



Policy Name:	Endowment Policy
Policy Number:	201
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I. PURPOSE

An endowment fund is an institutional fund or a part of an institutional fund that is not wholly expendable by the institution on a current basis. A restriction that makes a fund an endowment fund arises from the terms of a gift instrument.

II. TYPES OF ENDOWMENTS

- a) Permanent Endowment Funds - Funds where a donor has stipulated that the intent of the gift is that the original principal be maintained in perpetuity, with the income from this gift to be expended according to the Endowment Spending Policy adopted by the Board of Directors.
- b) Term Endowment Funds - Same as permanent endowment, except that by the terms of the instrument of gift, the gift principal might be released by the donor to permit all or part to be expended .
- c) Quasi-Endowment Funds – Funds for which the Foundation Board of Directors, rather than a donor, has determined specific restrictions and whether the funds are to be treated as permanent endowment or term endowment.

III. TYPES OF FUNDS

Endowments, like any other gift to the Foundation, may be restricted or unrestricted.

- a) Unrestricted endowment funds provide a consistent source of income to the El Camino College Foundation for its annual funding needs.
- b) Restricted endowment funds provide annual income for a specific donor designated program, service or scholarship. Establishment of restricted endowment funds is pursuant to the El Camino College Foundation Gift Acceptance Policy #401.

IV. FUND ESTABLISHMENT

- a) Minimum funding to establish a permanent endowment fund is \$25,000, which is anticipated to support a \$1,000 annual distribution.
- b) Payment may be immediate, or as a pledge with installments agreed upon in writing at the start of the fund. Pledge endowments must be fully funded within 5 years. Scholarships and other programs will not be awarded until the endowment

is fully funded. Limits may be modified for extraordinary circumstances. If pledge payments are missed for a significant period of time, the Board of Directors may elect to:

- A. Re-designate the fund as a current restricted fund which meets donor intent, OR
- B. Move the funds into the Foundation's general endowment fund.

Where possible, such a decision will be discussed with the donor or heirs before implementation.

- c) Income earned on installment endowments prior to the time the minimum endowment level is achieved shall be treated as temporarily restricted and assessed fees in compliance with the Stewardship and Gift Administrative Fees policy #204.

V. DISTRIBUTION POLICY

- a) A fundamental goal of any endowment is to produce a predictable income over time. Therefore, distribution of endowment earnings will be in accordance with the Investment Policy # 200, Appendix A, Endowment Spending Policy.
- b) Specific endowments may carry with them unique spending requirements. These must be approved by the Executive Committee prior to acceptance of such endowments.
- c) The established distributions from all endowments are based on a level payment rather than a constant buying power.

VI. RE-DESIGNATION OF ENDOWMENT

Over time, conditions may occur where original intent of the endowment is not possible or is impractical. Under conditions as defined by the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as enacted in California effective January 1, 2009 (CALIFORNIA PROBATE CODE - UPMIFA (January 2009) SECTION 18501-18510), the Foundation Board may choose to re-designate an endowment using one of the methods defined by UPMIFA.