



Establishing Endowments and Restricted Fund Agreements

Responsible Official: Vice President for University Advancement	Responsible Office: University Advancement
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Policy Purpose

This policy provides direction regarding how ETSU Advancement will work with private donors to establish endowments and restricted funds to support the university and/or students.

Policy Statement

University Advancement will ensure donors understand the ways in which they can establish accounts within the Foundation to provide support for ETSU. Advancement will work to ensure consistency across campus and to ensure donor intent and criteria are appropriately documented.

Definitions

N/A

History

Effective Date: 2/17/2017

Revision Date: 6/20/2018

Revision Notes: This version changes the title to include more than simply “Endowment Amounts.” It also incorporates the information formerly found in Memoranda of Understanding (MOU) and Restricted Fund Agreements (RFA). It adds language regarding specific scholarship criteria that may/may not be used, includes information about quasi-endowments, and documents “grandfathered” endowments that have been offered at a lower minimum amount.

Procedure (s)

Attachments:

- I. Sample Memorandum of Understanding (MOU)
- II. MOU Procedures
- III. MOU Signature Sheet
- IV. Sample Restricted Fund Agreement (RFA)

I. Establishing Endowments:

- a. Gifts totaling a minimum of \$25,000 will be required to establish an endowment fund in the ETSU Foundation. This amount may be given by a donor or donors over a period of five (5) years. An extension of time beyond this period to reach this minimum level may be granted by the Vice President for University Advancement/ETSU Foundation President for good cause shown.
- b. Gifts totaling less than \$25,000 may be classified as a Quasi-Endowment upon approval of the Vice President for University Advancement. Additional contributions and investment earnings will be applied to the corpus until the fund reaches the \$25,000 minimum endowment level, usually within a five-year limit. In order to establish a quasi-endowment, there must be an initial gift in the amount of \$5,000.
- c. In mid-2016, ETSU changed the minimum amount needed to endow a fund from \$10,000 to \$25,000. There are still some donors who were offered the ability to create an endowment at the \$10K level, either by providing cash or through a Planned Gift. These offers will continue to be honored. They are documented either in gift agreements, pledges, or contact reports in Banner.
- d. Endowments should always be established by preparing a Memorandum of Understanding (MOU). In the case of an unexpected bequest with no completed MOU, an internal MOU will be prepared to document the allowable use of endowment earnings as specified in the will or other legal documents. See Attachment 2 for procedures.

II. Quasi-endowments:

- a. *Temporary*. These are accounts that are currently below the minimum amount needed to be officially endowed, but the donor intention is to continue to donate to get them above \$25,000 and become an official endowment.
- b. *Traditional*. These are accounts not intended to ever become permanent endowments. Rather, they are like endowments in that they earn interest and the principle sometimes grows, but unlike endowments, the principle may be invaded (usually with Foundation Board approval).
 - i. Often, they originate from bequests.
 - ii. Funds can be for unrestricted use.
 - iii. Discourage regular disbursements from the principal.

III. Criteria Considerations. Refer to Establishing, Tracking, and Stewarding Scholarships Policy.

Related Form(s)

N/A

Scope and Applicability

	Governance	
	Academic	
	Students	
	Employment	
	Information Technology	
	Health and Safety	
X	Business and Finance	
	Operations and Facilities	
	Communications & Marketing	
X	Advancement	

Attachment I – Sample Memorandum of Understanding (MOU)

EAST TENNESSEE STATE UNIVERSITY FOUNDATION
MEMORANDUM OF UNDERSTANDING
THE
[NAME]
SCHOLARSHIP ENDOWMENT

INTRODUCTION

The purpose of the _____ Scholarship Endowment is to provide scholarship assistance to deserving students enrolled in _____ at East Tennessee State University.
Statement and/or bio from the donor who is establishing the endowment

AWARD DESCRIPTION

Scholarships shall be awarded by the _____ Committee. That Committee shall decide the number of scholarships and the value of each, depending on the funds available.

