



POLICY FOR DESIGNATION OF FUNDS WITHOUT DONOR RESTRICTION

Last Revised May 17, 2019
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INTRODUCTION

This policy for the Designation of Funds without Donor Restriction was adopted by the University of Puget Sound to establish a framework for designating the use of funds that are not subject to donor use or time restrictions.

Net assets without donor restriction available for designation include:

- Year-end operating surplus, including gift revenue without donor restriction from bequests and outside revocable trusts.
- Net proceeds from maturing split-interest agreements without donor restriction (revenue previously recorded when the gift was established).
- Other sources.

It is anticipated that the Finance and Facilities Committee will review this policy periodically and recommend modifications as needed to the Board of Trustees. This policy shall be effective until the Board of Trustees approves modifications.

DESIGNATION AUTHORITY

The Board of Trustees has ultimate authority and responsibility to designate the use of net assets without donor restriction. Use designations include current and endowed support for facilities, projects, programs, activities, and initiatives that enable the university to fulfill its mission and reach its goals. The Board of Trustees has delegated authority to designate the use of net assets without donor restriction as outlined in this policy statement.

The Board of Trustees (Board)

- Educational and General Operating Surplus:
 - The Board directs gift revenue without donor restriction from bequests and outside revocable trusts, which is included in operating surplus, to be added to unrestricted quasi-endowment (which provides support for the annual operating budget) unless the Board takes specific action in any given year to designate otherwise.
 - The Board directs \$1.25 million in educational and general operating surplus (to the extent available and in addition to any surplus attributable to gift revenue from unrestricted bequests and outside revocable trusts) to be added to unrestricted

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quasi-endowment (which provides support for the annual operating budget) unless the Board takes specific action in any given year to designate otherwise.

- The Board or its Executive Committee will designate the remaining educational and general operating surplus in excess of budget upon consideration of a recommendation from the President.
- Auxiliary Operating Surplus: The Board designates auxiliary operating surplus (net of the budgeted allocation of shared costs to educational and general operations) for investment in auxiliary facilities and/or auxiliary special projects as determined by management.
- Maturing split-interest agreements and other sources: The Board or its Executive Committee designates unrestricted net proceeds from maturing split-interest agreements and other sources to be added to unrestricted quasi-endowment (which provides support for the annual operating budget) unless the Board takes specific action to designate otherwise.

President

- Presidential Discretionary Funds: The President will determine the use of any endowed and/or expendable funds specifically established by donors or approved budget as presidential discretionary funds.
- Other: As provided in this policy, the President will make recommendations to the Board or its Executive Committee regarding designation of certain funds without donor restriction and will provide consultation to the Executive Vice President and Chief Financial Officer regarding the designation of the budgeted enrollment contingency.

Executive Vice President and Chief Financial Officer

- Unspent Budget Carryover: Within the confines of a balanced budget, the Executive Vice President and Chief Financial Officer or her/his delegate, in consultation with Cabinet members and/or their delegates, may authorize on an exception basis the carryover of unspent departmental budget funds from one fiscal year to the next when in their judgment it makes sense to do so and the aggregate annual amount does not exceed \$150,000. Generally, such exceptions are made to accommodate the timing of a one-time purchase or a special circumstance. The \$150,000 annual limit does not apply to budget items that are regularly carried forward each year within certain parameters, including but not limited to faculty travel and faculty and student research funds; unspent faculty sabbatical budget; planned major maintenance, accessibility, and hazardous material funds; certain unspent software, furniture, equipment, and resource budgets; unspent education benefits budget; and self-insured health plan premiums in excess of actual claims.
- Budgeted Enrollment Contingency: The Executive Vice President and Chief Financial Officer, in consultation with the President, is authorized to designate use of the budgeted enrollment contingency to the extent not needed to balance the annual operating budget. Such designations will provide one-time funding for high priority needs that otherwise lack a funding source.