New York University
TRANSFER OF RESERVES TO ENDOWMENT POLICY

Title: Transfer of Reserves to Endowment Policy
Effective Date: February 11, 2022
Supersedes: N/A
Issuing Authority: Chief Financial Officer
Responsible Officer: Office of Budget and Financial Planning;
Financial Operations & Treasury – Office of the Treasurer and Office of the Controller

Statement of Policy

This policy serves to outline the process for the transfer of a school’s, college’s, institute’s or operating unit’s Unrestricted Budget Reserves (“Fund Balances”) to Quasi-endowment Fund(s), to be invested by the University’s Investment Office in accordance with their approved endowment investment policy. The overall process involves stages of management approval with minimum and maximum thresholds for the amount of funds to be transferred, the minimum duration funds must remain invested, appropriate timing of transfers from the University’s Working Capital Fund to the endowment, and compliance requirements.

To Whom the Policy Applies

This policy applies to all schools, colleges, institutes, operating units, and global academic centers. This policy does not apply to the portal campuses (NYU Abu Dhabi and NYU Shanghai).

This policy does not cover reinvestment of current fiscal year endowment distributions. For guidance related to endowment distributions for the current fiscal year, please refer to the “Endowment Spend Policy.”

Policy and Procedures

Approvals

During the annual financial planning period (January through April), a school, college, institute or operating unit may submit to the Office of Budget and Financial Planning (“Budget Office”) a request to transfer Unrestricted Budget Reserves earned in the current or prior fiscal years to a Quasi-endowment Fund, subject to Compliance requirements (see Compliance Requirements subsection below).
The Budget Office will review each request considering the school’s, college’s, institute’s or operating unit’s current and projected financial position and trends, as well as any approved future investments and funding sources. Approval will be subject to the following thresholds and requirements, which are reviewed annually:

- The school’s, college’s, institute’s or operating unit’s financial position should be such that it is meeting its annual budget commitments and has not in the past fiscal year forecast a budget deficit in their multi-year financial plan.
- The requested transfer amount is **greater than or equal to $1 million**.
- The transferred funds will remain invested in a quasi-endowment fund for a period of no less than five years with no expenditure of the principal transferred.

In order to maintain sufficient and sustainable University liquidity reserves, the Budget Office’s approval process will also take into consideration the University’s current liquidity position and the following factors, which are reviewed annually:

- After the proposed fund transfers, the University’s **Working Capital Fund** must retain a balance equal to or higher than the minimum required per the Reserve and Liquidity Management Policy.
- At the time of the transfer, the University’s **Working Capital Fund** must maintain a minimum **Days Cash on Hand (DCOH)**, as defined and calculated by the Office of the Treasurer.

In the event that the value of all requests approved by the Budget Office would result in a breach of either liquidity factor described above, the approved total will be capped at an amount that satisfies the two **Working Capital Fund** metrics outlined above. Each school, college, institute or operating unit proposing a transfer may then be allocated a pro-rata portion of their original requested amount.

In the event that the value of all requests exceeds the amount deemed prudent by the University Treasurer or Chief Financial Officer, the approved total will be capped and each school, college, institute or operating unit may then be allocated a pro-rata portion of their original requested amount.

Approvals will be communicated through each unit’s Budget Memo. Approved Transfers to the endowment should be uploaded at the chartfield level during the annual Budget Upload process.
Timing of Transfers and Distributions

The timing and execution of transfers will be coordinated by the Office of the Treasurer, in conjunction with the Budget Office, the Controller’s Division, and the Investment Office. Approved transfers will be executed after the end of the fiscal year in which the request was made and will be completed prior to the end of the calendar year (September through December). Only those Unrestricted Budget Reserves that have been generated in the prior fiscal year (or previous periods) will be transferred by calendar year end. If projected reserves did not materialize at the level approved in the Budget Memo, a smaller transfer will be executed, if it meets the $1 million minimum transfer.

Given the lead time required for the Investment Office to plan appropriate investments for the transferred funds, the amount transferred may not be adjusted materially after September 15. No school or unit may cancel their approved transfer request after the final year-end close each September.

Treasury’s execution of any transfer will be contingent on the Working Capital Fund balance meeting the liquidity requirements listed in the “Approvals” subsection at the time of the transfer. The Chief Investment Officer and University Treasurer have final discretion over the timing of any transfers.

Future distributions from endowment funds will be made in accordance with the current standard policy and procedure for endowment spending (Endowment Spend Policy).

Compliance Requirements

For requests to transfer reserves that are sourced from either unspent endowment distributions or remaining fund balance on gifts (i.e. Fund 21 or Fund 22), it is the responsibility of the school, college, institute, or operating unit to confirm with the Office of Gift Administration and Office of General Counsel that transferring of excess balances as principal to an endowment fund is allowed under each gift agreement(s) associated with the reserve funds. For all approved transfers, this review must be completed by September 1.

Unspent endowment distributions (Fund 21) must be returned to the original endowment fund; any exceptions are subject to compliance with the terms of the respective gift agreement(s) and must be reviewed and approved by the Office of General Counsel. This review is also required to be complete by September 1.

It is the responsibility of the school, college, institute, or operating unit to confirm with the Controller’s Division that there is a quasi-endowment account established for each proposed transfer, after confirming the proper destination through the compliance review outlined above.
Verification of all new quasi-endowment accounts must be complete by September 15\textsuperscript{th} in order to be eligible for the transfer by calendar year end.

Definitions

**Unrestricted Budget Reserves** mean the fund balance(s) of a school, college, institute or operating unit in the following sources/categories:

- Fund 20 (Management Designated) - Reserve funds generated from operations in a prior fiscal year period
- Fund 21 (Expendable Endowment Income)* - Accumulation of unspent endowment distributions from prior years
- Fund 22 (Expendable Gift & Non-Fed Grant)* - Unspent gift balances

*Transfers of Fund 21 and Fund 22 balances are subject to a review outlined in the Compliance Requirements of this policy in order to verify eligibility under the original gift agreement.

**Quasi-endowment Funds** mean endowment accounts where principal and return may be spent for general operating purposes (if unrestricted) or for purpose designated by the donor (if restricted).

**Working Capital Fund** means the University’s operating cash investments, which are managed by the Office of the Treasurer.

Related Policies

- Budget Office - [Endowment Spend Policy](#)
- NYU Reserve and Liquidity Management Policy**
- NYU Working Capital Fund Investment Policy**

**Policy is on file in the Office of the CFO and Office of the Treasurer**