ENDOWMENT

DEFINITIONS

Endowment: A fund established with a gift or gifts from one or more donors to Clemson University or the Clemson University Foundation (CUF) to be invested in order to generate financial support for a purpose or purposes mutually agreed to by Clemson and the donor(s). The actual gifts from the donor(s) form the "corpus" and are not intended to be spent; rather, only a portion of the "total return" is spent, based on the "spending policy." An endowment's total return includes both earnings and market appreciation.

Fund Agreement: The written and signed document stating the mutually agreed-upon purpose or purposes for which a specific endowment's budget can be spent. The budget cannot be spent for purposes not included in either the fund agreement or donor-approved amendments to the fund agreement.

Corpus or Principal: The gift(s) made to establish or increase an endowment, as well as any other additions made to the endowment. The corpus of a permanent endowment is held in perpetuity. The principal is invested according to investment policy, and only a portion of the total return may be expended to carry out the donor's purpose.

Spending Policy: The rules governing how much of an endowment's total return will be made available for spending in a given fiscal year. For example, the spending policy might say the annual spending allocation will be equal to 4 percent (4%) of the endowment's average market value over the most recent three-year period. The 4 percent (4%) is known as the "payout rate." The payout rate is decided on an annual basis by the CUF Board of Directors for the Clemson University Foundation and Clemson University endowments.

Additionally, an endowment is assessed an administrative management fee that is utilized in securing, raising, investing and administering endowment funds in accordance with policies and procedures of the Clemson University Foundation in effect at the time. The annual fee (currently 1.25%) is assessed on a quarterly basis to the beginning market value of the endowment.

State law governs the management of institutional funds. UPMIFA rules govern investment of the funds of charitable organizations and total return expenditure of those funds.

FAQ

How soon can the program area receive annual income from the endowment?
First, the endowment must meet any minimum requirements set forth in its fund agreement or by financial policy. If there are no minimum requirements, a payout will be generated for the second fiscal year after the endowment was created. If there are minimum requirements, a payout will be generated for the second fiscal year after the requirements are met. In other words, an endowment created and/or meeting all of its minimum requirements in fiscal year one would have a payout for fiscal year three.

When will my endowment generate a full budget?
Market factors greatly influence when an endowment will generate a full budget. Generally, an endowment's payout is calculated seven months in advance of spending, based on the three-year average fund balance of the endowment. The three years that are used for the calculation are the three fiscal years prior to the time of the calculation. Therefore, a full payout will be generated in the fifth year after an endowment is fully funded. For this reason, many donors provide annual gifts to supplement the purpose of their endowment for this interim period.

What can I expect Clemson to do for me?
Two fundamental responsibilities accompany being the beneficiary of an endowment: (1) the responsibility to use the funds for the purpose(s) for which each endowment was established; and (2) commitment to appropriate stewardship, which entails communications with donors regarding how donations are making an impact on students and faculty. These responsibilities apply particularly to the specific department/unit and individuals benefiting from an endowment, since donors expect to hear from those who are most directly benefiting from the funding being provided.

On an annual basis after the close of the fiscal year, the Clemson University Foundation's Office of Donor Services prepares and mails endowment statements to the endowment's designated contact.

Donor stewardship is of the highest priority to Clemson University and the Clemson University Foundation. We welcome your questions and strive to provide you, the donor, with relevant and current information regarding the impact of your endowment.

Endowments are based on this premise:

A sum of money is given to the University. That money is then invested and a portion of the earnings from that investment is used to pay for teaching, research, student assistance and a host of other academic programs and activities. The original gift (or corpus) remains in investment, providing a continuing source of income for University funding.

GIVING TODAY TO ENSURE THE FUTURE

Endowment provides perpetual support. It is financial stability. It ensures the future. And it supports the students, faculty, programs and activities that make Clemson a solid, successful university. Endowment is critically important to the future of Clemson University in every way.

What is an endowment?

The word "endowment" may be confusing because it is often used to refer to the total value of an institution's investments. However, "endowment" is also a term that refers to the unique funds that make up that larger endowment. Individual endowments are created by a gift to Clemson University or the Clemson University Foundation that is to be invested in order to generate financial support for the University. Endowments may be established by one or more donors, and may be unrestricted or restricted by the donor to a specific use. These individual endowments stand like financial foundation pillars for Clemson University.

At Clemson, endowments are established for a myriad of reasons. They may honor sacrifice, friendship, special family relationships, shared passions or devotion. And they may provide scholarships, professorships, programs or unique educational opportunities. But whatever the motivation or designation, endowments all have one thing in common — they provide permanent financial stability for the University's future.

Endowment vs. expendable gifts

Clemson values every gift, and every gift fills a vital need. There is, however, a difference in the speed of return and long-term value of an expendable gift versus an endowment.

Expendable gifts: These immensely valuable funds allow the University to meet immediate needs such as urgent faculty, staff or student needs, facility or technology construction and upgrades, or any of the multitude of needs that may require rapid response on a modern university campus. With an expendable gift, the funds are not invested for long-term growth. They are spent on a designated effort within a designated period — generally within the year the gift is given.

Endowment: Because endowments spend only a portion of the total return — not the funds (corpus) that formed the endowment — they are particularly valuable to the long-term stability of the University for planning. And because endowments often fund scholarships, fellowships and chairs or professorships, they are vital for recruiting faculty, staff and students at a top-quality university.

