

# UCSB Guidelines for Gift Funds

October 2018

These guidelines provide definitions of the three types of gift funds and describe the manner in which gift funds are managed.

On the UCSB General Ledger, Gift Funds are segmented into three categories: All Foundation Gift Funds (fund source ranges are 17000-17999 and 41100-41999), the UC Regent Current Use Gift Funds (ranges are both 40000-41099 and 42000-56999), and the spendable balances of UC Regent Endowments and UC Regent Funds Functioning as Endowments (fund source ranges 34100-39799, 16000-16999 and 13000-13999).

## Current Use Fund

A Current Use Fund is composed of a gift or gifts donated with the express intent that they be fully expended. This fund type should be used to manage gift funds that the department/unit anticipates expending within three years of receipt.

Any donor restrictions must be honored in determining how the funds are expended. In all cases, the designated Fund Administrator must approve expenditures.

Current Use Funds are held in University accounts, monitored on University General Ledgers, and available for immediate expenditure.

In most cases, it is permissible for a Fund Administrator to change a Current Use Fund into a Fund Functioning as an Endowment (FFE). This should only be done if the fund is identified for a specific program or project and a delay is planned before expenditure of funds is needed. The Fund Administrator must be cognizant of the risk associated with this change, as the fund will be invested in approved portfolios of stocks and bonds. Regardless of the change from Current Use Fund to FFE and the associated delay in actual expenditure of the gift, all other terms or restrictions associated with the gift(s) must be honored.

To initiate such a change, the Fund Administrator shall complete a Fund Functioning as Endowment Establishment Request (Attachment A). The Department Chair, Unit Director, Dean and/or Provost shall review the request prior to submitting the form to the Campus Controller. The Campus Controller, Campus Budget Officer, and Chief Financial Officer for Institutional Advancement shall also review the request. The request will then be forwarded to Chancellor for final approval (as required by UCOP policies and procedures). Upon the Chancellor's approval, the Accounting Office shall initiate the necessary transfers of funds to the Office of the President.

### Fund Functioning as an Endowment

A Fund Functioning as an Endowment (FFE) may be created by UCSB's administration when a gift or bequest is received and the donor does not instruct either that the gift be expended in its entirety or held as a true endowment. Any other terms or restrictions associated with the gift must be honored. An FFE may also be created from surplus operating funds in a pre-existing Current Use Gift Fund. UCSB's administration may choose to treat and invest the fund as a permanent endowment to be held in perpetuity to produce a steady incremental income stream. The fund will be invested and administered according to the endowment policies adopted by The UC Regents and UCSB. This allows UCSB to invest with a long-term strategy, yet maintains flexibility to invade the principal should special circumstances arise. While it is permitted to invade the principal of an FFE, it requires the Chancellor's approval and should occur only in exceptional circumstances. This may be structured as a one-time request or as multiple transactions pre-approved by the Chancellor.

Any donor restrictions must be honored in determining how the funds are expended. In all cases, the designated Fund Administrator must approve expenditures.

Spendable balances in excess of \$1,000.00 in a Fund Functioning as an Endowment (FFE) may be reinvested as principal within the same FFE at any time. To initiate such an action, the Fund Administrator shall complete a Deposit/Withdrawal Request (Attachment B) and submit the form with any supporting documentation to the Campus Controller. The Department Chair, Unit Director, Dean and/or Provost shall review the request prior to submitting the form to the Campus Controller. The Campus Controller, Campus Budget Officer, and Chief Financial Officer for Institutional Advancement shall also review the request. The request will be forwarded to the Chancellor for final approval (as required by UCOP policies and procedures). Upon the Chancellor's approval, the Accounting Office shall initiate the necessary transfers of funds to the Office of the President. In the instance of pre-existing UCSB Foundation Endowments, once the Chancellor approves the request, the Campus Controller shall prepare a Form 5 and issue a check to The UCSB Foundation in the amount specified on the approved request. The UCSB Foundation shall invest the funds in accordance with its investment policies.

### Permanent Endowment Fund

An Endowment is created by a gift or bequest when a donor instructs the fiduciary that the corpus of the gift be held in perpetuity (or for a specified term of years) with the income used to support the institution or a particular program. UCSB is bound by the priorities specified in the gift instrument regardless of intervening forces.

The Endowment structure allows donors to ensure that a given activity will exist in perpetuity and provides them with the opportunity to memorialize their name through a named endowment.

Endowments provide UCSB with a reliable income stream to support faculty, students, and programs in perpetuity. Once invested, gifts continue to grow by spending only a portion of investment return, ensuring that a gift will not be eroded by inflation in the future.

Any donor restrictions must be honored in determining how the funds are expended. In all cases, the designated Fund Administrator must approve expenditures.

Spendable balances in an Endowment Fund in excess of \$1,000.00 may be reinvested as principal within the same Endowment Fund at any time. *Such an action is permanent and irreversible.* To initiate such an action, the Fund Administrator shall complete a Deposit/Withdrawal Request (Attachment B) and submit the form with any supporting documentation to the Campus Controller. The Department Chair, Unit Director, Dean and/or Provost shall review the request prior to submitting the form to the Campus Controller. The Campus Controller, Campus Budget Officer, and Chief Financial Officer for Institutional Advancement shall also review the request. The request will be forwarded to the Chancellor for final approval.(as required by UCOP policies and procedures). Upon the Chancellor's approval, the accounting office shall initiate the necessary transfers of funds to Office of the President. In the instance of pre-existing UCSB Foundation Endowments, once the Chancellor approves the request, the Campus Controller shall prepare a Form 5 and issue a check to The UCSB Foundation in the amount specified on the approved request. The UCSB Foundation shall invest the funds in accordance with its investment policies.

