Establishing an Endowment at Eastern Nazarene College

Discover your purpose

What is an endowment?

An endowment is a group of funds that have been donated to a tax exempt organization so that the earnings on the funds can be used to advance its charitable, religious, or educational mission as long as the charitable organization exists.

Different types of endowments:

- **Scholarships** – Financial Aid makes awards to students who meet a certain criteria established by the donor. The minimum endowment level for a scholarship is $10,000 (see Time Frame for Funding a Scholarship Endowment below). Endowed scholarships are often established in memory or honor of a person or in the name of a family, though this is not always the case.
- **Lectures** – An appointed academic department uses the endowment funds to host lectures on campus. Experts on a designated topic are invited to speak for a lecture series, which is advertised and open to the ENC community. The minimum endowment level for a lecture series is $50,000.
- **Professorship** – A professorship is established to pay the salary of a professor in a given academic department. The minimum endowment level for a professorship is $750,000.
- **Endowed Chair** – This type of endowment is established to pay the salary of the chair of a chosen academic department. The minimum endowment level for an endowed chair is $2,000,000.

Important terms:

- **Fiscal Year**: For Eastern Nazarene College, the fiscal year is July 1 – June 30. The date assigned to the fiscal year, is the *ending* year. For example, fiscal year 2010 (abbreviated as FY10) is July 1, 2009 – June 30, 2010.
- **Principal:** The sum of any/all funds given to the endowment fund. These funds remain intact and are not used unless special permission or instruction is given by the donor or assigned representative. The principal amount is used to generate growth on the endowment fund.
- **Growth:** A percentage of funds allocated to the endowment based upon the principal in the endowment fund. The Board of Trustees determines an annual percentage by which to grow endowment funds. The growth, along with the sum of the principal, is used for the purposes of calculating the amount available to use from the endowment. Growth is not considered part of the principal and is not the same as the available amount.
- **Available Amount:** The amount calculated to be disbursed from the endowment.
- **Award:** The amount offered to students for scholarship endowments.

ENDOWED SCHOLARSHIPS
Terms and Conditions

Establishing a Scholarship Endowment:

- The first step to starting an endowed scholarship is to contact the Development Office of the College. The contact information for the Development Office is:
    - Phone (toll-free): 866.480.2291
    - Email: development@enc.edu
    - USPS: Development Office
      Eastern Nazarene College
      23 East Elm Ave
      Quincy, MA 02170

- An informational packet will be sent to you with a Scholarship Worksheet for you to fill out and sign.
- Once we have received the Scholarship Worksheet and an initial gift from you (see Time Frame for Funding below), the parameters will be entered into an official Scholarship Agreement. Two official copies of the Scholarship Agreement will be sent to you to sign; one to return and one to keep for your files.
- Upon receipt of the signed Scholarship Agreement, the criteria will be entered into the database and Financial Aid will be notified that the scholarship has been established.

Time Frame for Funding a Scholarship Endowment:

- An initial gift of $1,000 is (or several initial gifts totaling $1,000 are) required when the Scholarship Worksheet is submitted to begin the process of scholarship endowment. An account will be created and a name will be designated to the Scholarship Fund at that time.
- The remaining balance of $9,000 must be paid within five (5) years of the signed date on the Scholarship Worksheet.
- If at any time during the endowment process it has been determined that it is no longer possible to reach the $10,000 mark, the donor is responsible for notifying Eastern Nazarene College. If the scholarship does not reach the fully endowed level of $10,000 within five (5) years of the signed Scholarship Worksheet, the funds will be folded into a scholarship of similar nature for awarding. A list of similar scholarships and criteria may be provided to the donor upon request.

Determining the Award Amount for a Scholarship Endowment:

- Once the scholarship has reached the fully-funded level of $10,000, the investment policy implemented by the Board of Trustees states that it must sit for one *full* fiscal year (July 1 – June 30) before it is able to be awarded. For subsequent years, the scholarship endowment is allocated growth at a percentage level (target: 4%) determined by the Board of Trustees on an annual basis.

*What this means: The growth percentage is determined annually based on the availability of funds from capital gains, and in some cases, the operating budget. When funds are available, a certain portion of funds is used to grow all of the scholarship endowments by the determined percentage. For example, if a scholarship fund is at $10,000, and is allocated funds by the 4% target, it would experience growth of $400, which would be added to the scholarship growth account for the following fiscal year. Note that the *growth* amount is not equal to the *award* amount.

- ENC's Foundation is responsible for managing ENC's endowment. The Foundation's Investment Policy Statement reads, "It is ENC's policy to distribute annually 5% of a trailing three year average of the fund balances associated with the endowment, such as scholarships, with the understanding that this spending rate plus inflation will not normally exceed total return from investment."

  *What this means: Endowed scholarships are awarded at five percent; however, that figure is not based upon the current fiscal year fund balance. Instead, it is based upon taking the total of the fund balances for the three *previous* fiscal years and dividing by three in order to calculate the average balance during that three-year period. The award is based upon five percent of that dollar amount.

Example: *"ENC Example Scholarship"*

ENC Example Scholarship	Balance 6/30/06	Balance 6/30/07	Balance 6/30/08	3-yr Total	3-yr average	5% award for 09-10
Principal	$10,000	$20,000	$50,000	$80,000		
Growth (4%)	*	$400	$816	$1,216		
Total	*$10,000*	*$20,400*	*$50,816*	*$81,216*	*$27,072*	***$1,354***

- *Assumes the scholarship reached fully-endowed status in FY06 (July 1, 2005 – June 30, 2006); therefore, there is no growth allocated from the previous year.
- The first row shows the principal and the second row shows the growth amount based upon June 30 of the previous year (end of the previous fiscal year).
- A total of **$1,354** would be awarded for school year 2009-10 (which would fall in fiscal year 2010). The trailing three-year average takes the average balance from the previous three fiscal years ($27,072 in this example) and is multiplied by five percent to achieve the award amount.

For more information, contact our Development Office staff at:

Development Office
Eastern Nazarene College
23 East Elm Ave
Quincy, MA 02170

Phone: 866.480.2291
Email: development@enc.edu