University of Minnesota Foundation (UMF)

Fund Administration Policy

Effective Date: February 1, 2013

Objective: Fund administration policies and related procedures are designed to ensure that charitable gifts are managed in accordance with:
1) University of Minnesota Board of Regents Policies
2) IRS Regulations
3) Donor designations and restrictions
4) Uniform Prudent Management of Institutional Funds Act (UPMIFA)

Gift Acceptance
UMF operates exclusively for the benefit of the University of Minnesota. UMF will only accept gifts that are consistent with the University’s mission and which fully comply with applicable federal or state laws and which give the University control, subject to legally expressed donor intentions, over decisions regarding how such gifts are spent. (See UMF Gift Policy)

Gifts must also comply with the University’s Constructive Receipt of Income policy. UMF may not accept payments from third parties, which represent payment for personal services provided by a University faculty member or employee, to avoid personal recognition of taxable income.

UMF retains the legal and fiduciary duty to ensure that all gifts are managed and expended only for purposes which are consistent with donor designations and restrictions.

Fund Establishment
A new fund can be requested by any University department to receive gifts for support of University programs. A Fund Request Form must be completed and signed by the Dean, Department Head, or their designee.

Authorized Signers
An Authorized Signer is an individual who has been granted authority to approve changes to and request disbursements from a fund. Each fund is required to have a minimum of two authorized signers, one of which must be the Dean, Department Head or their designee. The authorized signers are responsible for ensuring that all spending is consistent with the funds’ designated purposes. The Dean retains authority to make changes to authorized signers on funds within their respective units. Authorized signers may be designated or modified via the Fund Request Form.

IRS regulations require that donors relinquish control of charitable gifts. Therefore, UMF policy does not permit faculty or employee donors to serve as authorized signers, or retain control over the assignment of authorized signers, on funds to which they personally donate. If an individual desires to make a donation to a fund for which he or she is an authorized signer, they should request to be removed as authorized signer for that fund.
**Fund Types**

- **Demand** funds are established for gifts designated for current program support or capital projects that should not be subjected to investment risk. There is no dollar minimum required and the fund operates like an interest bearing checking account. The guaranteed interest rate is set by UMF’s Board of Trustees. (currently 0.1%)

- **Permanent Endowment** funds are established for gifts intended to exist into perpetuity. The fund establishment minimum is $25,000. The funds are pooled for investment purposes. Investment earnings and spending allocations are performed on a monthly basis. Investment return in excess of the spending policy is reinvested to the fund principal. The annual administrative fee is 1%.
  - **Spending Policy** – Determined by UMF’s Board of Trustees, currently 4.5% of the average market value on a five-year trailing balance. Objectives include maintaining the real purchasing power over time, providing predictable and stable funding for designated programs and striving for generational equity.
  - **Underwater Policy** – Spending allocations will be suspended if the fund principal falls below 80% of the original gift value. (75% for U of M scholarship match funds)

- **Quasi Endowment** funds are treated like endowments for investment purposes, but the donor has given the University permission to invade the principal. The fund establishment minimum is $10,000. Spending is limited to 20% of the prior year’s cash balance. Exceptions to the 20% limit will be considered upon special request. The annual administrative fee is 1.5%.

UMF will consider custom designed investment strategies for capital project funds in excess of $5 million upon request.

**Memorandum of Agreement (MOA)**
An MOA should be completed for each endowment fund to document donor intent and administration and stewardship details. The MOA is signed by the donor(s), the appropriate University representative(s) and a UMF Officer. The signed document is legally binding and becomes the guiding document for the fund.

**Fund Distributions**
To ensure compliance with the University’s mission, policies and controls and to ensure proper recording in the University’s financial and tax reporting, UMF requires all fund grants be disbursed to a University financial account. Direct payments to outside vendors or organizations may be permitted upon special request and require approval by UMF’s VP/Chief Financial Officer.

Distribution requests must document the intended purpose of the expenditure and be signed by an authorized signer. UMF reviews and approves each request to ensure the documented purpose is in accordance with donor restrictions and fund designations. Approved requests are transferred from the UMF fund to the appropriate University operating account.
The University’s Internal Audit department conducts sample testing of expenditures from University accounts to ensure compliance with the documented purpose and reports results to the UMF Audit Committee on an annual basis. Any exceptions or issues are reported to the UMF CFO and CEO on an ongoing basis.