

<u>Subject:</u> Endowment Administration	<u>Department Name:</u> California State University Foundation	<u>Effective Date:</u> September 1, 2011 <u>Issue Date:</u> August 23, 2011
	New Policy	<u>Approval:</u>

**A. Purpose:**

To provide general guidance and policy for the establishment and administration of endowments.

**B. Scope of Policy**

This policy applies to all endowment established by the California State University Stanislaus Foundation.

**C. Definitions**

1. An endowment fund is defined as a single or combined pool of assets gifted to the California State University, Stanislaus Foundation ("Foundation") to provide resources for various activities consistent with the mission of California State University, Stanislaus ("University").
2. Types of Endowments
  - 1) Endowments are classified as permanent, quasi, or term endowments. Funds can be either restricted or unrestricted within each of these classifications.
    - a) Restricted endowment funds are funds for which the donor specifies how the endowed income will be used.
    - b) Unrestricted endowment funds are funds for which the annual earnings are used at the discretion of the Board of Directors of the Foundation.
    - c) Endowment-Income Distribution Only: Pure endowment funds are those in which the principal amount must remain inviolate in perpetuity. Only the income distributions may be expended.
    - d) Endowment-Income/Principal Distribution: Endowment funds which are those funds for which distributions generally are made from investment income. However, these endowments permit under limited circumstances identified by the Donor or by Foundation policy and law, where some portion of the principal may be distributed.
    - e) Quasi Endowments Funds: Funds which may be treated as an endowment by the Foundation which are generally retained from which earnings are customarily expended and for which principal is retained. The Funds have a specified purpose, either originating from the direction of a donor or the Foundation Board.
      - i) Institutional funds and will be retained and invested rather than expended. The quasi endowment must retain the purpose and intent as specified by the donor or source of the original funds and earnings may be expended only for those purposes. Since quasi endowments are established by the institution rather than by an external source, the principal may be expended as stipulated by the donor.
    - f) Term Endowment: Term endowment funds are similar to permanent endowments except after the expiration of a state period of time or on occurrence of a specified event; all of part of the principal may be expended depending upon the donor's wishes.

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**D. Policy**

The Foundation will serve as a trustee for these endowment funds and, therefore, has a fiduciary duty to the donor and the University to administer the assets consistent with the donor's wishes and generally accepted financial standards. Since permanent endowments continue in perpetuity, it is very important that the Foundation maintain in all permanent records, a clear understanding of any donor restrictions.

Generally, when there are donor restrictions, a separate account to track the expenses is established. If a donor deposits restricted funds at the Foundation and these funds are later transferred to the University, fiduciary responsibilities follow the funds. Special care must be taken to insure that the donor's wishes are followed; this includes establishing a separate account, if needed, to comply with donor restrictions.

**Establishing Permanent Endowments**

1. Acceptance and receipt of endowment funds is determined by the Foundation policy on Gift Acceptance.
2. A minimum of cash donation is required to establish a permanent (that is, "named") endowed fund, the structure of which is limited only by the interests and creativity of the donor and Foundation and University policies.
  - a) A date is determined and agreed upon with the donor (typically a year from the initial acceptance) to secure funds to meet the minimum requirement, or A donor agrees to establish a flexible endowment with an initial gift and will make additional gifts to build the principal of the endowment until it reaches the minimum level; in addition, the donor will make annual gifts to provide spendable cash equivalent to the amount the endowment would have generated were the endowment fully in place. (See attachment A, Flexible Endowment).
  - b) If the donor fails to meet the minimum requirement or is unable to comply with the conditions of a flexible endowment, then the existing funds may be merged with another endowment fund that best meets the intent of the donor. If no endowment fund is available, then the funds in the account will be deposited in a general endowment fund account.
3. A gift agreement must be prepared and submitted prior to establishing an endowment fund. The document will contain the information as outlined in attachment B, Endowment Gift Agreement Required Inclusions.
4. Appropriate records related to the endowment funds and funds shall be maintained by the Foundation.

**Establishing Quasi Endowments**

1. Any establishment of a quasi-endowment shall have written approval by the Board of Directors of the Foundation.
2. Distribution of the income and principal from these are subject to the discretion of the Board for designated activities.

**D. Accounting of Funds**

1. The endowment funds for investment purposes may be commingled consistent with legal and/or regulatory provisions. However, each endowment shall be maintained as a separate account except when it falls below the minimum balance required.

