

University Policy 500.02 ENDOWMENTS

Responsible Administrator: Vice President for Institutional Advancement

Responsible Office: Institutional Advancement

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Authority: Office of the President

Policy Statement

It is the policy of Claflin University to establish guidelines for the use of endowment funds. These guidelines are to ensure that endowment funds are used for their intended purpose.

The Board of Trustees of Claflin University has authorized the establishment of endowment accounts or permanent funds. Gifts totaling \$20,000 will be required to establish a named Endowment. The University will confirm in writing that the principal (sometimes called the "corpus") cannot and will not be "invaded" for current expenditures and will remain with the University in perpetuity. The Endowment Funds will be invested according to the University's Investment Policy, and the earnings will be made available for the purpose the donor specified in the gift agreement.

Statement of Purpose

This policy specifically addresses the use of gifts of at least \$20,000 to the University. The use of the funds is dependent upon oversight by University officials.

Applicability

This policy applies to University officials who receive endowment funds on behalf of the University and to officials who authorize the use of endowment funds.

PROCEDURES

The following guidelines for endowments have been established to facilitate processing and handling major gifts which are to be used for endowment purposes.

These guidelines will provide direction in the requirements which must be met by both the donor and the University before such an endowment can be established. These requirements are intended to protect the interest of the donor and allow the University to economically carry out the requirements of the gift agreement.

The general guidelines for endowments follow:

1. Gifts totaling a minimum of \$20,000 will be required to establish an endowment fund.
2. The Institutional Advancement Office should be contacted immediately upon inquiry from a potential donor regarding an endowment.
3. Gifts totaling less than \$20,000 but more than \$6,000 may be classified as an endowment fund upon approval of Institutional Advancement if future additions to this fund are pledged. Donors have up to a maximum of three years to achieve the minimum endowment threshold. The investment value of all undercapitalized endowment funds shall be allowed to accumulate until the value of the account reaches \$20,000. If the minimum is not attained during the allowable period, the accumulated funds will be added to the general scholarship fund endowment.
4. Endowed funds may be "named."
5. Each endowment fund will have specific guidelines. A gift agreement signed by the donor and affirmed by the President or his designee will be duly executed prior to acceptance of the endowment gift.
6. Payments from individual endowment funds will not exceed 3% generated by the fund with any excess of 3% to be reinvested to grow the corpus.
7. The University will seek changes through the Probate Court for any bequeathed endowment guidelines which are in violation of statutory regulation.
8. The Business Office will ensure continued use of the income according to the gift agreement.
9. Donors will not be permitted to have control over the investment of endowment funds or the use of the income beyond the initial restriction.
10. The Budget and Finance Committee of the University's Board of Trustees directs the investment of endowment funds as set forth in Guidelines on Investment Policy and the Guidelines on Administration of Gift Income.
11. It is recognized that in rare instances the need for the established endowment fund may cease to exist, in which case, the following procedures will be substantially adhered to:
 - (a) Notify the principal donor, if still available, that the Board of Trustees of Claflin University has determined that the particular endowment fund can no longer serve the purpose originally intended.
 - (b) Have the principal donor select such other form of endowment which may then be available for immediate implementation by Claflin University.
 - (c) The use of the original endowment fund will be transferred to the selected endowment and shall bear the name of the original principal donor.
 - (d) If for any reason the original donor is unavailable or should there be no agreement as to the disposition of the

endowment fund as originally contemplated, funds shall be transferred to be used for the educational purposes of Claflin University as the Board of Trustees of Claflin University may determine.

12. Should Claflin University cease to exist, then the funds shall be transferred in accordance with the by-laws of Claflin University.

Scholarships and Fellowships

1. A full scholarship endowment should provide a minimum annual income equivalent to one year's tuition credits. Scholarships may be expanded to include housing, board, textbooks, or additional living expenses, and allowances.
2. The scholarship guidelines for university-based scholarships cannot exclude prospects on the basis of race, color, sex, religion, creed, national origin, political persuasion, marital status, sexual preference, handicap or age.
3. A constant effort will be made to keep the scholarship guidelines flexible to alleviate any potential difficulties which would make it impossible to administer the scholarship in any one year.
4. To preserve the tax benefits to individuals giving scholarships, donors are not allowed to choose recipients unless the University provides the donor(s) with an acceptable list of scholarship recipients.
5. All criteria for endowed scholarships should be outlined prior to approval and acceptance by the University.
6. Provisions must be made for alternate uses should the principal of the endowment fall below the minimum requirement established by the University at the time of its initiation.
7. There can be no provisions outlined in the guidelines which would allow the scholarship to be construed as "taxable income" without requiring the candidate to be notified in writing of that possibility before the scholarship is accepted.
8. Scholarship recipients are required to communicate appreciation to donor(s) of scholarships by writing letters of thanks to the donors and by attending an annual scholarship appreciation luncheon.

Endowed Chairs and Professorships

Proposals for the establishment of any endowed chair, named professorship, visiting professorship or lectureship must have prior clearance by the President. The President will indicate the exact endowment level needed in each instance.

Inflation must be anticipated in determining endowment amounts. Generally, the following minimums will be applied:

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| Endowed Chair | \$1,500,000 + inflation factor |
| Professorship | 500,000 + inflation factor |
| Lectureship | 200,000 + inflation factor |

Endowed Chairs provide salary and fringe benefits for the recipient and such support staff, travel and other expenses as the endowment may permit in perpetuity.

Named Professorships and Visiting Professorships provide all, or a significant portion of salary and fringe benefits for the Professorships in perpetuity.

Lectureships provide annual stipends and expenses incurred in the conduct of a lecture series or incurred in one academic year.

The Board of Trustees must approve all endowed chairs and professorships.

