



AUGUSTA UNIVERSITY FOUNDATION

V. FUND ADMINISTRATION POLICY

POLICY: V.A.

Effective Date: 03/29/2012

Last Modified: 05/14/2020

Fund Group Structure

The Augusta University Foundation, Inc. accounting system is designed to identify and provide the necessary accounting and reporting information applicable to each fund group. There are three separate and distinct fund groups.

Unrestricted funding is designed to support two types of accounts.

- a. The operating fund represents the Philanthropy & Alumni Engagement operating arm of the Foundation. This group is budgeted and funded by gifts not restricted in their use and other revenue sources designed to support the general operations of the Foundation.
- b. The unrestricted budget allocated funds are funded by the operating fund for scholarships, special projects, and other academic support purposes. Each project is budgeted separately. Budget requests are made one time during a fiscal year and must be submitted each spring to the Foundation Office by a Dean or Vice President.

The restricted fund group is funded primarily by gifts that have been restricted by the donors as to the purpose for which the funds may be used. There are five classifications of funds in this group.

1. Endowed funds are the perpetual funds held by the Foundation. Only the investment income can be expended for purposes specified in the respective gift agreements. These funds may be subject to both investment management fees and internal administrative fees. This group of funds is invested for long-term investment performance (long-term portfolio), and, as such, is at risk.
2. Quasi-funds consist of funds that may expend the principal or retain the principal of these gifts as though they are endowment assets. Amounts within each fund are invested in the long-term portfolio and therefore are subject to investment risk. These funds are assessed an internal administrative fee and outside investment management fees.
3. Expendable funds are designed to handle gifts of relatively small amounts made for a specific purpose, to be disbursed (on a one-time basis). Although no timeline shall be established for expenditure of these funds, the Chief Financial Officer, after one year of no activity in a fund, shall review the fund and, in collaboration with the respective Dean or Vice President, transfer funds to another expendable fund account most similar in purpose to the original fund account. In the event another expendable fund account similar in purpose does not exist, the Chief Financial Officer will bring recommendations to the Board of Trustees regarding changes to the fund designation. Expendable accounts will be established only if there is a minimum contribution of \$10,000.
4. Endowed Expendable funds are designed to receive annual distributions of investment income from Endowed funds pursuant to the Foundation spending policies and approved by the Board of Trustees each spring. These distributions are made available on July 1 of each fiscal year. These funds are also designed to receive additional gifts to support the specific purpose of the Endowed fund.
5. Deferred funds refer to those gifts that involve estates, trusts, or life insurance policies that are not yet realized. Once realized, they generally establish a new fund based on the deferred giving arrangement. This new fund

could be an unrestricted or restricted fund, as described above.

Each new fund that is established in the Foundation requires a gift agreement (see V.C.). The type of gift agreement depends on the purpose of the fund and the total amount anticipated. If the purpose of the fund is for it to continue in perpetuity, the fund will be established as an endowment (see 1 above).

Gift Agreements

A gift agreement is created to document the donor(s) intent when the donor wishes to restrict the gift, and a current fund does not exist for this purpose. The gifts that cannot be deposited into an existing fund of the Foundation are generally used to establish a new fund if certain requirements are met. The fundraisers, or Philanthropy Officers, at Augusta University will determine this through their work with the donor(s) and/or donor representative(s) at the time the gift is made. The Foundation Office acts as the facilitator in this process to answer questions and prepare the gift agreements for approval.

Procedure for Creating Gift Agreements: The Philanthropy Officer will work with the donor(s) or donor representative(s) to develop a purpose statement and criteria. The Foundation Office is available to assist with this determination. The information will be forwarded from the Philanthropy Officer to the Foundation Office. The Foundation Office will collaborate with the Philanthropy Officer in the preparation of each gift agreement.

Each gift agreement will require the following:

- a) name of the fund
- b) donor's or the donor representative's complete name
- c) school/college/unit/area that it benefits
- d) purpose of the fund
- e) biographical information on donor or fund honoree, if desired for named fund

Some funds will require more information, such as:

Scholarships:

- a) Selection Criteria
- b) The name of the selection committee

For funds of this nature, each college or unit within Augusta University shall provide specific criteria for selecting students for awards and define a committee that will be charged to review applications, select eligible candidates and disburse awards. The Augusta University Office of Financial Aid will be notified of all scholarships and awards for processing and awarding.

Chair/Professorship:

- a) Selection Criteria

The Philanthropy Officer will share the draft with the donor(s)/donor representative(s) and the respective Dean or Vice President. The Foundation Office will review the gift agreement and submit it for approval by the Provost.

The Foundation Office will share the draft with the appropriate University offices, if needed, for their comments before returning it to the Philanthropy Officer. Signatures will be obtained from the donor or donor representative, the Dean or Vice President, the Chief Financial Officer and the Board Chair or his/her designee.

After the gift agreement has been returned to the Foundation Office with all signatures in place, the Foundation Office will maintain one original for its files, and the second original will be forwarded to the Philanthropy Officer for the

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donor/donor representative. If additional originals were requested, they will be forwarded at that time.

Gift Agreement Criteria –

Endowed Funds: An endowed gift is one in which the original principal cannot be expended and the gift exists in perpetuity. Endowments are generally funded within five years of the initial contribution. Income is distributed annually pursuant to policies adopted by the Foundation.

Expendable Funds: This agreement is created when gifts are received annually and spent annually. This type of fund generates no investment earnings and is not assessed any administrative or investment fees.

