



YSM Procedures & Guidelines

Endowment Income Spending Guidelines

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General:

Definition:

An endowment is a gift that is legally restricted to the extent that the original amount (the corpus) of the gift is held in perpetuity, and only a portion of the investment earnings can be expended and used in accordance with the intentions of the donor.

In the event no purpose is designated, the use is unrestricted. The donor's intended use of the fund is recorded in the "Indenture" which is maintained by Funds Management with the guidance of Development and the General Counsel's office.

Fund Stewardship:

Endowment "stewardship" is important for all funds. Endowment income should be spent annually and not saved as a "rainy day fund" for the possibility of funding lapses, unplanned and unapproved future recruitments or programs.

Specific Spending Guidelines:

Fund Balances for departmental deficit funding:

A department with a year end deficit having **available unrestricted endowment balances** can make a transfer to cover the deficit. A department with a year end deficit having **available restricted endowment balances** must review the indentures to determine whether the income can be used. If it is determined that the balance may be used for deficit relief, then a transfer should be used to cover the deficit to the extent appropriate.

Fund balances greater than twice annual income:

If the fund balance at the end of the fiscal year (after deficit reduction) is greater than two times the current year's income (see Endowed Professorship section below for professorship limits), options for Departments are:

- A:** use the income to support new fiscal year activities within the department that conform with donors restrictions,
or
- B:** commit the funds for future planned and approved recruitment and /or programs and consistent with the indenture,
or
- C:** investigate modifying the indenture by bringing it to the attention of the YSM Financial Operations Business Administrator. The Business Office will then work with the Department and Medical Development to review the possibility of modifying the indenture to make the indenture less restrictive or to update the use of the fund so that it can be spent on a regular basis. Funds that are going through this process must be referred to the University's Gift Implementation and Stewardship Committee by the YSM Development Office. This committee, chaired by the Provost, will review and facilitate the change which could involve sending the change to the Yale Corporation for a vote or through a legal process. The Provost is the financial steward of all endowments and gifts at the University.
or
- D:** plan to return part or all of the balance to the principal only if the indenture allows or as a last resort. If the donor does not specifically allow balances to be reinvested, a case must be made to Funds Management and the Provost's office as to why the income or balance should be reinvested. The Provost's office needs to sign off on these cases.

Annual Income Transfers:

Central YSM to Departments

Transfer of income from endowment funds held by YSM Central will be distributed annually to Departments once the annual spending distribution to each fund has been made, usually in September. The funds will be transferred to Departments using the same projects Central uses for the receipt of the income, as the project is a description of the endowment purpose.

If the YSM Central income distribution should go to another project the Department should notify the YSM Central Business Office before October of each year. Departments should do their best to keep current the project classification codes up to date so that line of business costing can be done.

Intra-Departmental:

The **current year income** can be **reallocated** by the Department **to other projects on the same source code or to other sources** (as long as they meet the restrictions of the donor) on **469206 Alloc Cur Year Spending Dist-By Dept(DR) or 469207 Alloc Cur Year Spending Dist-By (CR)**.

Prior year income should be **transferred** using **351501** (transfer to/from Endow Income).

The Department is responsible to account for use of the funds if questions arise or financial reporting is required for stewardship. It is encouraged to spend endowment funds within its original source.

Endowed Professorship:

General:

- Endowed professorships recognize and reward distinguished faculty who exemplify Yale's standards for outstanding teaching and original research.
- Yale University endowed professorship spending is governed by two statements; “Named Professorship Endowed Fund Policy Statement” (effective July 1, 1997) and “University Guidelines for the Administration of Named Professorship Funds Created Before June 30, 1997”.
- YSM endowed professorship spending is further governed by “YSM Endowed Professorship Income Distribution Policy” (effective October, 2004).
- Whenever possible, all expenses should be directly charged to the endowment account.

Professorship Endowment Income:

- Funds established “to support a professorship” or “to fund a professorship” or “to create a professorship” are called Unrestricted Professorship Endowment Income.
- In the absence of clear uses outlined in the fund’s indenture, these funds are used to support the endowed professor’s teaching, research and creative activities. Such support typically includes salary and benefits of the chair holder not covered by sponsored agreement commitments and other costs that include but are not limited to: secretarial support, teaching materials, research assistants, teaching assistants, post-doctoral fellows, laboratory personnel, professional materials and research and travel expenses.
- If a balance remains after applying expendable income to defray associated costs,
 - the remaining expendable income may be used to support ongoing related activities within the School or Department with which the professorship is affiliated, if the donor’s restriction does not prohibit such use.
 - may be accumulated to address subsequent planned expenditures in compliance with the “Endowed Professorship Income Distribution Policy, October 2004”.
- If the professorship is vacant, and the donor has not restricted the use of the funds, expendable income may be used to support ongoing related activities within the School or Department for which the professorship is designated.
- Newly appointed professorships from established funds under the current guidelines will distribute approximately \$125K annually. New established professorship funds that are below the required minimum of \$3M will distribute proportionately less in annual income.

If unspent income exceeds \$500,000, the funds in excess of the \$500,000 will be transferred to the administrative holder of the indenture for use in accordance with the indenture and the intent donor. Under exceptional circumstances related to creating funds for development of programs with high institutional value, and *with the pre-approval of the Department and Dean*, balances in excess of \$500,000 will be allowed to remain.

Upon departure of the faculty holding the chair, any residual funds will be transferred back to the home organization the month after the departure occurred.

Policies and Procedures:

Named Professorship Endowed Fund Policy Statement effective July 1, 1997.

University Guidelines for the Administration of Named Professorship Funds created
Before June 30, 1997.

YSM Endowed Professorship Income Distribution Policy.