Related Board of Trustees Policy: BP 7.2
OPR: President
Approval: March 13, 2018
Revision:

FOUNDATION ENDOWMENTS

This procedure delineates standard operating practices with regard to Craven Community College Foundation endowment accounts. Individual endowment accounts may be customized as necessary to meet benefactor needs and desires and as approved by the President of the College.

New Scholarship Endowments

Endowment accounts incur administrative requirements for their respective creation, maintenance, investment, accounting, disbursement, and reporting. Therefore, the College refrains from creating accounts whose administrative burden is greater than the foreseeable benefit to students. In this regard, new endowments will typically include a minimal starting capital of $17,500 (excepting "endowment by installment" accounts), with a planned annual disbursement of $500. The President of the College may approve the creation of endowed accounts below this minimum based on unique benefactor desires or circumstances.

The Executive Director of Institutional Advancement will prepare a document ("agreement") to be signed by the new benefactor and the College outlining the nature of the endowment gift, acknowledging the benefactor's wishes for the use of the gift, the planned investment and disbursement of the gift, and arrangements for future communications and correspondence between the College, the benefactor, and successors.

New Endowment Disbursements

Endowment funds are invested according to long-term strategies established, monitored, and modified from time to time by the Craven Community College Foundation. In general, for endowment accounts created after the approval date of this Procedure, the minimum annual disbursement for current expenditures (e.g., scholarships) as specified in the agreement, will be the greater of the following:

- 80% of the prior year's annual investment proceeds with the remaining 20% reserved for capital accumulation.

- $500 per $17,500 increment of endowment capital.

This minimum disbursement formula allows the possibility of exhausting the endowment capital should there be multiple successive years of very poor investment performance. The Executive Director of Institutional Advancement will notify the benefactor, alternate designee, or successor when in his or her

judgment there is significant risk that the endowment may not be sustainable. The benefactor will be afforded the opportunity to supplement the fund as desired. The Foundation may also elect to allocate unrestricted funds to an endowment account to preclude or mitigate erosion of that fund's capitalization.

Older Endowment Disbursements

Disbursements from endowment accounts existing prior to the approval of this Procedure, will continue to be in accordance with the agreement made between the College and the benefactor. However, where practical, the Executive Director of Institutional Advancement will negotiate with endowment benefactor, alternate designee, or successor, to modify endowment terms to be consistent with the guidelines in this Procedure.

Endowment by Installment

The Executive Director of Institutional Advancement may seek long-term benefactors who might not have the resources to establish an endowment at the minimum investment level, but who are willing to make a long term financial commitment to establish an endowment over a period of years. The College may offer an "endowment by installment" opportunity to the potential benefactor.

- The benefactor agrees to an annual contribution to the endowment fund over a period of ten years. 25% of the contribution will be used for a current year scholarship and 75% will be invested in the endowment account.

  - *Example: A $2,000 annual contribution will yield a $500 annual scholarship, with $1,500 being deposited in the endowment account.*

- After ten years, contributions and interest earnings in the endowment account will likely have accumulated to be sufficient for permanent endowed funding of the annual scholarship. The College assumes a 3% average annual return on investment (ROI) in this calculation and will advise the prospective benefactor that the actual ROI will impact the timeframe necessary to reach full endowment level.

  - *Example: Assuming 3% average ROI in the foregoing example, the endowment account will have a balance of approximately $17,500 - $18,000 after ten years, meeting the minimum balance required in this Procedure for new endowment accounts.*

- The benefactor will have the option to increase annual contributions to achieve the minimum endowment level in a shorter time period, or to compensate for any lower than expected ROI.

- Should, for any reason, the benefactor discontinue contributions prior to the minimum endowment level being reached, the endowment fund will be converted to a scholarship account. Scholarships will then be awarded annually, in accordance with the original purposes and conditions established by the benefactor, until the scholarship fund is exhausted.

- The benefactor will have the option to make additional contributions to the endowment fund after reaching the minimum threshold for the purpose of increasing the annual scholarship amounts potentially available for disbursement.

Annual Reporting and Recognition

The College will provide to the benefactor or designated successor an annual report. The report will include, at a minimum, the fiscal year-end balance and ROI of the endowment account and an itemization of all contributions and disbursements. Scholarship recipients, to the extent allowable under the Federal Education Records and Privacy Act (FERPA), will be disclosed to the benefactor or successor. In general, scholarship applicants will be asked for their consent to release their information as part of the scholarship application process. Benefactors or successors will receive invitations to College scholarship donor recognition events as long as the endowment or subsequent scholarship account remains in effect.