



Angelo State University
Operating Policy and Procedure

OP 32.04: Operation and Maintenance of Endowment Funds

DATE: March 12, 2012

PURPOSE: The purpose of this Operating Policy and/or Procedure (OP) is to set forth definitions and to outline and establish policies and operating procedures pertaining to the endowment funds of Angelo State University.

REVIEW: This OP will be reviewed in March of even numbered years by the vice president for development and alumni relations and the vice president for finance and administration with recommended revisions forwarded to the president by April 15 of the same year.

POLICY/PROCEDURE

1. General

The Board of Regents of the Texas Tech University System (TTUS) recognizes that all great institutions of higher education possess a large endowment and that, in order for Angelo State University (ASU) to achieve the high standards of which it is capable, the total endowment must be vastly increased.

2. Definition of Terms

a. Gift

A gift includes the gratuitous transfer to the institution of cash, cash equivalents such as securities and negotiable instruments, and real or personal property that generates income or that may be sold for cash. A gift may be made by inter-vivos transfer or by trust, bequest, pledge, or any legal instrument. (If the “donor” receives any compensation in return for their “gift,” the “gift” must be reduced by the value received by the “donor,” and that portion must be recorded as non-gift income.)

(1) A restricted gift is a gift for which the donor:

(a) Has specified a particular purpose or use; or

(b) Has given for the use and benefit of one of the colleges or schools of ASU or a specified unit within ASU that may be “unrestricted” as to the specific use within the unit.

(2) Those gifts that are earmarked by the donor or donors for a specific purpose must be used for that purpose only. No official or employee of the TTUS may divert such a gift, whether principal or income generated from the fund, for any purpose unless

authorized by law. (**Section 06.02, Regents' Rules**)

- (3) An unrestricted gift is a gift for which the donor has not specified any particular purpose of use and which is given to ASU for its unrestricted use. The use of an unrestricted gift will be determined by the president.

b. Endowment

An endowment is established with a gift that comprises the corpus or principal of the endowment. The corpus is invested and a designated portion of income or the capital gain is used to fund a project or need. The corpus remains intact in perpetuity, thereby continuing to generate funds to be used by the institution. Normally, the gain or loss on the sale of any asset that originally comprised the corpus shall be deemed to be part of the corpus of the endowment. Endowments are divided into the following four categories:

(1) Permanent Endowments

Permanent endowments are assets designated by the donor to be held in perpetuity. The corpus of these endowments may never be spent and expenditures must be made in accordance with the terms and conditions established by the donor.

(2) Term Endowments

Term endowments are established when the donor specifies that the endowment shall terminate following a particular date or event and that the corpus of the endowment may be expended in accordance with the terms and conditions specified by the donor. Until the passage of the specific date or event, term endowments operate in a manner similar to permanent endowments, with expenditures made in accordance with the conditions established by the donor.

(3) Quasi-Endowments

The Board of Regents of the TTUS or the Board of Directors of Angelo State University Foundation (ASUF), with formal action, may set aside certain funds to be maintained as endowments. The formal action will specify the use of the assets and spendable income and set other terms and conditions relating to the fund. The Board of Regents or the Board of Directors may change the terms and conditions of the endowment or terminate the endowment by formal action. If terminated, the corpus of the endowment is returned to the original source of funding.

(4) Funds Held in Trust by Other

Some donors may choose to make income from endowments available to the institution but to leave possession of the endowment corpus with a third party. In these cases, the endowment corpus is not recorded as an asset of ASU or ASUF. In accordance with generally accepted accounting principles, the existence of the trust must be disclosed in the notes to the financial statements of ASU or ASUF.

3. Types of Endowments

a. Faculty Support

(1) Endowed Chair

The minimum donation to establish an endowed chair will vary by unit and type of research. The dean will consult with the provost and vice president for academic affairs and the vice president for development and alumni relations before determining the amount requested for a chair in various programs. Recruitment and retention of top faculty engaged in intensive laboratory research require higher levels of support.

Minimum endowment levels are \$1,000,000.

The donor is allowed to name an endowed chair in the college or program of choice. The spendable income is typically used to supplement the chair holder's salary, as well as provide additional income for items such as the purchase of special publications that would complement the chair holder's work, the hiring of graduate students to assist the chair holder in research projects, and the involvement of post-doctoral students in the particular discipline. Without the prior approval of the president, no more than 50 percent of the spendable income may be used as salary for the individual holding a chair.

(2) Endowed Professorship

The minimum donation to establish an endowed professorship will vary by unit and type of research. The dean will consult with the provost and the vice president for development and alumni relations before determining the amount requested for a professorship in various programs. Recruitment and retention of top faculty engaged in intensive laboratory research require higher levels of support.

Minimum endowment levels are \$500,000.

The donor is allowed to name an endowed professorship in the college or program of choice. The spendable income is used like the spendable income for an endowed chair, except that the spendable income is utilized more frequently for the supplementation of salaries and less frequently for other purposes available through an endowed chair. Without the prior approval of the president, no more than 50 percent of the spendable income may be used as salary for the individual holding a professorship.

(3) Endowed Lectureship

The minimum donation to establish an endowed lectureship is \$250,000. The spendable income is used to support honoraria, publicity, and other expenses incurred in bringing distinguished leaders to lecture on campus.

(4) Endowed Faculty Fellowships

The minimum donation to establish an endowed faculty fellowship is \$100,000.