ELIGIBILITY

1. Applications should be submitted to the _____ Scholarship Committee by March 1 of each year.
2. Entering freshmen as well as current ETSU students, transfer students, or non-traditional students shall be eligible for the award. Donor preference _____

FUNDING

An initial gift of _____ from _____ shall establish the endowment. Subsequent contributions, including planned gifts, from family and friends shall be encouraged.

Remove the following if this is a full endowment:

Initially, the fund will be established as a quasi-endowment wherein the earnings shall be added to the endowment each year. After a minimum fund balance of \$25,000 has been reached, it shall become a full endowment wherein the principal shall remain intact, and only the interest will be used for the purpose of the fund. The minimum balance must be reached by June 30, 20XX (five years) or the quasi-endowment status will convert to that of a restricted account and all funds will be made available for expenditure.

Choose one statement:

After becoming an endowment, operating funds remaining at the end of the fiscal year shall be carried forward.

OR

After becoming an endowment, operating funds remaining at the end of the fiscal year shall be transferred to the endowment.

CRITERIA

The Committee shall consider the following criteria in awarding scholarships:
These are suggestions only. The criteria are donor preferences.

1. The applicants must be a declared _____ major in the Department of _____
2. Current ETSU students as well as entering freshmen must have a minimum cumulative GPA of 3.0.
3. Documented financial need may be considered in the selection of the recipient.
4. Once a student is selected to be a recipient, he or she may continue to receive the award for four consecutive years.
5. Applicants must meet all requirements for regular admission to ETSU.
6. Applicants must be full-time students.

CONTINGENCIES

The signers acknowledge that at some time in the future the scope of the program described and/or the department or college for which the scholarship is designated in this Memorandum of Understanding may vary substantially, cease to exist in its current form, or the need for the scholarship may cease to exist. If a department ceases to exist then the proceeding designated department or college will be substituted by way of an addendum. If a change to selection is required, a change in the purpose of the scholarship, or a change in the use of the funds then a revision of this Memorandum of Understanding will be required. Prior to a revision, the donor will, if available, be contacted in accordance with the Policy on Memorandums of Understanding. If any portion of this Memorandum of Understanding conflicts with state or federal laws, statutes, regulations, or ordinances then the Executive Board of the ETSU Foundation shall have authority to designate an appropriate use for the endowment and funds that closely approximates the original intent of the Donor. All change(s) shall be related as closely as possible to the original purpose of the Memorandum of Understanding. In all events, the fund shall retain the name of the “_____ Scholarship Endowment” and shall continue to generate funds. Initial determination for necessity of changes will be made by the Director of Development for the respective department or college as related to or referenced in this Memorandum of Understanding.

EXPENDITURES

Expenditures must be approved by:

- Account Manager: (Could be Dean, Chair, Director, etc. Please specify)
- Dean,
- President/CEO, ETSU Foundation

This agreement supersedes any previous agreement, written or oral.

 Donor’s Signature
 Donor’s Contact Information

 Date

SIGNATURES

APPROVED:

Vice President, Health Affairs/ETSU COO
or
Provost/Vice President for Academic Affairs
Date

