



SUBJECT: ENDOWMENTS	Reference: GP-012
SECTION: GIFT PROCESSING PROCEDURES	PAGE: 1
DEPARTMENT: ADVANCEMENT SERVICES AND OPERATIONS	OF: 5
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PURPOSE:

The purpose of the Endowments procedure is to provide guidelines on establishing, maintaining and stewarding endowments with the CSUSB Philanthropic Foundation. Endowments are funds that are established with the intent that the fund will be held in perpetuity with the CSUSB Philanthropic Foundation and that endowments earnings will be used to provide lifelong support for the designated fund’s purpose.

Endowments may provide support for scholarships, faculty programs or operational support for departments and divisions. Endowment criteria is set by the university and/or the donors establishing the endowment. The criteria reflects the values of the donor to the endowment fund or is a reflection of the university’s priorities. All endowments are administered by the CSUSB Philanthropic Foundation.

GENERAL GUIDELINES

1. All endowments must meet the minimum funding requirement of \$25,000 to be established.
 - a. Endowment accounts may be established with less than \$25,000 as long as a pledge commitment has been established and signed by the donor and the Executive Director of the Philanthropic Foundation. Pledge commitments for endowments may not exceed a timeframe of five years to pay the pledge.
 - b. A signed gift agreement must be executed between the donor and the Executive Director of the Philanthropic Foundation before the fund can be endowed.
2. Departments wishing to establish department-named endowments must meet the minimum endowment requirements. A gift account or a related unrestricted expendable scholarship

account may be converted to an endowment provided it still meets donor intent. An endowment agreement must be executed between the department chair/director and the Executive Director of the CSUSB Philanthropic Foundation.

ENDOWMENT AGREEMENTS:

1. Agreement development:

- a. Directors of Philanthropy (DOPs) are provided templates for endowment agreements. The DOPs will meet with the donor to develop criteria and provide details of the scholarship agreement.
- b. A draft endowment agreement is sent to the AVP for Advancement Operations and the AVP for Development for review. The AVPs will review the agreement for clarity, ease in administration of the scholarship and compliance with existing CSUSB and Chancellor's Office policies as well as adherence to IRS guidelines and state and federal law.
- c. A finalized endowment agreement is provided to the donor for signature by the DOP.
- d. The DOP provides the establishment form and the agreement for signature to the VPUA/Executive Director of the Foundation for signature.
 - i. The DOP or their associate fills out the endowment account establishment form and gains the necessary signatures from the Department administering the endowment and provides the account establishment form and the endowment agreement to the VPUA/Executive Director for signature.

Endowment account establishment form and criteria guidelines:

Endowed Scholarships:

1. For endowed scholarships, designated committees are only to be listed on the account establishment forms and not included in the endowment agreement with the donor.
2. Donors are unable to provide input or preference to any selection or disbursement process, committee or applications.
3. To prevent possible disbursement concerns or unforeseen circumstances; 'preferred' should be added to criteria such as: GPA, enrollment status, specific programs or degrees; i.e. requiring full time students, etc.

Endowed programs:

1. The endowment account establishment form should provide contact information for administration of the program endowment

2. Program endowment use should meet the criteria as outlined by the donor in the endowment agreement.
3. The DOP or their associate need to indicate if the endowed program will provide student support, i.e. stipends, student awards that are not scholarship related. This is to ensure a related item type is established that is mapped to the fund.

ASO PROCESS

A. New Endowments

- 1) Scanned signed endowment agreement and endowment account form will be sent via CPFAgreements@csusb.edu to be assigned an account number by Financial Services and an item type by Student Financial Services (if needed).
- 2) Financial Services and Student Financial Services emails CPFAgreements@csusb.edu once the account and item type have been assigned.
- 3) ASO will forward endowed scholarship documentation to Financial Aid to be added to PeopleSoft and the University's scholarship system.
- 4) ASO will forward endowed program documentation to the division or college fiscal analyst for record keeping.
- 5) Gift processor will place monies in the Gift Holding Account until the new account has been created. Once account is created, a new allocation in donor database will be created and monies will be transferred to the new endowment account.