Endowed Faculty Fellowships support excellent teaching faculty regardless of rank or tenure, including visiting scholars-in-residence.

(5) Faculty Excellence Endowments

The minimum donation to establish faculty excellence endowment is \$50,000. Faculty Excellence Endowments are used to support specific academic areas and programs. Income from the fund may be used to purchase laboratory equipment, research materials, computer equipment or other needs or pay for support staff.

b. Student Support

(1) Endowed Graduate Fellowship or Assistantships

The minimum donation to establish a graduate fellowship or assistantship endowment is \$50,000. The fellowships and assistantships provide a crucial means of attracting the best and brightest graduate students to the university.

(2) Endowed Scholarships

The minimum donation to establish a university scholarship endowment is \$10,000. Endowed scholarships are awarded to deserving graduate and undergraduate students based on criteria set forth by the donor and typically recognize a student's academic merit, financial need or area of study.

c. Other

(1) Library Book Endowment

The minimum donation to establish a library book endowment is \$10,000. The spendable income will be utilized to purchase books or professional journals in a particular area to be designated by the donor.

(2) Excellence Endowments

The minimum donation to establish an excellence endowment is \$10,000. Excellence Endowments support specific or general programs in the colleges, departments, or programs.

4. Request by Donor to Modify Endowment

With the consent of Angelo State University Foundation, Inc. and the donor, the terms and conditions relative to a completed gift may be amended by written agreement. All such requests must be made in writing by the donor and delivered to the Office of Development.

5. Procedure for Establishment

a. Minimum Endowment Level

- (1) A minimum gift of \$10,000 shall be required to establish any endowment. The gift must be made in compliance with applicable federal and state laws, and, after

acceptance by the institution, it must be used as designated by the donor. Administrators must assure that endowments are solicited at levels that provide adequate support.

- (2) An endowment may not be established in an amount less than \$10,000.

Gifts of less than \$10,000 that are meant to be endowed will be established in a current restricted account where:

- (a) The initial gift must be at least \$5,000; and
- (b) All future gifts and all income and gains will assist in bringing the endowment assets to the minimum endowment funding level.

If, after four years from the date of the gift, the value of the assets has not reached the minimum endowment funding level, the existing assets of the fund shall be transferred to an existing scholarship endowment.

If the original gift was designated for a particular college within ASU, the funds will be transferred into a scholarship endowment designated for that college.

If the original gift was not designated for a particular college within ASU, the funds will be transferred into a scholarship endowment designated for the university as a whole.

b. Endowment Agreements

For all endowments, the ASU contact for the gift should work with the vice president for development and alumni relations to complete the appropriate endowment agreement, have it signed by the donor, and forward the agreement to the Office of Development for signature by the appropriate parties.

Approval by the TTUS CFO is required for any agreement requesting investment in any fund other than the Long Term Investment Fund (LTIF) or any deviation from university investment policy regarding LTIF.

6. Administration

a. Endowments Invested in the Short/Intermediate Term Investment Fund (SITIF)

Current restricted accounts established at less than the minimum amount required for an endowment will be invested in the SITIF, and 100 percent of the earnings will be directed to the corpus account until the corpus account reaches the minimum required amount. Upon reaching the minimum for an endowment to be established, the funds will be transferred to the LTIF and will be subject to the spending rules thereof.

For those endowment accounts that the donor specified the funds would remain invested in the SITIF, 90 percent of the earnings will be made available for spending and 10 percent of the earnings will be directed to the corpus account. The purpose of the reinvestment of 10 percent of the earnings is to hedge against inflationary effects.

b. Endowments Invested in the Long Term Investment Fund (LTIF)

Unless prohibited by restrictions placed upon a gift by the donor of that gift, all new endowments shall be invested in the LTIF. Spendable income generated by endowments invested in the LTIF will be expended in accordance with Section 09.03, *Regents' Rules*. All endowment funds invested in the LTIF will be subject to an investment management fee of 0.5 percent in accordance with Section 09.03, *Regents' Rules*.

For those endowment accounts that are invested in the LTIF, a portion of the earnings will be made available for spending in accordance with Section 09.03, *Regents' Rules*.

c. Other

Restrictions by the donor on investment by ASU or ASUF outside the mission or current programs of ASU shall not be honored without prior approval by the Board of Regents of the TTUS.

7. Management and Recording of Endowment Funds

a. General

- (1) Responsibility for the overall management of endowment funds in accordance with terms and conditions of the donor and recording in accordance with generally accepted accounting principles rests with the TTUS CFO.
- (2) Endowment fund manager responsibility will be assigned at the vice president or the dean level. Donors may specify fund managers below this level, subject to approval of the TTUS CFO, the divisional vice president and vice president for development and alumni relations.
- (3) Designation as the manager of an endowment operating fund will be assigned to an individual by the benefiting unit's divisional vice president or dean.
- (4) Unless otherwise specified by the donor, the spendable portion of the endowment income will be credited to a separate endowment operating fund in the current restricted fund group of ASU. The endowment operating fund shall also be credited with earnings on the investment of its cash and/or other assets without regard to any minimal balance limits as may be established.
- (5) Annual budgets will be submitted on each endowment operating fund as directed in the annual instructions for submitting budgets.

b. Procedures for Recording Endowments

- (1) A separate fund will be established for each endowment fund.
- (2) A separate operating fund will be established at the same time as the permanent endowment to receive the endowment spendable income and to provide for the accounting of expenditures in accordance with the donor's terms and conditions.