

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 Dartmouth College's discretion.

GOVERNING AUTHORITIES

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

1. The primary legal authority is the Uniform Prudent Management of Institutional Funds Act, adopted and enacted with some modification by the New Hampshire legislature in July 2008. This statute establishes the parameters, subject to any donor limitations, in which Dartmouth 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. Donors 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 distribution of that endowment to a specific purpose or allow the Trustees to direct the distribution for purposes determined at Dartmouth 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 for Finance & Administration 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, Dartmouth College seeks endowment gifts that least restrict the purpose, administration, and the investment of principal. To further these goals, Dartmouth College has developed the following policies that apply to endowments at the undergraduate College and its professional schools.

Designation

It is expected that a donor designation to endowment is final. Once a gift is designated to an endowment fund, the donor's gift designation may not be changed.

Gift additions

A gift addition to an existing endowment fund takes on the terms of the fund. Donors wishing to make a gift addition must be made aware of this policy. Additions are not currently subject to a minimum amount.

Endowment purpose

Dartmouth 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 will 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.

Documentation policies

To establish an endowment fund, Dartmouth College requires a gift instrument with certain elements approved and signed by the donor. The document must clearly identify which individuals have the authority to define the endowed fund terms and all restricted endowments must have an alternative use clause. This documentation serves as evidence of donor intent, and helps to ensure the terms of the gift are clearly documented and followed.

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.

Dartmouth 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 Dartmouth College, such as Trustee matches or income returned to principal, also do not count towards meeting endowment thresholds. Dartmouth's policy requiring that endowment levels be achieved with donor additions helps to ensure that Dartmouth 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.

Effective Date: September 2011

Approved or last revised date: **October 2017**

Responsible Offices: Endowment Administration, Controllers Office