Declaration of Trust: This agreement is used when the gifts are received through a deferred mechanism. The donor(s) is deceased and the gift(s) has been received through a deferred gift or from the estate. A planned gift agreement or will is usually the source for drafting this type of agreement (a declaration of trust may also be a non-endowed agreement).

Addendum: An addendum is used to make minor modifications to the original fund or gift agreement. Changes to the original fund or gift agreement are not encouraged and should be done on a case-by-case basis. Some types of modifications that may be considered are changes to the fund name and adding an additional donor or donor representative. These requests must be in writing and approved by the appropriate Dean or Vice President, the Chief Financial Officer and Board Chair of the Foundation.

Changes to the benefiting department name through department mergers or university renaming will be handled automatically by the Foundation Office with notification to the Philanthropy & Alumni Engagement Information & Data Services office. These changes do not require an addendum. The business offices of the AU Enterprise shall be responsible for notifying the Foundation Office of department name changes and mergers.

Types of requests that require a new agreement, not an addendum, are:

- a) change from expendable to a quasi-fund, or
- b) change from expendable to an endowed fund.

The Philanthropy Officers, the fundraisers, work with the donor(s) and/or donor representative(s) to prepare a fund at the time the gift(s) is made. The Foundation Office will collaborate in this process to answer questions and prepare the gift agreements for approval.

Endowment Requirements

An endowed gift is one in which the original principal is never invaded and the gift exists in perpetuity. Endowments are generally funded within five years of the initial contribution. Income is distributed annually pursuant to spending policies adopted by the Foundation and no income will be distributed until the endowment is fully funded.

There is no limit for donating gifts to already existing endowments, but the Foundation will adhere to Augusta University and Board of Regents minimum naming policies regarding the establishment of new named endowments.. Please note that the actual types of support provided by the endowments will be specified in the gift agreement.

Planned Gift Agreements

Planned gift agreements are created to document the donor(s) intent to make a deferred gift. Planned gifts can be for the support of an existing fund at the Foundation or can be used to establish a new fund, based on the intent of the donor(s). The fundraisers, or Philanthropy Officers, within the AU Enterprise will determine this through their work with the donor(s). The Philanthropy Officers should work with the Gift & Estate Planning Office regarding the acceptance of deferred gifts. The Foundation Office will collaborate in the process of preparing the planned gift agreement for approval.

Procedure for Creating Planned Gift Agreements: The Philanthropy Officer shall work with the donor(s) to determine if the planned gift will be for the support of an existing fund or if it is the donor(s) intent to create a new fund. If the intent is to create a new fund, the Philanthropy Officer shall work with the donor(s) to develop a purpose statement and criteria.

Donor information will be forwarded from the Philanthropy Officer to the Foundation Office. The Philanthropy Officer may use a sample agreement or provide the information in writing via email or written copy for the Foundation Office to

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complete a draft agreement for the donor to review. Sample agreements may be obtained by contacting the Foundation Office.

If the intent of the donor is to support an existing fund, the planned gift agreement will require the name of the fund the donor intends to support with the deferred gift, and the donor's complete name. If the intent of the donor is to establish a new fund, the planned gift agreement will require the name of the restricted fund the donor intends to create, the school/college/unit/area that it benefits, and the purpose of the fund.

Some restricted funds will require more information. Scholarships will require a description of the selection criteria and the name of the selection committee. Chairs/Professorships will require a description of the selection criteria.

The Foundation Office will prepare a draft and return it to the Philanthropy Officer within three business days of receipt of all of the required information. The Foundation Office will share the draft with the Gift & Estate Planning Office and other appropriate University offices, if needed, for their comments before returning the document to the Philanthropy Officer.

The Philanthropy Officer will share the draft with the donor(s) and the respective Dean or Vice President.

The Philanthropy Officer should return the draft with revisions marked to the Foundation Office or indicate his or her approval of the draft. The Foundation Office will incorporate the recommended changes/corrections and complete a redrafted or final planned gift agreement.

Two final planned gift agreements will be prepared and forwarded to the Philanthropy Officer in order to obtain the Dean's or Vice President's signature.

After the signatures are obtained from the donor and Dean or Vice President, the Philanthropy Officer will forward the signed planned gift agreement to the Foundation Office.

The Foundation Office will obtain the remaining signatures.

After the planned gift agreement has been returned to the Foundation Office with all signatures in place, the Foundation Office will maintain one original for its files and the second original will be forwarded to the Philanthropy Officer for the donor.

Policies on Naming Opportunities

The Augusta University Foundation and the AU Enterprise shall be guided by the policies of the Board of Regents and the procedures that have been established by Augusta University and AU Health to implement these policies.

Named Faculty Position Endowment Funds: To establish an endowment for a faculty position, a formal written agreement between the donor(s), the University and Augusta University Foundation must be executed that outlines the objectives of the endowment fund. In establishing a named endowment fund, the principal must be sufficient to meet the stated objectives of the endowment agreement.

Final authority to establish a Specially Designated Faculty Position rests with the Board of Regents. In order to establish a Specially Designated Faculty Position, recommendations for these positions must be made to the Board of Regents by the University. These recommendations shall be made through the Chancellor to the Board. The recommendations will be referred to the Finance and Business Operations Committee and the Academic Affairs Committee for their review before the final action of the Board.

No endowed chair, professorship or fellowship will be established or announced without prior approval of the Board of Regents, and no initial appointment will be made to a chair, professorship or fellowship without prior approval by the Board.