SAN MARCOS UNIVERSITY CORPORATION

Escheatment Policy

I. Introduction
The theory of escheatment provides that until the rightful owner is located, all citizens of the state, rather than an individual holder, derive benefits from the unclaimed property. Unclaimed property law stems from early English common law where unclaimed property would escheat, or revert, to the king upon abandonment. In the United States, each state develops laws for abandoned property and escheatment. In modern times, a custodial theory has replaced confiscation and the meaning of escheatment has broadened to include property of all kinds and descriptions that remits to the state for lack of individual ownership. In general, if a person or entity has a legal or equitable right to the property, then a state’s unclaimed property law governs it.

California’s Unclaimed Property Law requires corporations, business associations, financial institutions, and insurance companies to annually report and deliver abandoned or unclaimed property to the State Controller’s Office. Before property can be considered abandoned or unclaimed, the holder must try to locate the owner. If the holder is unable to locate the property owner, and if it has remained unclaimed for the specified dormancy period, the holder must report and deliver the property to the State Controller’s Office.

II. Policy
The San Marcos University Corporation (“University Corporation”) will comply with the California Unclaimed Property Law, Civil Code Procedure Title 10, Chapter 7 §1500 et seq. University Corporation Accounting will be responsible for ensuring that the University Corporation is in compliance with the California Unclaimed Property Law as well as for establishing processes and procedures to minimize escheatable property.

At the University Corporation Board of Directors meeting immediately following the November 1 reporting deadline, University Corporation Accounting will present an escheatment report to the Board.

III. Terms and Definitions
a. Escheatment: The process of turning over unclaimed or abandoned property to the state. The concept of escheatment has been around for several centuries and over time, escheatment has been expanded to cover situations in which a payee or creditor cannot be located for payment purposes.
b. Unclaimed Property: Any financial asset that has been left inactive by the owner for three years or more. The California Unclaimed Property Law does NOT include real estate.

c. Gifts and Grant Funds: Gifts and/or grant funds provided to the University Corporation are not subject to this policy.

d. Dormancy Period: A period of time, as defined by state law, during which property remains unclaimed.

e. Holder: Any person in possession of property belonging to another, or who is trustee in case of a trust, or in indebted to another on an obligation.

f. Owner: A depositor in case of a deposit, a beneficiary in case of a trust, or creditor, claimant, or payee in case of other choses in action, or any person having a legal or equitable interest in property, or his or her legal representative.

IV. Policy Guidelines

a. Accounting Controls: University Corporation Accounting will establish appropriate accounting controls and procedures in order to limit escheatable property. These include but are not limited to:

   i. Maintaining proper accounting systems,
   ii. Developing controls to prevent credits from being absorbed,
   iii. Creating reports that identify and age on-account cash, outstanding checks, and open credit memos, and
   iv. Reconciling accounts and researching discrepancies on a regular basis.

b. Reporting to the State: Funds or property escheated to the state of California must be reported to the State Controller pursuant to California Code of Civil Procedure Title 10, Chapter 7 § 1530

   i. University Corporation Accounting will file the report using the form or format dictated by the State Controller and will include all information requested in Code of Civil Procedure Title 10, Chapter 7 §1530.

   ii. University Corporation Accounting will file the report before November 1 of each year as of 30 June or fiscal year-end next preceding.

   iii. The University Corporation’s chief fiscal officer will verify the report prior to submission.

   iv. If there is nothing to escheat, a report to the State is not required unless one is requested by the State in writing.

c. Records: University Corporation Accounting will keep records pertaining to escheated funds or property for seven (7) years after such funds or property is reported to the State Controller, pursuant to California Administrative Code Title 2 – Subchapter 8 §1174.

d. Annual Report to the University Corporation Board of Directors: At the University Corporation Board meeting that occurs after the November 1 State reporting deadline, University Corporation Accounting will present a report on what, if anything, was escheated to the State.
V. Adoption and Review
   a. The University Corporation’s Board of Directors has adopted this
      Escheatment Policy, dated August 24, 2006.
   b. Barring any significant changes in California law with regard to
      escheatment, this Escheatment Policy will remain in effect without Board
      review. University Corporation staff, however, will review this policy at
      least annually to ensure its appropriateness.

      Any proposed amendments or variations of this policy would require a
      majority approval by the University Corporation Board of Directors.

VI. Related Documents
   a. Code of Civil Procedure: Title 10, Chapter 7 – Unclaimed Property Law
   b. California Administrative Code: Title 2, Subchapter 8 – Unclaimed
      Property Regulations

Approved by the San Marcos University Corporation
Board of Directors at a meeting held on 7/12/06