

Standard Practice Guide Policies

Policy on Stewardship and Management of Gift Funds

602.03

Applies to: All Schools, Colleges, and Units on the Ann Arbor, Dearborn, and Flint campuses

I. POLICY STATEMENT

The University of Michigan has a legal fiduciary obligation to respect and honor the history, relationship, and intent of a donor's gift. Effective use of gifts also enables investments in research and education, supports ongoing fundraising and donor relations, and is essential for the university to sustain long-term financial health. All expendable gifts and distributions from quasi and true endowments should be used in a timely manner and must be used for purposes consistent with donor intentions, or the University risks breaching its legal fiduciary obligations as well as damaging the culture of philanthropy and the reputation of the University and its philanthropic program.

The purpose of this policy is to provide university-wide guidelines and identify available administrative actions that can assist units in making timely expenditures of gift funds in accordance with donor intent and strategic resource allocation.

II. SCOPE AND APPLICABILITY

This policy applies to all Schools, Colleges, and Units on the Ann Arbor, Dearborn, and Flint campuses.

III. DEFINITIONS

A. Project Grant (PG) – For the purposes of this Policy, a Project/Grant (PG) is the value used to identify a specific pool of gift funds over a period of time.

B. Utilization

1. High Utilization: A Project/Grant (PG) will be identified as *high utilization* if there are regular and recent expenditures from the PG consistent with its revenue and the balance-to-income ratio is lower than the identified threshold and, therefore, does not meet the definition of either low or moderate utilization as defined below.

2. Moderate Utilization: A Project/Grant (PG) will be identified as *moderate utilization* if either:

a. The PG balance-to-income ratio is 3:1 or higher, and:

(1) The PG had expenditures during the previous 18 consecutive months, and

(2) The PG income-to-expense ratio lower than 3:1.

d. The PG Balance-to-income ratio is lower than 3:1, and either:

(1) The PG income-to-expense ratio is 3:1 or higher, or

(2) The PG had no expenditures during the previous 18 consecutive months.

3. Low Utilization: A Project/Grant (PG) will be identified as *low utilization* if the PG balance-to-income ratio is 3:1 or higher, and either:

- a. The PG had no expenditures during the previous 18 consecutive months, or
- b. The PG income-to-expense ratio is 3:1 or higher.

C. Under Review: A Project/Grant (PG) will be identified as *under review* if the fund has been identified as low or moderate utilization and a PG Review Indicator has been selected indicating that the administrative unit has identified the reason for low or moderate utilization and, if necessary, is taking administrative action to improve utilization.

IV. POLICY AND REVIEW PROCESS

Faculty, staff, and administrators in the schools, colleges, academic departments, programs, other administrative units, and central offices share the institution's interests and commitment to ensure that expendable gifts and distributions from quasi and true endowments are spent in a timely manner and in compliance with donor intent.

The policy recommends action on funds with low or moderate utilization for strategic resource planning. It is anticipated that units will show annual progress towards improved utilization, prioritizing material fund balances identified as low utilization first and moving through the population of funds meeting these definitions over time. For each PG that has low or moderate utilization, the responsible administrative unit will be required to complete the following:

- A. Identify and resolve any data gaps for the fund, including, but not limited to locating establishing documents to confirm and document underlying fund purpose.
- B. Assign a PG Review Indicator in the applicable system of record, currently the Donor and Alumni Relationship Tool (DART) from the following list:
 1. Implementing strategic utilization plan
 2. Accumulating funds in PG for future utilization
 3. Investing in quasi/true endowment for future utilization
 4. Consolidating within the S/C/C/U
 5. Transferring from one S/C/C/U to another
 6. Pursuing amendment or modification

Once a PG Review Indicator is assigned to a PG the responsible administrative unit will be expected to maintain documentation to demonstrate progress towards improved utilization. Progress will be evaluated and embedded into existing annual reviews conducted throughout the University, including through the annual budgeting process, e.g. the process conducted by the Office of the Provost.

V. ROLES AND RESPONSIBILITIES

The University will provide guidance, oversight, support, training, and technology, including access to an enterprise system and reporting that includes the information necessary to oversee and carry out responsibilities for stewardship and management of gift funds as defined by this Policy.

Consistent with this policy and all other relevant University policies, the dean of each school or college, the director of each administrative unit, and the project grant director for each Project Grant is responsible for the following:

- A. Ensuring that incoming gifts adhere to the university’s gift acceptance policy as defined in SPG 602.02 (<https://spg.umich.edu/policy/602.02>);
- B. Working in collaboration to ensure that the unit will be able to administer and spend proposed gifts in accordance with the terms and restrictions, prior to soliciting or accepting any gift;
- C. Working in collaboration to steward, manage and expend gift funds in a timely manner and in compliance with donor intent.
- D. Monitoring expenditures on an annual basis as of the close of the fiscal year (as of June 30) in order to ensure compliance with donor intent and to identify funds with low or moderate utilization.
- E. Demonstrating annual progress towards improved stewardship and management of gift funds.

VI. RELATED POLICIES

In addition to the issues identified in this Policy, all individuals are required to adhere to university policies related to gift and financial stewardship:

- A. SPG 500.01, Fiscal Responsibilities (<https://spg.umich.edu/policy/500.01>)
- B. SPG 501.11, University Investments and Endowment Funds (<https://spg.umich.edu/policy/501.11>)
- C. SPG 602.02, Gift Acceptance (<https://spg.umich.edu/policy/602.02>)
- D. University of Michigan Statement on Stewardship (<https://hr.umich.edu/about-uhr/statement-stewardship>)

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Related Policies:
 Fiscal Responsibilities (/policy/500.01)
 Gift Acceptance (/policy/602.02)
 University Investments and Endowment Funds (/policy/501.11)

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