ClemsonForward will position Clemson for the next 50 years and make an impact on real issues facing the people of our state and nation. Clemson Forever supports the goals of ClemsonForward through its unrelenting mission to strengthen the University by building a solid financial base of private giving, providing exemplary stewardship of those gifts and clearly communicating to donors the impact of their gift and the gratitude of the Clemson Family.

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The need and the competition grow

Through generous donations to the Will to Lead campaign, Clemson was able to grow the University endowment to a total today of $648 million. But the University is not keeping pace with other similar public universities in this race for a strong financial endowment. *The Chronicle of Higher Education* lists these endowments for area universities in 2015:

University of North Carolina-Chapel Hill.......$3 billion
Georgia Tech..$1.9 billion
University of Florida....................................... $1.6 billion
University of Georgia.......................................$1 billion
North Carolina State University.......................$984 million
Virginia Tech..$817 million
Clemson University...............................$648 million
University of South Carolina...........................$625 million

Clemson has set ambitious goals for the future. And with state support at 13 percent for 2014-2015, private support has never been more vital. Endowments are urgently needed to

- fund scholarships and fellowships for deserving students;
- attract renowned faculty;
- consistently improve educational quality; and
- move Clemson toward the goal of becoming a top-20 university.

Your investment in Clemson's future

The opportunity to make a gift that lasts far into the future is rare. But that is exactly what an endowment does. Establishing your endowment now or through a planned gift can create untold opportunities for future generations of students. It can draw some of the world's top teachers and researchers to Clemson. It can build new initiatives. It can honor someone in your life. And it can give the University the fuel it needs to soar through good times and bad.

HONORING THROUGH ENDOWMENT

College roommate, fraternity brother and lifelong friend Steve Hutchinson '68 created an endowed scholarship to honor Jimmy Addison '68, the man he calls a "blood brother." In honoring the guidance and unwavering support of his friend, Hutchinson created the James W. "Jimmy" Addison '68 Scholarship Endowment through an initial investment and a charitable remainder unitrust with the endowment as a beneficiary. Hutchinson's gift will guarantee that generations of Clemson students share the gratitude — and the generosity — he feels.

BUILDING CAMPUS LIFE THROUGH ENDOWMENT

David and Cindy Lowery understand that philanthropy is passed on by positive models. Their generosity led to the establishment of the Mr. and Mrs. David D. Lowery Family Scholarship Endowment. The unrestricted, universitywide scholarship fund awards scholarships to deserving students as the need arises. And because the Lowery family wanted to make an immediate impact on students, they chose to supplement their endowment gift with an annual gift that awards scholarships every year as the endowment matures. Clemson students benefit from the positive results both immediately and into the future through this family's generosity.

FUNDS AT WORK

The often complex world of endowments can best be explained through an example. Below is an example of an endowment fund that is established at the current minimum of $25,000, paid in three annual installments: $10,000 year one, $10,000 year two and $5,000 year three.

Fiscal Year	FY1	FY2	FY3	FY4	FY5	FY6	FY7	FY8
Gifts	$10,000	$10,000	$5,000	–	–	–	–	–
Growth	–	$1,050	$1,649	$1,939	$2,020	$2,088	$2,152	$2,216
Payout Allowed	–	–	–	–	($783)	($1,045)	($1,176)	($1,232)
Market Value	$10,000	$21,050	$27,699	$29,638	$30,875	$31,918	$32,894	$33,878
Calculated Payout					$783	$1,045	$1,176	$1,232
Corpus Balance	$10,000	$20,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000
Appreciation Balance		$1,050	$2,699	$4,638	$5,875	$6,918	$7,894	$8,878

Assumptions
Net Return* 7.00%
Payout Rate 4.00%

Provided for illustrative purposes only.

*Net return reflects the return of the portfolio after investment fees as well as a Foundation-assessed administrative management fee. The administrative management fee is utilized in securing, raising, investing and administering endowment funds in accordance with policies and procedures of Clemson University Foundation in effect at the time. The net return shown does not necessarily reflect the Foundation's return objectives, expectations or forecasts of future returns on investments. Results will vary based on policies, timing and other economic factors.

Types of Endowment Funds

Permanently Restricted Endowment: An endowment created by a donor to exist forever.

Term or Temporarily Restricted Endowment: An endowment created by a donor to exist for a specific period of time or until the occurrence of a specified event. For example, the donor may authorize the fund administrator to allow a portion of the corpus or principal to be used to launch a new program or to improve a program.

Quasi or Unrestricted Endowment: A fund established by the board to function as an endowment. The board has authority to determine the use and may terminate the fund at any time.

Parts of an Endowment

As mandated by accounting standards, each endowment fund is divided into three components:

- **Corpus/Principal:** All gifts to the endowment and any other additions made to the endowment on a permanent basis.
- **Appreciation:** The endowment's total return (earnings plus gain or loss in market value).
- **Spending Project:** The amount of money available to be spent for the endowment's agreed-upon purpose(s). Each year, a payout is calculated based on the approved payout rate. The payout amount is transferred from Appreciation to Spending. If the payout is not fully spent, the remainder is available in subsequent years. Funds in Spending do not earn interest for the endowment.

CLEMSON UNIVERSITY