shall normally be by request of the University. An endowment statement shall include or make specific reference to the purpose, conditions and restrictions accorded to each endowment. The statement shall be approved by the University and found consistent with applicable law and regulations, and the donors or creators intent.
- C.** Threshold amounts required to fund, at a minimum level, each type of endowment have been established by the University, consistent with objectives of the University's endowment program and prudent investment management standards. Exception to any established threshold shall be approved by the University and submitted to the Executive Director for consideration.
- D.** 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 upon written findings approved by the University. Assets for

endowment other than cash or securities must be referred to the Executive Director for consideration.

- E.** A written register shall document each endowment. The register shall include such information as:
1. Donor/University approval of endowment
 2. Board or Executive Director approval
 3. Endowment statement or agreement
 4. Donor name with brief biographical comments
 5. Amount/date of donation(s)
 6. Type of endowment
 7. Identification by endowment program component
 8. Action(s) by Board, where required

III. PROCESS

- A.** Normally, the review and approval process to establish an endowment shall be as follows:
1. Endowment statement/agreement is developed between prospective donor(s), University and CPC staff;
 2. University approves the endowment statement or agreement and requests that the CPC establish the endowment;
 3. Donor funds proposed endowment and CPC executes an agreement with the University when the endowment establishes an award or scholarship;
 4. CPC takes action to accept the restricted gift and establish endowment accounts; and
 5. CPC management takes appropriate actions to establish accounts, report to the Board quarterly, and set up fund administration in collaboration with appropriate University staff.

IV. POLICY IMPLEMENTATION

- A.** The Executive Director is authorized to establish written operating guidelines to implement this policy statement.