UNIVERSITY OF SOUTH CAROLINA

Controller's Office Endowment Training

November 3, 2021

Today's Agenda

- What is an Endowment
- Types of Endowments
- How the Money is Earned
- Principal vs. Spendable
- How to View Endowment Balances in the Finance Intranet
- Chartfields/Fund Types
- Endowment Compliance
- Where to Find Resources
- Contact Information

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What is an Endowment

An endowment at the University of South Carolina is a permanent gift, an investment that gives back to the university forever.

Endowment funds are managed to provide a permanent source of income to support the educational mission of the university. The endowment, a set of pooled assets, is generally composed of many individual funds and is invested in a purposeful and accountable manner in order to generate income that:

- honors the donors' intended purposes for their gift;
- supports the operating budget of the institution; and,
- is reinvested to protect the value of the endowment against inflation.

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Types of Endowments

Endowments also come in specific models - each designed to maximize the effectiveness of the endowment in question. Here's a closer look at each endowment type:

- **An unrestricted endowment**. This form of endowment enables the recipient organization to spend an endowment's proceeds as it sees fit - there are no restrictions, as the name indicates.

- **Restricted endowments**. With this endowment model, funds (i.e., the principal) are held in the endowment in perpetuity, and the endowment interest is used to further the organization's cause, via instructions by donors.

- **A quasi-endowment.** This is a donation by an individual or institution, given with the intent of having that fund serve a specific purpose. The principal is typically retained while the earnings are expended or distributed per specifications of the donor. These endowments are usually started by the institutions that benefit from them via internal transfers or by using unrestricted endowments already given to the institution. Some quasi endowments designate all or a portion of earnings back to principal.

Note: Please contact the Foundation regarding any endowments held outside the University.

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Endowment Designations

Scholarship Endowments

- A list of active scholarships is maintained by Financial Aid
- Financial Aid distributes the scholarship information to the departments to notify of amount available for award
- Recipient selection will be made at the discretion of the awarding unit and in accordance with guidelines that may have been specified by the donor of the specific fund
- Department provides a list of recipients to the Financial Aid Department

E and L Fund Endowments

- Departments have access to and determine how the spendable money will be used
- Can be used as soon as it's earned

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How the Money is Earned

The monthly interest allocation is based on the market rate. All endowment income is invested at the state level. Interest is earned on both the principal and the spendable.

Unused spending allocations are carried forward to be used in subsequent years. Investment return in excess of the spending allocation is retained within the endowment, increasing its size over time, therefore increasing the amount of support generated for the donor's specified program.

Earnings added to the fund fluctuate with the markets. Although the portfolio is well diversified, some investments might occasionally lose value.

Fluctuations in your spending will also cause fluctuation in the amount earned. For example, increased spending will reduce the amount of earned interest.

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Principal vs. Spendable

Principal: the gift made to establish or increase an endowment as well as other additions made to the endowment. The corpus of a permanent endowment is held in perpetuity. It's meant to remain intact to stabilize the endowment going forward. (Controller's Office)

Spendable: the interest earned on an endowment fund that can be used to fund causes, projects, and operations. (Department)

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How to View Endowment Balances in the Finance Intranet

To view endowment balances, use GL Summary in the Finance Intranet.

GL Summary

(PROJECT LIKE 'E0000080%' OR OLD_PROJECT LIKE 'E0000080%') AND substr('000' || a.FP, -3,3) <= '004'

GL-Current [OPEN] as of 10/26/2021 03:24	Actual Open Balance	Life to Date Budget	Current Month Actual	Fiscal Year Actual	Life to Date Actual	Pre Enc.	Enc.
10300 DUE TO/DUE FROM CLAIM ON CASH	122,505.73			4,929.35	127,435.08		
11252 4966-USC ENDOWMENT INCOME	75,930.37				75,930.37		
1 ASSET	198,436.10			4,929.35	203,365.45		
32000 ALLOCATED FUND BALANCES	198,436.10				198,436.10		
3 FUND BALANCE	198,436.10				198,436.10		
45130 INVESTMENT INCOME				1,491.75	1,491.75		
45131 ENDOWMENT INCOME				3,437.60	3,437.60		
4 REVENUE				4,929.35	4,929.35		
LP000 ENDOW SPENDABLE L FUND	198,436.10			4,929.35	203,365.45		
LP000 ENDOW SPENDABLE L FUND	198,436.10			4,929.35	203,365.45		

