

University Community

SUBJECT (R*)	EFFECTIVE DATE (R*)
Foundation Reserves	January 26, 2005

POLICY STATEMENT (R*)

The Foundation shall maintain five separate reserves/fund: the General Reserve, Endowment Reserve, Endowment Cash Reserve and the Strategic Priority Reserve, and Administrative Operating Fund. The funding and purpose of each reserve/fund is as follows:

General Reserve:

All Foundation funds, including endowed funds, are pooled together for investment purposes except those Foundation funds allocated to the Endowment Cash Reserve and the Strategic Priority Reserve. The General Reserve shall serve to hold the unrealized gains and losses of the non-endowed pool. Over time, the Board expects the non-endowed pool to provide significant unrestricted gains to the Foundation. As gains accumulate in the General Reserve, the gains may be allocated in the following manner.

The primary mission of the General Reserve is to maintain the minimum cash value of the Endowment Cash Reserve as specified below. The General Reserve may also be used to fund projects and expenditures as approved by the Foundation’s Board of Directors. As expenditures are approved, the funding shall be removed from the General Reserve through a realization of gains on the non-endowed funds and converted to cash so that the approved project/expenditures are not subject to market risk. Policies and practices enacted should provide for the continued growth of the General Reserve.

Endowment Reserve:

At the end of each quarter, investment income, including realized and unrealized gains and losses, earned by endowments, will be distributed to each endowment’s reserve account. This distribution will be based on each endowment’s pro-rated share, based on its yearly average balance, of the total endowment earnings. At its annual June meeting, the Foundation’s Board of Directors will determine what percentage, if any, of the endowment’s earnings credited to the reserve will be available for spending. In addition, the Board will decide whether an administrative fee will be assessed and charged to each endowment. Both the program spending distribution and the administrative fee will be charged against the endowment’s reserve. Earnings exceeding the distribution for spending and the fee charged will be maintained in the endowment’s reserve account.

The intent of each endowment’s reserve is to absorb future market fluctuations, provide funds for spending in those years that the investments suffer losses and as a means of preserving the endowment’s purchasing power. The permanently restricted corpus plus the balance in the endowment’s reserve constitutes the endowment’s market value. In the event that losses incurred for the fiscal year exceed the balance in the endowment’s reserve, then no distribution for spending or administrative fee may be assessed against the endowment. An endowment’s corpus may not be reduced for purposes of spending, unless directed by the donor. If the endowment’s reserve, due to negative market fluctuations, reduces the gift corpus below its historical value (value at gift date), then any future investment earnings will be used to reinstate the endowment’s historical value prior to providing any distributions for spending.

Endowment Cash Reserve:

The purpose of the Endowment Cash Reserve is to provide funds for endowment spending during those years, where due to negative market fluctuations, the Endowment Reserve is not sufficient to provide the needed funds. Because a disruption of funding to endowments may have a negative impact on the University’s goals and mission, the Endowment Cash Reserve shall be at least the amount required to fund the Priority Program Spend distribution that would not be covered by the Endowment Reserve based on a 20% market loss scenario. The Priority Program Spend is defined as the spend distribution for those critical endowments that are essential to meeting the University’s goals and mission.

The Foundation will evaluate each endowment's spendable account before recommending any funding from the Endowment Cash Reserve. Any funding as a result of any such recommendation must be approved by the Foundation's Board of Directors. The Endowment Cash Reserve will be maintained in highly liquid, near cash vehicles that have minimal risk and very low fees.

The General Reserve shall be used to maintain the value of the Endowment Cash Reserve as required by this policy. If the Endowment Cash Reserve is used to fund Priority Programs, the Endowment Reserve will reimburse the Endowment Cash Reserve when market returns in the future allow for such replenishment. Endowment earnings will first be used to fund the current year's spending distribution and administrative fee before being used to replenish any prior funding from the Endowment Cash Reserve.

