

Endowment Giving Policies

DEFINITION

An endowment is created with a gift in which the donor's intent is to preserve the principal in perpetuity and spend the income only. This is commonly known as a "True" fund. "Term" and "Quasi" funds are two other forms of endowment that have evolved that retain the spirit of long-term investment and principal preservation, yet permit more flexibility as financial planning tools. Quasi endowments permit principal and income to be expended. Term endowments require that principal remain intact for a specified term, with only the income available for spending. After the passing of a specific event or time, principal may also be expended at the College's discretion.

GOVERNING AUTHORITIES

Three major authorities determine the College's rights and responsibilities in administering its endowment: legal, donor, and trustee.

1. The primary legal authority is the Uniform Management of Institutional Funds Act, adopted and enacted with some modification by the New Hampshire legislature in 1973. This statute establishes the parameters, subject to any donor limitations, in which the College can maintain, invest, and spend its endowment and other institutional funds. Other legal regulations, doctrines, and considerations affect the procedures and policies of the College in its endowment administration.
2. The donor can restrict the terms of an endowment by means of a "gift instrument," a document signed by the donor that states the donor's intent. The donor can intend a true, term, or quasi endowment, and may either restrict the income of that endowment to a specific purpose or allow the Trustees to direct the income for purposes determined at the College's discretion.
3. The third authority is the Board of Trustees of Dartmouth College. The Trustees have ultimate authority over the acceptance and maintenance of gifts, endowments, and investments. The Investment Committee of the Trustees, the President, and the Executive Vice President are authorized by the Trustees to oversee the administration and investment of the endowment.

GENERAL ENDOWMENT POLICIES

It is the policy of the Trustees of Dartmouth College to enhance its endowment by promoting practices that permit the most flexibility in long-term planning, utilization, and investment. Therefore, the College seeks endowment gifts that least restrict the purpose, administration, and the investment of principal. To further these goals, the College has developed the following policies that apply to endowments in the College and its three professional schools.

Designation

It is the Trustees' expectation that a donor designation to endowment is final. Once a gift is designated to that fund group, the donor's gift designation may not be changed, except under exceptional circumstances.

Gift additions

A gift addition to an existing endowment fund takes on the primary characteristic of the fund. Donors wishing to make a gift addition must be made aware of this policy if there is any indication that they have an expectation that is inconsistent with existing fund terms. Additions are not currently subject to a minimum amount.

Endowment purpose

The College encourages unrestricted endowment gifts because they provide the College with the most flexibility in its financial planning. However, donors may restrict the use of income for a specific purpose, given that the purpose is acceptable to the College.

Some purposes are not appropriate for endowment, for example gifts for the construction of physical plant or other purposes that do not involve long-term investment. If a donor has an expectation that their gift be invested for a near term (i.e., less than ten years) with a set expectation for liquidation, the gift would not be considered appropriate for endowment. Exception to this policy requires prior approval by the Executive Vice President. Other investment options may be available, depending on the ultimate designation of the gift. For more information on short-term investment options contact the Office of Endowment Administration.

Excessive or narrow restrictions on the use of the income and purposes that are difficult to administer, implement and/or monitor must be approved by the Executive Vice President or his/her designees in advance of the College's acceptance of the gift. Donor restrictions that require prior approval include the following:

- Narrowly defined purposes that are anticipated to create utilization problems. This could also include purposes not identified as fund-raising priorities, and those that are not budget-relieving.
- Returning income to principal. (It is the College's objective and expectation that annual endowment income be available to be fully utilized for purposes designated by donors.)
- Restrictions that require special monitoring and/or stewardship.
- Gift terms that require continued donor involvement in administering the fund; determining the use of income; or in the selection of award recipients or staff / faculty appointments.

If the donor wishes to restrict the purpose of an endowment, and the purpose is desirable to the College, Development staff should then encourage a description in the gift instrument that is as broad as possible. The broader the level of restriction, the more flexible is the use of the income by the College. The more narrow the restriction, the more likely its purpose will become obsolete, inappropriate, or impracticable. An alternative use provision is required for all new restricted endowments (see Documentation/ Language section below).