### Changes in Fund Terms

While not a common occurrence, if the existing fund terms can no longer be fulfilled the Fund Administrator must notify the Financial Control Point (Dean or Vice Chancellor) of the issue. The Financial Control Point must present a request to the Chancellor for a re-designation in fund terms. The guiding principal in a re-designation is to conform to the original donor intent as closely as possible. IA-Finance & Administration is the unit that evaluates any request that is submitted to the Chancellor and should be consulted prior to making a re-designation request. Only the Chancellor can approve a re-designation of fund terms.

A more common occurrence is a minor modification in fund terms. This is either a change that simply clarifies the underlying processes for fund administration, a reassignment of who serves as Fund Administrator, or is a modification required to conform to current law. Review and approval of these changes is handled by IA-Finance & Administration.

## UCSB Fund Functioning as Endowment (FFE) Establishment Request

Academic/Administrative Unit: \_\_\_\_\_

Fund Administrator: \_\_\_\_\_

Initial Sources of Funds to be used for FFE Establishment (all fund sources must have the same gift purpose):

Fund Name	Account Number/Fund Source	Foundation Or Regents	Amount to be Transferred
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Name of New UC Regents Fund: \_\_\_\_\_

Purpose of New UC Regents Fund:  
 \_\_\_\_\_  
 \_\_\_\_\_

**Note: Current General Ledger, a cover memo substantiating request, and documents delineating any donor restrictions must be attached to this form at the time of submission.**

**Preliminary Endorsement:**

This request is in conformance with donor intent and consistent with academic/administrative objectives of the unit. All parties understand that proceeds shall be invested in approved endowment portfolios composed of stocks, bonds and alternative investments and that some level of risk is inherent in these portfolios.

1. Chair/Director \_\_\_\_\_ Date: \_\_\_\_\_

2. Dean/Vice Chancellor \_\_\_\_\_ Date: \_\_\_\_\_

**Review and Endorsement:**

This request has been reviewed and is endorsed below for conformance with donor intent and university policy as it relates to Budget and Planning, Accounting and Institutional Advancement.

3. Campus Controller: \_\_\_\_\_ Date: \_\_\_\_\_

4. IA–Finance & Administration: \_\_\_\_\_ Date: \_\_\_\_\_

5. Campus Budget Officer: \_\_\_\_\_ Date: \_\_\_\_\_

**Final Review and Approvals:**

This request is approved as submitted and the offices of Budget and Planning, Accounting, and Institutional Advancement Finance and Administration are directed to take the necessary actions to implement the request. To provide maximum flexibility, the initial approval provides for a drawdown of up to 50% of the initial fund corpus without further Chancellor approval.

6. Chancellor \_\_\_\_\_ Date: \_\_\_\_\_

# UCSB GIFT FUND DEPOSIT/WITHDRAWAL REQUEST

Academic/Administrative Unit: \_\_\_\_\_

Fund Name: \_\_\_\_\_

Account Number/Fund Source	Foundation Or Regents	Amount to be Reinvested/Withdrawn
_____	_____	_____

Fund Administrator initial one of the following as appropriate for reinvestment:

\_\_\_\_\_ This is linked to an Endowment Fund. I understand that the decision to reinvest funds into principal is irreversible and permanent. I understand that this means these funds will no longer be available for expenditure but instead shall be invested in order to produce greater returns and enhance future payouts.

\_\_\_\_\_ This is linked to a Fund Functioning as an Endowment. I understand that the decision to reinvest funds into principal is intended to be a long-term strategy. I understand that this means these funds will no longer be available for expenditure but instead shall be invested in order to produce greater returns and enhance future payouts. I understand that with Chancellor’s approval the principal of such a fund may be invaded, but that this should occur only under exceptional circumstances.

Fund Administrator initial the following as appropriate for withdrawal from a Fund Functioning as an Endowment:

\_\_\_\_\_ This is linked to a Fund Functioning as an Endowment. I am requesting the Chancellor’s approval to invade the Fund principal in the amount of \$\_\_\_\_\_ and certify that this is necessary due to exceptional circumstances.

**Preliminary Endorsement:**

This request is in conformance with donor intent and consistent with academic/administrative objectives of the unit. All parties understand that proceeds shall be invested in approved endowment portfolios composed of stocks and bonds and that some level of risk is inherent in these portfolios.

1. Fund Administrator: \_\_\_\_\_ Date: \_\_\_\_\_  
2. Dean/Vice Chancellor \_\_\_\_\_ Date: \_\_\_\_\_

**Review and Endorsement:**

3. Campus Controller: \_\_\_\_\_ Date: \_\_\_\_\_  
4. IA-Finance & Administration: \_\_\_\_\_ Date: \_\_\_\_\_  
5. Campus Budget Officer: \_\_\_\_\_ Date: \_\_\_\_\_

**Final Review and Approval:**

6. Chancellor: \_\_\_\_\_ Date: \_\_\_\_\_