

CAL STATE EAST BAY EDUCATIONAL FOUNDATION

SECTION NO. **300**

POLICY STATEMENT

DOCUMENT NO. **301**

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SECTION: **POLICY STATEMENT – ENDOWMENT AND INVESTMENT**

SUBJECT: **ENDOWMENT ESTABLISHMENT AND ADMINISTRATION**

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PURPOSE: To provide general guidelines, policies and principles for the establishment and administration of endowment funds.

EFFECTIVE DATE: September 25, 2015

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## **I. BACKGROUND**

An endowment fund is defined as a single or combined pool of assets gifted to the Cal State East Bay Educational Foundation (“Foundation”) to provide resources for various activities consistent with the mission of California State University, East Bay (“University”). The Foundation will serve as a trustee for these endowment funds and, therefore, has a fiduciary duty to the donor and the University to administer the assets consistent with the donor’s wishes, the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), and generally accepted financial standards. Since permanent endowments continue in perpetuity, it is very important that the Foundation maintain in all permanent records, a clear understanding of any donor restrictions.

Generally, when there are donor restrictions, a separate fund to track the expenses is established. If a donor deposits restricted funds at the Foundation and these funds are later transferred to the University, fiduciary responsibilities follow the funds. Special care must be taken to insure that the donor’s wishes are followed; this includes establishing a separate fund, if needed, to comply with donor restrictions.

## **II. POLICY**

### **A. Types of Endowments**

Endowments are classified as permanent, quasi, or term endowments. Funds can be either restricted or unrestricted within each of these classifications. Restricted endowment funds are funds for which the donor specifies how the endowed income will be used. Unrestricted endowment funds are funds for which the annual earnings are used at the discretion of the Board of Trustees of the Foundation.

1. **Permanent Endowments:** Permanent endowment funds are those which are intended to have a perpetual life. Only the income of the fund, as defined in UPMIFA may be expended.
2. **Quasi Endowments:** Quasi endowment funds are funds functioning as an endowment that are established by the institution from either donor or

institutional funds and will be retained and invested rather than expended. The quasi endowment must retain the purpose and intent as specified by the donor or source of the original funds, and the income (as defined in UPMIFA) may be expended only for those purposes. Since quasi endowments are established by the institution rather than by an external source, the principal may be expended for the purposes



- iii) Investment Reserves - The payout rate is designed to provide for the spending needs of participating projects; the Board recognizes that stability is not to be relied upon a dynamic market and to reverse any negative effects of a downward trend in the market, cash income and market value adjustments over and above the current payout rate will not be distributed to cover

**FLEXIBLE PERMANENT ENDOWMENT**

Simple, flexible, permanent endowment. If that is what you are

## **ENDOWMENT GIFT AGREEMENT REQUIRED INCLUSIONS**

All endowment gift agreements written on behalf of California State University, East Bay and Cal State East Bay Educational Foundation must contain these elements:

### Establishment

- Date of establishment
- Name of donor
- Title of endowment
- Permanent or term endowment
- Principal endowment fund amount

### Purpose of Funds

- Title of individual who will administer distributions
- Terms and conditions of distributions, including process for identification and selection of scholarship recipients

### Source of Funds

- Description of original gift source type, i.e., cash or stock
- Dollar amount of original gift; or in the case of stock, number of shares
- Pledge schedule or agreement (if a pledge is involved) including statement of agreement to disburse or merge funds by a certain date unless specific progress in made towards fulfilling the pledge
- Incorporation of additional gifts into the endowment

### Fund Administration

- Reference to management or administrative fee charge