Some endowment purposes present unique considerations and challenges, and may be subject to specific guidelines beyond general endowment policy. Please reference the section on Additional Guidelines for more information.

DOCUMENTATION POLICIES

To establish an endowment fund the College requires a gift instrument with certain elements that is signed by the donor. The document must clearly identify which individuals have the authority to define the endowed fund terms. This documentation serves as evidence of donor intent, and helps to ensure the terms of the gift are clearly documented and followed. Development officers are responsible for ensuring that endowment agreements adhere to College endowment policies.

There are many types of gift/pledge agreements including, but not limited to, Statements of Understanding, donor letters, acknowledgments or institutional proposals counter-signed by the donor, wills, and trust agreements. In most cases, any of these formats is acceptable to document donor intent. In the case of a planned gift, if the original gift instrument contains language regarding the nature, use, restrictions, or any other aspect of the endowment, and the donor wishes to amend, amplify or clarify these terms, they should proceed to do so through the same means as the original gift instrument (i.e., by amendment). This helps to ensure that such changes comply with state and local laws and requirements. In general, a donor letter or Statement of Understanding is not sufficient to modify the terms of a will or other gift instrument, unless the donor simply wants to express additional preferences without imposing any specific obligations or otherwise changing existing terms. For more information, refer to the section on planned gifts, or contact the Gift Planning Office or Office of General Counsel.

The following elements are necessary in a gift or pledge agreement:

- Donor name and Signature (initials are not sufficient)
- Date of Donor's Signature
- Official Fund Name
- Fund Purpose
- Alternative Use Clause (if restricted)
- Amount of gift
- Required thresholds (if applicable)
- Excess income provisions (when appropriate)
- Disclosure of distribution, utilization & investment policy

Depending on the fund terms, the gift instrument may require additional elements. If the fund terms include any level of restriction, an alternative use clause must be included. The alternative use clause language is designed to allow the Trustees of Dartmouth College complete discretion to determine alternate purposes in the event the fund cannot be usefully applied for the original purpose. This policy applies to all new endowments, including those established for the benefit of the professional schools.

In the event the alternative use clause is employed, some donors may want to be involved in decisions regarding any future changes in the fund purpose. Under general endowment policy, donors may not require such control in the agreement, but they may express a preference that the College make reasonable efforts to consult with them during their lifetime, in the event the fund cannot be usefully applied to the original purpose.

All College prepared agreements must be signed and accepted by an authorized College Official. Some areas require approval by the dean or fiscal officer, while others may allow approval by the program director or primary staff development officer. Questions regarding approval should be directed to the benefiting area. The Office of Endowment Administration (OEA) recommends that only deans, directors, and development officers accept endowment gifts.

If a donor wishes to remain anonymous, the condition of anonymity should be included in the gift instrument. The donor's identity and signature is required in the gift instrument, which shall be treated as confidential in accordance with the College's normal policy and practice in handling anonymous funds.

If there is more than one document describing the endowment purpose and terms, then the instrument signed by the donor must incorporate a reference to the second document, and this second document must be dated and referred to by its date in the donor-signed instrument. More than one instrument signed by the donor should be avoided since it may inadvertently create ambiguity or conflicting terms.

Commitments to endowment are subject to the same documentation requirements as outright gifts to endowment, and they must also conform to policies for all pledges. For more information on commitment policies see Chapter 5.

The Office of Endowment Administration is available to answer questions or assist in developing language for endowment gifts. It is recommended that previously approved templates for statements of understanding be used whenever possible and completed drafts of endowed fund statements be then submitted to OEA before they are sent to donors for signing. Field staff or others drafting agreements should utilize templates available to them, and should contact the endowment registrar for additional review and the Gift Planning Office for life income trust fund language.

