

ADMINISTRATIVE DIVISION FINA Administration and Finance	POLICY NUMBER FINA 5.30 (NEW)
POLICY TITLE Administration and Finance – Endowment Management	
SCOPE OF POLICY USC System	DATE OF REVISION 10/1/2023
RESPONSIBLE OFFICER Executive Vice President for Administration and Finance and Chief Financial Officer	ADMINISTRATIVE OFFICE University Finance – Controller’s Office

PURPOSE

This policy sets forth the University of South Carolina’s requirements for managing and expending endowment funds. The policy supports continually preserving the endowments’ principal and associated purchasing power, providing steady funding for operational program budgets, supporting current and future generations of scholars, and ensuring responsible stewardship of available earnings. *Note: This policy is for endowments held by the University and does not include endowments held by University Foundations.*

DEFINITIONS AND ACRONYMS

Endowment – A fund established with a gift or gifts from one or more donors to the University to exist permanently. Funds are invested to generate perpetual financial support for a purpose mutually agreed to by the institution and the donor(s).

Principal (or Corpus) – The actual gift(s) made to establish or increase an endowment, which is held in perpetuity and invested accordingly. This portion is reflected as V funds.

Spendable – The interest earned on an endowment fund made available for expenditure to further organizational causes, projects, and operations. This portion is reflected as EQ, EP, LP, LQ, SRQ, or SRP funds, depending on the nature of the endowment.

POLICY STATEMENT

Investments and Earnings

Endowment funds are managed to provide a permanent income source to support the University's educational mission. The endowment is invested in a purposeful and accountable manner to generate income that honors the intended purpose of the gift, supports the operating budget of the institution, and is reinvested to protect the value of the endowment against inflation.

State law requires the South Carolina State Treasurer’s Office (STO) to invest endowment funds for institutions of higher education and serve as an agent of the Board of Trustees with respect to those endowments. The University deposits endowment funds with the STO, which are placed in the state’s pooled investment fund in accordance with state investment strategies. As a result of these investment strategies, interest is earned on both the principal and the spendable portions of the endowment and allocated monthly based on the market rate. Although the University’s portfolio is well-diversified, some investments might occasionally lose value based on market fluctuations.

Spending

Decisions to spend or accumulate endowment funds must be made in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and consider the following factors:

- A. the duration and preservation of the endowment fund;
- B. the purposes of the institution and the endowment fund;
- C. general economic conditions;
- D. the possible effect of inflation or deflation;
- E. the expected total return from income and the appreciation of investments;
- F. other resources of the institution; and
- G. the investment policy of the institution.

Once an endowment is fully funded and invested for at least one year, expenditure of the spendable portion may begin. Waiting at least one year allows the endowment to earn investment returns to support spending. In addition, this duration increases the probability of an annual increase in the amount available to spend from the endowment.

Monthly reports are received from the STO summarizing interest earned on the available corpus and spendable balances. Interest is posted in the financial system by the Controller's Office monthly for each endowment. Departments are responsible for determining how best to manage each endowment's spendable portion based on the respective donor purpose. The Controller's Office reserves the right to disallow expenses based on the respective donor purpose. All University endowments must always maintain a positive spendable balance. Endowment balances are subject to review by the Controller's Office. Any spendable balance found to be in deficit will be subject to coverage with departmental A funds.

Unless otherwise specified in the endowment agreement, recommended practice is to consistently maintain a spendable balance of at least 4.25 percent of the corpus. This practice will increase the size and earnings potential of the corpus over time, protect against market fluctuations, and expand the support available for the donor's specified program. Unused spending allocations are carried forward to be used in subsequent years.

Reporting

Endowment reports provide timely and transparent information about the fiscal status of each fund. Periodically, or upon request, reports will be provided to donors or donor representatives by the Controller's Office. The reports will provide a financial summary of each fund's balance, disbursements, and growth for a given fiscal year. Communicating with donors about the individuals and programs benefiting from an endowed fund is important to ensure the careful stewardship of these gifts.

PROCEDURES

There are no procedures for this policy. Questions may be sent to the Controller's Office at controller@sc.edu.

RELATED UNIVERSITY, STATE, AND FEDERAL POLICIES

South Carolina State Treasurer’s Office Investment Policy Statement
SC Code of Laws Sections 11-5-270, 34-6-40, and 59-153-340
Uniform Prudent Management of Institutional Funds Act

HISTORY OF REVISIONS

DATE OF REVISION	REASON FOR REVISION
10/1/2023	Policy creation