President/CEO, ETSU Foundation
Date

Chief Financial Officer, ETSU Foundation
Date

Chairman of the Board, ETSU Foundation
Date

cc: ETSU Foundation Accounting
ETSU Scholarship Office

Attachment II – MOU Procedures

- I. **MOU Procedures:**
 - A. Gather necessary information from the donor, including name of the endowment, biographical data, monetary amount of endowment, schedule for funding, purpose of endowment, and criteria for awarding scholarship (if applicable). Schedules for recipient application, composition of selection committees, and contingencies will be determined internally.
 - B. Communicate with Planned Giving Support about drafting MOU into standardized format (see attachment 1). Planned Giving approves all foundation MOUs. The fundraiser should create the draft form of the MOU at this point.
 - C. If endowment is funded fully or funded in part by a planned or deferred gift, then provide draft of MOU to Planned Giving for review.
 - D. Draft of MOU then goes to the donor *for review only*. Watermark the MOU with 'DRAFT' to avoid any confusion.
 - E. After donor has reviewed, make changes as appropriate and provide final draft to Planned Giving Support. They will then route the MOU to the required individuals as designated on the signature sheet (attachment 2).
 - F. Once all individuals on the signature sheet have signed, Planned Giving Support will present to the donor for their signature. Donor signature will appear on the body of the MOU.
 - G. After donor has signed, Planned Giving Support will direct the MOU to the individuals listed on the last page for final signatures.
- II. **MOU – Addendum versus Revision.** This decision will be made on a case-by-case basis. If the change affects the purpose of the endowment, the criteria or requirements for how the recipient is chosen, or if the college or program cease to exist, rendering the endowment moot, then a revision will need to be drafted. A revision would require donor contact. However, if the change is minor or does not substantively affect the selection, then the needed change can be accomplished through an addendum. A name change of a department requires only an addendum. Changing the name of an account manager or selection committee requires only an addendum. An addendum will not require routing or approval signatures. A revision will require steps b through g of the procedure above to be completed. Planned Giving Support can assist with the drafting of each of these.
- III. **MOU Notes:**
 - A. Quasi-endowments need to have a firm end-date for when the endowment must be fully funded. Foundation Accounting will track so that can be abided by and enforced.
 - B. If the donor is seeking to establish an endowment for a purpose that provides any ancillary benefit to the donor then it CANNOT be set up through the Foundation. This MUST go to Research and Sponsored Programs.
 - C. The Account Manager will be listed on the MOU under the subsection entitled 'Expenditures.' Clerical and support staff cannot be account managers. The main/primary donor cannot be an account manager.
 - D. Endowments can be established for scholarships, professorships, lectures, programs, etc.

Attachment III – MOU Signature Sheet

(Prepared before sending to the donor)

ETSU FOUNDATION
MEMORANDUM OF UNDERSTANDING
Name of Endowment

Please sign this cover sheet, indicating you have reviewed the attached document.
If you approve, sign on the appropriate line.

ROUTE TO:

SIGNATURE

DATE

Name
Foundation Accounting

Name
Director, University Advancement

Name
Chair,

Name
Dean,

Attachment IV – Sample Restricted Fund Agreement (RFA)

ETSU FOUNDATION RESTRICTED FUND AGREEMENT

This agreement is to establish and confirm all information pertaining to the establishment of a restricted account with the East Tennessee State University Foundation and supersedes all previous agreements. The ETSU Foundation Executive Board will authorize any changes and will consult with the account manager and the original primary donor, if available on those changes.

Account Title

Account Number

Fund purposes and restrictions:

Fundraiser:

Account Manager: (Department/Title)

Original Donor: (Name/Address/Gift)

Honoring/Memorializing: (Name/Biographical data)

Scholarship recipient decisions made by : (Title)

Notes:

If any part does not pertain to account being established, list N/A.

In addition to the Foundation's representatives, fund withdrawals require the signatures of:

	<u>TITLE</u>	<u>NAME</u> (printed or typed)	<u>SIGNATURE</u>
1. Account Manager	_____	_____	_____
2. Department Head	_____	_____	_____
3. Dean	_____	_____	_____
4. Vice President	_____	_____	_____

The following signatures finalize the agreements stated in this form:

Foundation Chief Financial Officer

Date

Foundation President/CEO

Date

Foundation Chairman of the Board

Date

Attachment V – RFA Procedures

I. RFA Procedures:

- A. Gather necessary information from the donor including fund purpose, restrictions, and biographical data.
- B. Provide completed Fund Agreement (see attachment 3) to Planned Giving Support for routing. Planned Giving Support will be responsible for obtaining all required signatures.

II. Eliminating RFAs:

- A. Authority is provided to close a restricted fund account for any of the following reasons:
 - 1. If there is a reorganization or restructure of the designated department;
 - 2. If the fund has not been utilized for three (3) consecutive years. A fund is determined to not be utilized if there has been ZERO activity in the fund for said time period; OR
 - 3. If the need for the listed fund purpose no longer exists.
- B. When a fund account is designated for elimination, the Dean of the existing department must be notified in writing. The Dean is then required to propose another existing fund to which the remaining balance might be directed. The appropriate fundraiser is then required to contact the original donor(s), if available, to gain approval for the proposed transfer.