Policy for Changing Designated Purpose

The donor's right to restrict a purpose for an endowment occurs only at the time the endowment gift is received unless otherwise approved and specified in the terms of the gift instrument (see Undesignated Purpose below). It is College policy that once the College accepts the terms offered by the donor, the College is bound by them. However, on occasion the College may allow a donor to modify the terms of an existing endowment, particularly when the proposed revisions provide greater flexibility. The College's policy is to discourage donors from making changes that will further restrict the fund, or move the income distribution to a different area of the College (e.g., from Athletics to the Library). In the absence of a prior agreement allowing the donor to make such changes, the Executive Vice President must approve requests. This policy does not apply in the case of a deferred gift agreement for an eventual endowment.

Undesignated Purpose & Reserving the right to designate a more specific purpose

If the donor would like to establish an endowment but cannot decide on a purpose at the time of the gift, the donor may reserve the right to designate the purpose of the fund during his/her lifetime, provided that the final designation is one acceptable to the College. Until such time as the donor designates a final purpose, the endowment's income will be used to support the College's general purposes. If the donor intends to ultimately benefit one of the professional schools, the income until designation will be available for the general purposes of that professional school. If/when a final designation is made, additional documentation will be required. In the event a more specific designation is not made during the donor's lifetime, the income will continue to support, in perpetuity, general purposes designated at the discretion of the College.

Questions regarding documentation requirements and specific language for agreements that permit the donor to reserve the right to designate a purpose at a later time should be directed to the Office of Endowment Administration.

In some cases, a donor may want to initially restrict income to a general area of the College (e.g., the Arts and Sciences), but may wish to retain the right to determine a more specific use of income at a later time. This arrangement is generally acceptable. However, such requests shall be considered on a case-by-case basis, and under normal circumstances, donors should be encouraged to make a final decision at the time of the gift.

ENDOWMENT FUNDING LEVELS

The Trustees of Dartmouth College have approved several thresholds for endowed funds. The College requires a minimum amount to establish an endowment, and various other levels are required for specific purposes (e.g., scholarship, professorship, fellowship, etc.).

The objectives in establishing these thresholds are 1) to encourage gifts by providing donors with a variety of important giving opportunities, and 2) to ensure that endowments sufficiently provide annual spending amounts which cover the estimated costs of the program/purpose they support, both at the time they are established, and in the future.

The College requires that endowment levels be achieved with donor additions only (primarily gifts). Accumulated earnings, retained as part of a fund's market value, are not counted towards reaching these levels because they are already counted on to help preserve the long-term purchasing power of the endowment, and are available for spending in current and future periods as needed. Accumulated earnings can also fluctuate over time with changes in the market; while gift principal generally remains intact in perpetuity, and therefore can be relied on to provide a stable source of income. Fund additions designated by the College, such as Trustee matches or income returned to principal, also do not count towards meeting endowment thresholds.

The College's policy requiring that endowment levels be achieved with donor additions helps to ensure that the College treats all donors in a fair and equitable manner in recognizing their generosity, and also helps to ensure that funds remain at a level sufficient to support their designated purpose.

Contact the Office of Endowment Administration for a list of current endowment thresholds. These thresholds apply to endowments at the professional schools, except when noted otherwise. Questions regarding appropriate funding levels for specific purposes not included should be directed to the Dean of the benefiting division or professional school.

ADDITIONAL GUIDELINES

Some endowment purposes are subject to internal guidelines beyond the standard College policies for endowments. Questions regarding these requirements and other special considerations should be directed to the benefiting areas or the Office of Endowment Administration.

Following are some examples:

Multi-donor endowments

Multi-donor endowments are funds established with gifts from several or many different donors. In some cases there is a commitment from at least one of the donors to bring the contributions to the required level for an endowment. In other cases, however, there may be no formal commitment, only an expressed effort and desire to reach endowment level. Because of this, multi-donor funds can present unique considerations. The primary challenges are to ensure that 1) there is adequate documentation of donor intent, 2) the terms contain all the required elements, including an alternative use clause, and 3) the designation of purpose and fulfillment of required funding levels are completed in a timely manner.

