

**University of Florida Foundation, Inc.  
Endowment Policy**

Policy #: 5.02  
Effective Date: March 2, 2018  
Responsible Department: Finance and Accounting

**1. PURPOSE**

To provide guidelines for the establishment and management of endowment funds.

**2. APPLICABILITY**

All endowment funds held by UFF.

**3. POLICY**

A minimum commitment of \$30,000 pledged over five years or less is required to establish an endowed fund.

UFF establishes endowment funds to support donors' purposes in perpetuity. Gifts of cash or cash generated from conversion of non-cash assets are invested in the UFF Endowment Investment Pool in accordance with Policy 5.25 (Investments). It is the goal of the UFF Endowment pool to provide a real total return from assets invested that will preserve or increase the purchasing power of the endowment principal, while generating a current income stream to support the activities of the funds held for the colleges and units of the University, while assuming a prudent level of investment risk.

When an endowment is created by UFF, two distinct funds are established: an endowment principal fund and an endowment spendable fund.

**Endowment Principal Fund**

Each endowment principal fund that participates in the endowment investment pool will have three values – Book Value, Spending Base, and Market Value.

*Book Value*

The book value is the original gift plus any subsequent gifts (including corporate and state matches) that are placed in the endowment's principal fund.

*Spending Base*

Each endowment's principal fund has a spending base that represents the fund's base for calculating endowment spending transfers and fee assessments. The spending base is reviewed quarterly by finance and accounting staff to adjust for investment performance.

### *Market Value*

The market value is the actual value of each endowment fund's share of the endowment pool's investment portfolio at a specific point in time. This value is updated quarterly.

### **Endowment Spendable Fund**

The endowment spendable fund allows spending in accordance with the written agreement with the donor. Additional restrictions may be imposed for funds that receive state matching gift monies.

The annual spending rate is 4.0% of the principal fund's spending base, distributed quarterly (1%). The transfer is made directly from the corresponding endowment principal fund on the last day of the quarter. These monies are available to be spent the following day. Accumulated monies in the spendable fund will be invested according to the non-endowed pool's investment policy.

### **Spending Base Adjustments**

In the short-term, the market can be highly volatile. UFF's Foundation's investment policy is designed to return a net positive gain in market value (growth) over an extended period of time. It recognizes that there may be periods of decline in value, but these should be more than offset by periods of increase in value.

The Finance Committee has established a range in which the spending base, as a percentage of the market value, may fluctuate, as well as a quarterly revaluation process. The objective is to provide consistent spending transfers while being nimble enough to react to market fluctuations. The range is currently set at 85-95%. The revaluation dates are March 31, June 30, September 30, and December 31.

For a new gift, the spending base is initially set to 90% of the gift value at the date the gift is invested in the endowment pool.

At each quarterly revaluation date, the following analysis occurs:

- If the ratio of the spending base to market value falls within the established range (currently 85-95%), no adjustment will be made.
- If the ratio of the spending base to market value is less than 85%, the spending base will be increased so the ratio equals 85%.
- If the ratio of the spending base to market value is greater than 95%, the spending base will be decreased so the ratio equals 95%.

The Finance Committee will review the range annually and has the authority to adjust the

range and authorize special adjustments from time to time in response to investment performance.

### **Underwater Endowments**

“Underwater endowment” means an endowment in which the market value of the principal fund is less than its book value.

At the beginning of each quarter a comparison will be made of the fund’s market value to book value. If the ratio of market value to book value falls below the minimum level set by the Finance Committee (currently 70%), no spending transfer or UFF administrative fee assessment will be made for that quarter. Spending transfers and UFF administrative fee assessments will be resumed for the first quarter in which the ratio is greater than the minimum level set by the Finance Committee.

### **Fees**

Fees will be assessed and collected in accordance with Policy 5.04 (Fee Assessment).

#### **4. CLARIFICATION**

Requests for clarification of this policy should be sent to [financeandaccounting@uff.ufl.edu](mailto:financeandaccounting@uff.ufl.edu).

Certified as approved by the Executive Committee of the UFF Board of Directors on August 5, 2008 and re-approved March 2, 2018.

  
\_\_\_\_\_  
Susan G. Goffman, Secretary

Revision history: Original version  
Revised August 5, 2008  
Reissued September 2, 2014  
Reissued March 2, 2018  
Updated January 3, 2020