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2. The endowment funds will be audited at least annually as part of the audit of the Foundation performed by an external certified public accounting firm.
3. The Foundation with the assistance of Office of University Advancement and the accounting department will report the funds and activity of each endowment to the donor as specified in the gift agreement or at minimum will provide the donor with a financial statement which identifies the financial activity in the endowment and a written statement providing an identification of the utilization of the funds for the prior year. Reporting to the donors will occur no later than six months after the close of the fiscal year of the Foundation.
4. Recording and reporting of all related transactions shall be consistent with currently established accounting procedures and methodology.

**Investing Endowments**

Endowment funds will be invested consistent with the Foundation's Investment Policy for Endowment.

**Spending Payout Rate**

In order to preserve the real value of the Foundation's endowed assets a spending payout rate will be selected that strikes a reasonable balance between current spending outlays and reinvestment of the remainder to support spending in the future and is specified in the Foundation's Endowment Investment policy.

**Management Fee**

All permanent, term and quasi endowments will be assessed fees in accordance with the Foundation's policy on Assessment of Fees on Gifts and Funds.


**IMPLEMENTATION**

Foundation management is required and authorized to develop and adopt written guidelines to implement this policy statement.

I hereby certify that the Events and Activity-Related Fundraising Policy was approved at the August 23, 2011 CSU Stanislaus Foundation Executive Committee Meeting.

  
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 Matthew Swanson  
 President, California State University, Stanislaus Foundation

8-23-2011  
 Date

  
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 Hamid Shirvani  
 President, California State University, Stanislaus  
 Chairman of the Board, California State University, Stanislaus Foundation

8-23-2011  
 Date

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Attachment A

FLEXIBLE ENDOWMENT

Since the principal of an endowed fund is never used, endowments typically require a significant initial capital outlay. For those who are not in a position to prudently divest the full amount of capital required to establish an endowment, a flexible endowment arrangement may offer the means. Flexible endowment gifts provide an opportunity for friends of the campus to accomplish principal and major gift objectives in support of Foundation years earlier than would otherwise be possible. It also provides current financial support to support student, faculty and campus needs.

The following describes the process for establishing a flexible endowment at the Foundation:

1. Donor makes an initial gift of 25% of the total targeted endowment principal towards the establishment of a flexible endowment.
2. Donor agrees to make an annual payment of 3% of target total endowment for 3 years to fund annual gifts to Foundation to provide spendable cash equivalent the endowment would have generated were the endowment fully in place. This will be treated as a separate pledge by the Foundation.
3. While making these annual, spendable gifts, the donor makes a pledge to donate three annual payments of 25% of the target endowment fund to build the principal of the endowment. Exceptions to a four year funding plan may be granted by the Foundation's Development Officer.
4. When the principal of the flexible endowment equals the prescribed level of funding, the endowment is considered fully funded and the donor's commitment is fulfilled.

The failure to meet a promised payment for two schedule dates will result in the conversion of the fund to a three or five year term fund, solely determined by the Foundation's Executive Director. Over this term, the principal and interest of the Fund will be disbursed in accordance with the previously received instructions.

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Attachment B

ENDOWMENT GIFT AGREEMENT REQUIRED INCLUSIONS

All endowment gift agreements written on behalf of California State University, Stanislaus and its Foundation must contain these elements:

Establishment

- Date of establishment
- Name of donor
- Title of endowment
- Permanent or term endowment
- Title of endowment

Donor's Intent

- Biographical information about the donor and connection to Foundation
- Reason for establishing the endowment

Purpose of Funds

- Title of individual who will administer distributions
- Criteria for distributions, including process for identification and selection of scholarship recipients

Statement on Recognition

- Unless specified in the written agreement to the contrary, the donor agrees that the Foundation may publish the donor's name in publications, acknowledgement actions undertaken by the Foundation or in other forms for the purpose of donor recognition and expression of appreciation.

Source of Funds

- Description of original gift source type, i.e., cash or stock
- Dollar amount of original gift; or in the case of stock, number of shares
- Pledge schedule or agreement (if a pledge is involved) including statement of agreement to disburse or merge funds by a certain date unless specific progress in made towards fulfilling the pledge
- Incorporation of additional gifts into the endowment

Fund Administration

- Reference to management or administrative fee charge
- Reference to spending payout rate
- Reference to Foundation Policies and copies of relevant policies (including an acknowledgement of receipt of this policy and other relevant policies and familiarity therewith).

Amendment Clause

- Allowance for amendment by donor and the Foundation, with consultation by the University
- Allowance for alternative use of endowment if it becomes impossible, impracticable, or illegal to satisfy the original intent of the donor

Miscellaneous

- Affix signatures of donor, and both the appropriate level University representative and the President of the Foundation or their designee.