As with all new endowments, the College requires documentation of donor intent, including a College acceptable purpose and alternative use provision. This can be in the form of a donor signed Statement of Understanding, or if gifts are made in response to solicitation, the solicitation material can serve to document the donors' understanding. For sample language see the following Section on Multi-donor Memorial Funds.

Donors must contribute a combined amount sufficient to meet the threshold required for an endowed fund. In the absence of gifts and commitments meeting such levels, the College will generally allow a two-year time frame from the date of the agreement in which donors may try to raise the required gifts and commitments, but an alternative non-endowment designation must be in place in the event that gifts and commitments do not reach endowment level within the two-year period. Donors should be made aware of this policy at the time of their initial gift/commitment. Commitments may be paid off over a five year period from the date the commitment is made (the current timeframe allowed for all commitments).

Scholarship Funds

The College requires a minimum gift amount to establish an endowment for general scholarship support. Endowment gifts that provide higher levels of scholarship support may be recognized by naming a student scholar(s). Please contact the Office of Endowment Administration for more specific information on the amount required to name a scholar(s) and for a template Statement of Understanding with required language.

Income from endowed scholarships supports students with financial need. Named scholars are selected, based on the donor's stated preferences, to recognize that donor's support of Dartmouth's financial aid program and to provide a personal connection to an institutional priority. Preferences cannot be accepted if the gift is below the level required to name a scholar. Stewardship is provided to the donor annually on his/her named scholar(s). The College does not accept restrictions on the particular type of named scholar, only preferences, and donors should be encouraged to make preferences broad enough for a student to be identified each year who meets the specific qualifications.

Students receiving named scholarships receive a small increase in scholarship aid, and a small decrease in student loans. Donors that contribute at the "full scholarship" level will be providing a fund that is anticipated to "fully meet the average need of a named scholar," however, the individual student receiving the named scholarship may not feel an added benefit when the fund grows from a named scholarship to a full named

scholarship. The size of the contribution does, however, benefit the student indirectly because it helps the College to maintain a "needs-moot" admissions policy, which ensures that all admissions decisions at the College are made without regard to the financial circumstances of applicants, and that 100 percent of a student's demonstrated financial need will be met for all four years of enrollment.

As part of the procedures for managing named scholars, a Scholarship Information Sheet is required. This form is maintained by the Donor Relations Office and provides instructions to the Financial Aid Office as to the specifics regarding each named undergraduate scholarship. The Financial Aid Office requires that this information sheet be completed before it will name the first scholar. It is the responsibility of primary staff to complete the Scholarship Information Sheet when gifts reach naming level and to send it to the Donor Relations Office. When no primary staff is assigned, the Donor Relations Office will assume responsibility. If scholarship gifts are received as a bequest, the Office of General Counsel shall notify the Office of Gift Planning and the Donor Relations Office to ensure the scholarship information sheet is completed. Questions regarding this form should be directed to the Donor Relations Office.

Professorships

Endowed professorships can be established within the Faculty of Arts and Sciences at the College, or for the benefit of one of its three professional schools. Endowed professorships typically provide support for compensation and a research stipend. They are designed to recognize and reward members of the faculty whose teaching is true to the highest standards of Dartmouth's educational mission.

Endowed Professorships may be devoted to a specific academic discipline or department, but ideally these will be expressed as preferences rather than restrictions. The College encourages professorships that may be appointed to worthy candidates in any field of study. Any restrictions must be broadly defined. Professorships can support existing faculty positions or new faculty positions, and endowments may also be created for directorships of centers or programs.

Agreements for new endowed professorships must include provisions to address the possibility of excess income and the use of income during short periods when the Chair is vacant. Exceptions to this policy must be approved by the Executive Vice President. These provisions are designed to allow the College to fully utilize the fund's income and cover costs of faculty support during periods of vacancy. The following language is just one example.