Strategic Priority Reserve:

The purpose of the Strategic Priority Reserve is to provide funds, from time to time, to support to Foundation and/or University priorities with a fundraising nexus, such as funds to be used for matching funds for building projects, foundation and campaign initiatives, or special projects which require Foundation initiated seed capital. The Strategic Priority Reserve is established so that funds needed for these priorities may be invested on a shorter time horizon than the endowed pool because such funds may be required on a shorter time horizon than other funds. The Strategic Priority Reserve is funded primarily from the unrestricted assets of the Foundation. The Foundation CEO, in consultation with the Finance Committee Chair, is responsible for determining the funds to be allocated to the Strategic Priority Reserve. Expenditures from the Strategic Priority Reserve can be recommended by the Foundation CEO and the Finance Committee, with approval of the Board of Directors.

Administrative Operating Fund:

At its annual June meeting, the Foundation's Board of Directors will decide whether an administrative fee will be assessed and charged to each endowment. The fee will be based on a percentage of the endowment's average market value (gift corpus plus undistributed investment earnings since inception) over the prior 12 consecutive quarters ended December 31st and will not exceed 2%, unless otherwise approved by the Board. The fee charged will be credited to the Administrative Operating Fund. In the event that endowed investment losses, at the end of the fiscal year, exceed the balance in the endowment's reserve, then no administrative fee may be charged against the endowments.

In recognition of the preeminent role played by the Foundation's earliest donors and to encourage future large donations, the following exclusions will apply to the Administrative Fee.

1. The Administrative Fee shall be waived on the endowment accounts of donors whose combined philanthropic contributions, including pledges and matching gifts, to the endowment total at least \$45 million by June 30, 2014.
2. For those donors whose combined philanthropic contributions, including pledges and matching gifts, to the endowment total at least \$50 million after June 30, 2014, the option to waive the Administrative Fee for the endowment total in excess of \$50 million may be approved by the CEO of the Foundation.

This exclusion does not apply to state matching funds. The President of FIU in conjunction with the Executive Committee of the Foundation Board of Directors will determine whether any exceptions to the Administrative Fee will be permitted on a case by case basis for gifts to the endowment that do not meet the requirements listed above.

The Vice President for the Division of University Advancement is responsible for revenues raised as part of the Annual Fund drive. Those revenues include, but are not limited to, Board of Director's dues, Council 100 dues, Annual Giving and Alumni Campaign. The Foundation's Board of Directors will budget, on a yearly basis, those expenses to be paid from the annual fund revenues. Annual fund revenues received in excess of those expenses paid will be credited to the Administrative Operating Fund.

The purpose of the Administrative Operating Fund is to provide a source of funding for administrative expenses as determined and approved by the Foundation's Board of Directors. The Board will budget, on a yearly basis, those administrative expenses that will be charged against the Administrative Operating Fund.

Because there may be years in which, due to adverse market conditions, no administrative fee is charged to endowments, the intent of the Foundation's Board of Directors is to provide for growth of this fund. In order to provide the continued funding to cover fixed administrative expenses, especially during those years of adverse market conditions, the balance of the Administrative Operating Fund shall be increased to, and maintained at, a minimum of two times the budgeted administrative fee.

REASON FOR POLICY (O*)

RELATED INFORMATION (O*)

DEFINITIONS (R*)

Priority Program – Includes, but not limited to, scholarships, Chairs and Professorships, and other programs as approved by the Board.

PROCEDURES

RESPONSIBILITIES (O*)

HISTORY (R*)

February 8, 2025 Policy Amended to add Strategic Priority Reserve Fund
October 19, 2019 Policy Amended
June 9, 2018 Policy Amended
June 6, 2015 Policy Amended for Endowment Cash Reserve June 7,
2014 – Policy Amended
January 26, 2005 - Policy Adopted

RESPONSIBLE UNIVERSITY DIVISION/DEPARTMENT (R*)

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In order to ensure a printed copy of this document is current,
please access it online at <https://give.fiu.edu/>.

RESPONSIBLE ADMINISTRATIVE OVERSIGHT (R*)

Assistant Vice President
FIU Foundation, Inc.
(305) 348-3758

FORMS/ONLINE PROCESSES (O*)

Link to the above referenced Form(s) available in the "Document Details" Section of the online version of this policy document

***R = Required *O = Optional**