

Prepared by General Accounting Office.
This is a NEW Procedure.

A8.622

A8.600 Accounting

September 2005

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A8.622 UNIVERSITY ENDOWMENTS

1. Purpose

To establish procedures for the expenditure of endowment earnings, ensuring the appropriate use of such funds.

2. References

- a. Policies regarding the investment of endowment funds are prescribed in Chapter 8, Sections 8-6 and 8-10 of the Board of Regents Policies.
- b. Policies regarding the use of new income from the ASUH-Mānoa Stadium Stock Fund and use of the income from the University of Hawai'i Stadium Endowment Fund, proceeds of the sale of the Kaimuki Observatory Lot and from the rental of University property are prescribed in Chapter 8, Sections 8-10 and 8-11 respectively.
- c. Chapter 8, Section 8.8 of the Board of Regents Policies prescribes that the Board of Regents shall be the official recipient of all gifts (with or without conditions) to the University. In accordance with General Accounting administrative procedure A8.620, all gifts, including cash and non-cash contributions, shall be received by the University of Hawai'i Foundation on behalf of the University.

3. Definitions

Designee means a person designated or appointed by the University or the Board of Regents for a specific purpose or duty.

Donor means any individual, corporation, partnership, foundation, association, or trust contributing funds to the University.

Permanent endowment means a fund established by a donor who, by the terms of their conveying instrument, has stipulated that the principal of their gift(s) may never be expended. The original principal of the endowment must remain intact (nonexpendable) in perpetuity and only the income earned can be expended. Income from investments of endowment funds consists of either unrestricted income that may be used for any institutional purpose or restricted income that must be used according to the donor's stipulations.

Term endowment means a fund that is similar to endowment funds except that, upon the passage of a stated period of time or the occurrence of a particular event, all or part of the principal may be expended.

Quasi-endowment means an expendable fund that has been transferred for long-term investment to the endowment funds by the Board of Regents. Quasi-endowment funds are further categorized as restricted and unrestricted. Restricted quasi-endowment funds represent donor-restricted gifts, without the requirement to maintain the principal in perpetuity. Unrestricted quasi-endowment funds represent unrestricted funds designated by the Board of Regents for long-term investment purposes.

4. Applicability/Responsibilities

This procedure applies to all University units that are beneficiaries of an endowment account and receive spending distributions from the endowment (includes quasi-endowment) account. This procedure does not apply to endowments held by the UH Foundation. Senior management and central offices are responsible for the periodic review of endowment spending.

5. General Guidelines

- a. Each University unit that has an existing or new endowment account shall complete Attachment A and maintain a copy with their permanent file. The file should include but is not limited to the correspondence from the donor to the University specifying the terms applicable to the principal and use of the endowment earnings, correspondence from the University to the donor and a copy of the University unit's approved written policies and procedures (see item b below).
- b. The University unit's Dean or Director shall establish written policies and procedures over the use of each expendable endowment fund's spending distribution, in accordance with the donor's specified guidelines. The

established written policies and procedures shall be forwarded to the President or Chief Financial Officer (CFO) for review and approval (see Attachment B).

- c. The CFO or designee shall return the reviewed written policies and procedures to the originating University unit for revisions if not approved or for inclusion in the unit's permanent file if approved.
- d. The University unit shall forward a copy of the approved written policies and procedures regarding the use of the endowment earnings to the Director of Financial Management.
- e. The University unit shall prepare and forward annually a report of the endowment fund's spending to the CFO or designee for review (see Attachment C) no later than August 31 of each year for the previous year's distribution.
- f. The University unit shall review its written policies and procedures regarding all endowment funds on an annual basis.
- g. The Financial Management Office shall provide oversight to insure written policies and procedures regarding the use of all endowment funds have been approved by the CFO or designee and an annual review of such written policies and procedures by the University unit has transpired.
- h. Annually, the General Accounting Office shall prepare a report of payout distribution for the Board of Regents or its designee to approve in accordance with Chapter 8, Sections 8-6, 8-10 and 8-11 of the Board of Regents Policies. Upon approval of the payout rate, the General Accounting Office shall inform each University unit of its endowment income available for spending. **The General Accounting Office shall not distribute income to any unit that has not submitted the annual report specified in item 5e above.**