GL Summary

(PROJECT LIKE 'E0000080%' OR OLD_PROJECT LIKE 'E0000080%') AND substr('000' || a.FP, -3,3) <= '004'

GL-Current [OPEN] as of 10/26/2021 03:24	Actual Open Balance	Life to Date Budget	Current Month Actual	Fiscal Year Actual	Life to Date Actual	Pre Enc.	Enc.
11254 4967-ST TR ENDOWMENT PRINCIPAL	407,755.96				407,755.96		
1 ASSET	407,755.96				407,755.96		
32000 ALLOCATED FUND BALANCES	407,755.96				407,755.96		
3 FUND BALANCE	407,755.96				407,755.96		
VPE00 ENDOW PERM OPERATING	407,755.96				407,755.96		
VPE00 ENDOW PERM OPERATING	407,755.96				407,755.96		

How to View Endowment Balances in the Finance Intranet

Chartfields/Fund Types

Fund	Fund Type
VP000	Principal Permanent/Controller's Office
VQ000	Principal Quasi/Controller's Office
SRP00	Restricted Permanent Scholarship/Financial Aid
SRT00	Temporarily Restricted Scholarship/Financial Aid
SRQ00	Scholarship Restricted Quasi/Financial Aid
SUQ00	Scholarship Unrestricted Quasi/Financial Aid
LP000	Restricted Permanent/Department
LQ000	Restricted Quasi/Department
EQ000	Other Unrestricted Quasi/Department

Endowment reporting will be made available in the future.

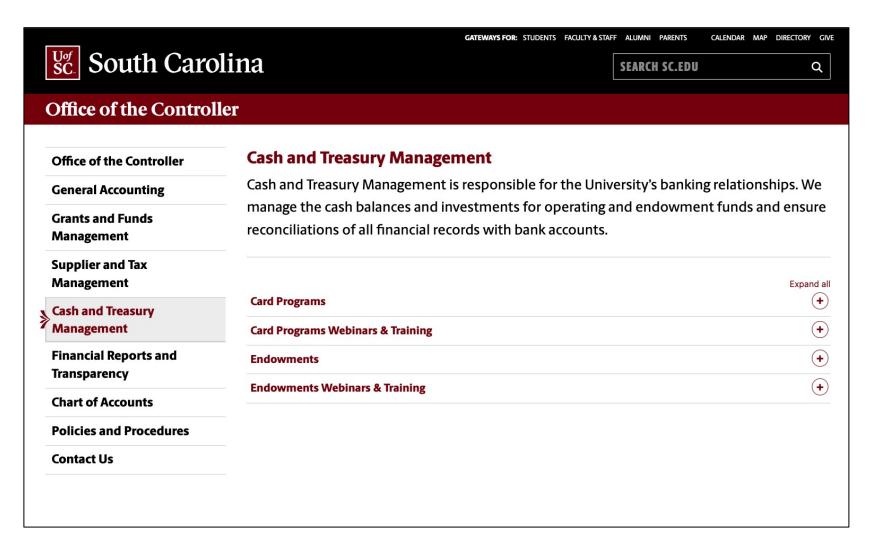UNIVERSITY OF
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Endowment Compliance

All endowments are audited each year to make sure we are spending based on the purpose of the endowment.

Contact Melinda if you are unsure of the terms of the endowment.

If you overspend the spendable portion, be sure to make whole by the the end of the year.

Where to Find Resources

Contact Information

For questions regarding **Scholarships**, please contact Financial Aid.

For questions regarding **Endowments (L and E Funds)**, please contact Melinda Craft MLCRAFT@mailbox.sc.edu.

For questions regarding Endowments held outside of the University, contact Foundations.

For all other questions, please contact the Controller's Office controller@sc.edu.

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QUESTIONS

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