Should the endowment fund generate income in excess of that needed to support the costs of the incumbent chairholder, or if the chair is vacant until a distinguished holder can be appointed, then the Dean of _____ may use the income to benefit the teaching mission of the ___<benefiting area>__.

Giving level requirements may vary, along with approval policies for the establishment of all new professorships.

Dartmouth Athletics Endowment (DAE) funds

In 1992 the College established the "Dartmouth Athletics Endowment" (DAE) as a giving opportunity under the Will To Excel Campaign. The DAE was designed to increase permanent support for the general purposes and priorities of the Department of Athletics, including both intercollegiate and recreational programs. Donors may

establish separate endowments within the DAE umbrella, or may add to an existing fund. Under the DAE guidelines, donors creating new funds may express a preference for a specific sport, but may not restrict the income to a specific sport. A further preference for a gender specific sport is also permissible. However, donors should be encouraged to keep preferences open to both men's and women's programs because under Title IX the College needs to exercise equitable allocations to men's and women's athletics, and this is easier to manage when preferences are not gender specific. Exceptions to the DAE guidelines must be approved by the Director of Athletics.

Prize Funds

The College administers approximately 300 undergraduate prizes and awards based on merit. Prizes and awards are established by individual or multiple donors, or by departments or programs to give special recognition to students or faculty for excellence or achievement. A prize might consist of a cash award, a voucher for books, a trophy, or a name engraved on a plaque. Most prizes are supported by restricted endowment income, but some are funded by current use gifts and departmental funds.

New endowed prizes are currently undesirable for a number of reasons. They typically create administrative overhead and are not budget relieving. Endowed prize funds grow over time and often produce income in excess of an appropriate award amount, and in most cases the excess income is unusable due to restrictions on the fund. Some existing prizes have donor restrictions on the specific amount or purpose of the prize such that they have become impractical, obsolete, or inappropriate to award.

The College does not encourage soliciting more prize funds, but recognizes that they can be important to students, departments, and some donors. The establishment of new endowed prize funds will be considered for approval on a case-by-case basis. If a donor expresses a strong interest in establishing a prize fund, and cannot be persuaded otherwise, please contact the Office of Endowment Administration. To qualify for a possible exception, there must be support from the area that will have to administer the prize, and there must be a perceived need for the prize. If sufficient prize opportunities already exist, approval will not be granted. Additionally, the terms of the prize must be broadly defined, including provisions allowing flexibility in the administration and selection process, and flexibility to adjust the award amount and number of awards in any given year. Income in excess of the award amount must be available for general budget relieving purposes in the area administering the prize, and an alternative use clause must be included. There may be other factors to consider when designing the fund terms. For example, the NCAA (National Collegiate Athletics Association) prohibits cash awards to student athletes, so the Athletics Department does not award cash. Additionally, prizes are taxable income to the student; therefore, a large cash award could affect the financial aid package of a non-senior student.

The Office of Endowment Administration must be contacted prior to acceptance of any new endowed prizes, and in some cases, approval from the Executive Vice President may be required.

Maintenance Endowments

Maintenance endowments may be established in conjunction with construction of a new facility. In some cases they are funded with a portion of a significant contribution or bequest from a single donor, but more commonly, they are funded with a portion of sundry donor gifts raised in support of a new facility.

As with all new endowments, donor designations for maintenance endowment must be documented, and the terms must include an alternative use clause, and an additional provision addressing the use of the fund beyond the life of the building. Depending on the nature of the funding, this can be achieved through a donor-signed agreement, or by solicitation material distributed to potential donors. In some cases, however, further documentation may be required to support donor intent. Contact the Office of Endowment Administration for an approved facility project Statement of Understanding.

The following is an example of language that may be used in solicitation material to multiple donors.

The Trustees of Dartmouth College may elect to designate a portion of the gifts for construction of the <Name> Building to quasi endowment. Income and principal will be used to provide continued support for building operations and maintenance, as needed during the life of the building. Thereafter, the fund shall be used, in whole or in part, for another purpose determined at the discretion of the Trustees to most closely approximate the original intent of the gifts.