B. Gift accounts maybe established while funds are being raised to meet the established endowment minimums. It is the department/director of development's responsibility to fill out the appropriate paperwork and request funds to be transferred to the new account.

C. Established endowment accounts are processed by the gift processor and posted to the donor's account (*see Gift Entry B-3(g)*)

D. ASO will add the endowment to University Advancement's donor database.

ENDOWMENT DISTRIBUTIONS

The following process outlines the Endowment Distribution process and spending timeline:

1. The endowment payout timeline has been established to protect the principal of the endowment, while making significant impact on the lives of students who benefit from this important support.
 - a. 1st Calendar Year – The endowment fund is created. Once established, the funds will be

- invested and start earning interest.
 - b. 2nd Calendar Year – Funds continue to generate earnings. The December 31 value of the second calendar year will be used to calculate the following year’s distribution.
 - c. 3rd Calendar Year – A distribution from the endowment is made available for scholarship and program expenditures
2. Endowment distributions are calculated upon receipt of the December 31st values from the Foundations investment manager.
 3. The Division’s budget analyst sends a listing of the distributions to all colleges and departments with endowment funds.
 - a. Scholarship distributions are provided to Financial Aid for upload into the university’s scholarship manager system.
 4. Endowments that are on a pledge payment status will begin the full calendar year of investment once the final pledge payment has been made.

ENDOWMENT PAYOUT TIMELINE

2019 Endowment Payout Timeline					
Endowment Established	One Year Investment	December 31st Valuation	Awarded (Scholarships)	Endowment Distribution (when funds come out of the endowment)	Total Investment Time (from investment to distribution)
Year One	Year Two		Year 3		
January 2019	January 2020	December 2020	May 2021	September 2021	32 months
February 2019	February 2020	December 2020	May 2021	September 2021	31 months
March 2019	March 2020	December 2020	May 2021	September 2021	30 months
April 2019	April 2020	December 2020	May 2021	September 2021	29 months
May 2019	May 2020	December 2020	May 2021	September 2021	28 months
June 2019	June 2020	December 2020	May 2021	September 2021	27 months
July 2019	July 2020	December 2020	May 2021	September 2021	26 months
August 2019	August 2020	December 2020	May 2021	September 2021	25 months
September 2019	September 2020	December 2020	May 2021	September 2021	24 months
October 2019	October 2020	December 2020	May 2021	September 2021	23 months
November 2019	November 2020	December 2020	May 2021	September 2021	22 months
December 2019	December 2020	December 2020	May 2021	September 2021	21 months

*Valuation of endowments established by pledges will be valued December 31 after one full year of investment once the pledge is complete

UNDERWATER ENDOWMENTS

An underwater endowment occurs when the value of the endowment falls below the historical gift value which is the value of the total gifts invested in the endowment fund. Per the CSUSB Philanthropic Foundation investment policy, *if an endowment drops below its historic gift value, normally all spending will be suspended until such time as the endowment regains positive status, unless CSUSB Philanthropic Foundation believes it is prudent to distribute from a fund that is below its historic value.*

An endowment fund will be considered underwater and not available for disbursement based on the

December 31 market values. At such time an endowed fund is considered underwater, the Associate Vice President of Advancement Operations and the Vice President of University Advancement will prepare a plan to withdraw funds (if available) from the Philanthropic Foundation's reserve to fund university scholarships and programs to ensure continuity of student financial aid and university activities. In the event the Philanthropic Foundation does not have enough funds in reserve, priority will be placed on continuity of funding for scholarship and student support funds.

ENDOWMENT REPORTS

The purpose of Endowment reports is to notify donors on the performance of their funds, rate of return, percentage of investment breakdown and what funds will be available for disbursement in the following year. These reports are sent by the end of the first quarter of the calendar year.

- 1) Advancement Services Budget Analyst receives endowment information from Financial Services.
- 2) Budget Analyst formats and ITS programmer uploads data into donor database.
- 3) Donor Relations Department runs a customized report in donor database and prints a packet to be mailed out to the donors.