



## **Managing Endowments**

### **Purpose**

This policy establishes guidelines to manage endowments and to ensure that assets given to SFA are accepted, managed, and invested to provide maximum benefit to SFA and to minimize risk. The establishment of endowments designated for student scholarships and fellowships, faculty and administrative support, and for programmatic purposes are central to continued growth and excellence of SFA.

### **Persons Affected**

This policy applies to employees who work with endowments received by SFA.

### **Definitions**

**Endowment:** Is comprised of a gift, in which the donors have stipulated that the principal must be invested and only the income used to fund a project or need. The principal remains intact in perpetuity, thereby continuing to generate income to be used by the university. Endowment funds are classified into four different categories:

**Permanent Endowments:** These endowments are sometimes referred to as "true" or "pure" endowments and are assets designated by the donor to be held in perpetuity. If specifically stated in writing by the donor, the corpus assets of this category of endowments may never be spent and income derived must be expended in accordance with the written terms and conditions established by the donor and the university. Otherwise, the governing board may appropriate for expenditure, for the uses and purposes for which the fund is established, the net appreciation, realized and unrealized, in the fair market value of the assets of an endowment fund over the historic dollar value of the fund to the extent allowed under the University Management of Institutional Funds Act or other applicable law.

**Term Endowment:** The donor has specified that following a particular date or event, the assets of the endowment may be expended in accordance with the terms and conditions as specified. Until the passage of the specific date or event, this type of endowment will operate in a manner similar to the permanent endowment with the income used in accordance with the written terms and conditions established by the donor and the university.

**Quasi-Endowments or Quasi-Funds:** Funds for which the governing body of the university, rather than a donor has determined that the corpus is to be retained and invested. Since these funds are internally designated rather than externally restricted, the university has the right to expend principal with approval from the governing body.

**Funds Held in Trust by Others:** Some donors may choose to make income from endowment-type funds available to the university but will leave the possession of the assets in trust with a third party. In this case, the endowment is not recorded as an asset of the university. In accordance with the Generally Accepted Accounting Principles (GAAP), the existence of the trust must be disclosed



in the notes to the university's financial statements.

## **Policy**

The Office of Development has the responsibility of performing certain support functions for the Stephen F. Austin State University Foundation, Inc. and the SFA Real Estate Foundation, Inc. This includes receiving, receipting, acknowledging, and reporting gifts received by either foundation, as provided in the Agreement between Stephen F. Austin State University and the Stephen F. Austin State University Foundation, Inc. and the Agreement between Stephen F. Austin State University and the SFA Real Estate Foundation, Inc.

The university is authorized, with prior approval of the president to accept gifts or devises of real property for the establishment of scholarships, professorships and other trusts for educational purposes provided such property will not require appropriations by the legislature for operation, maintenance, repair or construction of buildings.

Endowments will be established with gifts that have been completed for tax purposes or with a combination of such gifts, pledges, and other funds at a minimum funding level of \$25,000. Funding levels may not be determined by the amount of net sale proceeds received from a non-cash gift or by the current market value of the investments held in an Endowment.

Endowed academic positions will be supported by an endowment from which distributions are dedicated to reasonable salary support (as determined by institutional policy), salary supplementation, research support, and/or other professional support of a faculty member of any academic rank, subject to the endowment agreement criteria. The holder will normally be a faculty member who exhibits demonstrated accomplishment or future promise in the intellectual field and will be awarded for a specified length of time. A minimum funding level is associated per position designated by Regents Rule 60202.

Gifts, loans, endowments and bequests made to Stephen F. Austin State University shall be used for the purpose designated by the donor. If a purpose is not specified by the donor and then utilization shall be as directed and approved by the Vice President for University Advancement with approval by the president of the university.

## **Procedures**

Endowment Agreements:

A written endowment agreement is required for each new endowment. If, after the original gift, any person or entity is allowed to make additions to the endowment, the agreement should include language that such additions will be subject to the provisions of the original endowment agreement and will be considered permanent endowment funds. Contents of the endowment agreement should specifically include the following:

1. donor name(s);
2. gift description and/or amount;
3. pledge description, amount, and due date;
4. the exact title of the endowment;
5. college, school, and/or department to benefit;
6. the specific purpose for which endowment distributions are to be used;



7. Such endowment shall never become a part of the Permanent University Fund, the Available University Fund or the General Fund of the State of Texas, and shall never be subject to appropriation by the legislature of the State of Texas;
8. If, in the opinion of the university, circumstances change so that the purposes for which the endowment was originally established become illegal, impracticable or no longer able to be carried out to meet the needs of SFA, the university may designate an alternative use for the endowment payout, giving due consideration to the donor's special interests as evidenced in the original endowment agreement; and
9. Endowment funds may be commingled with other funds for the purpose of maximizing earnings on investments.
10. Funds distributed from the endowment in one year may be retained and expended for the purposes of the endowment in subsequent years or may be reinvested at the discretion of the university, as a permanent addition to the principal of the endowment.

All endowment distributions spending must be in compliance with the endowment purpose and restrictions as outlined in the endowment agreement.

### **Related Statutes or Regulations, Rules, Policies, or Standards**

Tex. Educ. Code §§ 51.001-.009

Uniform Prudent Management of Institutional Funds Act, Tex. Prop. Code Ch. 163

Uniform Prudent Investor Act, Tex. Prop. Code Ch. 117

Texas Public Funds Investment Act, Tex. Gov't Code Ch. 2256

Regents' *Rules and Regulations*, Rule 70101, Authority to Accept and Manage Assets

Regents' *Rules and Regulations*, Rule 60101, Acceptance and Administration of Gifts

Regents' *Rules and Regulations*, Rule 60103, Guidelines for Acceptance of Gifts of Real Property

Regents' *Rules and Regulations*, Rule 60202, Endowed Academic Positions, Endowed Student Support, and Other

UTS 138 Gift Acceptance Procedures

### **Responsible Executive**

Vice President for University Advancement

### **Forms**

Gift-in-Kind Form

### **Revision History**

September 1, 2023 (original)