MEDICAL UNIVERSITY OF SOUTH CAROLINA FOUNDATION

Procedures for the Establishment and Operation of Restricted Endowment Funds

SECTION ONE

Establishment and Purposes

1.1 Authorization. The Medical University of South Carolina Foundation (MUSCF) has authorized the establishment of Restricted Endowment Funds and the adoption of procedures for the establishment and administration of such funds. These procedures may be amended from time to time, when deemed necessary or desirable by the Board of Directors of the Foundation, and shall apply to all Restricted Endowment Funds of the Foundation whether created prior to or after the adoption of these procedures.

1.2 Establishment of Funds. Restricted Endowment Funds may be established by the donation or transfer by any person (hereinafter “Donor”) to, and acceptance by, the Foundation of money or property, whether by contribution, bequest or devise, or by transfer from a charitable or other organization (hereinafter “contribution”). These funds must further or carry out the charitable and educational purposes of the Foundation, as set forth in its articles of incorporation and bylaws, as the same may be amended from time to time. The establishment of Restricted Endowment Funds is designed as a means of broadening the base of endowment support of the Foundation, the Medical University of South Carolina (MUSC) and Medical University Hospital Authority (MUHA) providing funds to supplement and extend the programs, activities and interests of the Foundation, MUSC and MUHA.

1.3 Purposes of Restricted Endowment Funds.
(a) Restricted Endowment Funds. In the agreement, deed of gift, or other instrument of transfer creating a Restricted Endowment Fund, the Donor may request, but not direct:

- That income and/or principal from the Restricted Endowment Fund be used for a specified purpose or purposes or
- That such income and/or principal from the Fund be made available only for the use or benefit of a particular department, college, or other component of the MUSC or MUHA
- For the support of a particular program, project, or activity, under the direction of a specified individual working to advance the purposes of the Foundation or MUSC or MUHA. Should such individual leave the employ of MUSC, the Restricted Endowment fund will be retained by the Foundation to further the purposes requested by the donor, under the direction of such individual’s successor.
If such purposes become unnecessary, incapable of fulfillment or inconsistent with the needs of MUSC and/or MUHA or the purposes or functions of the Foundation, the Foundation shall have the authority to transfer the Fund as provided in Section 2.2 (c). By making a contribution to the Foundation, each Donor accepts and agrees to all the terms of the articles of incorporation and bylaws of the Foundation, and provides that the Restricted Endowment Fund or Funds so created shall be subject to the provisions relating to presumption of Donors’ intent, to modification of restrictions or conditions, and to amendments and termination and to all other terms of the articles of incorporation, bylaws and resolutions of the Foundation, and any trust, custodian or agency agreement between the Foundation and the directors, custodians, or agents having custody of the Funds of the Foundation each as from time to time amended.

1.4 Nature and Terms of Funds. Each Restricted Endowment Fund shall be the property of the foundation owned by it in its normal corporate capacity. In such capacity, the Foundation shall have the ultimate authority and control of all property in the Fund, and the income derived therefrom, for the charitable purposes of the Foundation. Each Endowment Fund may be recorded in the books and records of the Foundation as an identifiable or separate fund and may be given a name or other appropriate designation as requested by the donor. Each Restricted Endowment Fund shall be a component part of the Foundation and shall be subject to the governing instruments of the Foundation, including the articles of incorporation and bylaws.

1.5 Forms. The CEO/CFO are authorized and directed to provide forms for the establishment of and additions to Restricted Endowment Funds and such other forms as are deemed necessary or desirable for the administration of Restricted Endowment Funds in accordance with these procedures.

SECTION TWO

Acceptance of Funds

2.1 Authorization. The CEO/CFO of the Foundation (or such additional officers or employees of the Foundation as the Board of Directors may from time to time authorize) shall have the authority to accept, on behalf of the Foundation, contributions to establish or add to a Restricted Endowment Fund. A Donor may not impose any material restriction or condition that prevents the Foundation from freely and effectively employing the contributed asset or the income derived therefrom, in furtherance of a charitable purpose or purposes of the Foundation.

2.2 Value. A minimum amount of $10,000 is required as a prerequisite for the creation of a Restricted Endowment Fund. The minimum size to which a Restricted Endowment Fund must increase to is $50,000, which may be contributed in stages over a reasonable period of up to five (5) years from the date of the endowment agreement, deed of gift, or other instrument of transfer creating the Fund. If a new Restricted Endowment Fund does not reach $50,000 within five (5) years, or having reached $50,000, at any time thereafter the principal of the Fund falls below this level, the Board of Directors of the Foundation shall have the authority, in its sole discretion:
(a) To combine the Fund with one or more other Restricted Endowment Funds of the Foundation, with the mutual consent in writing of each of the donors of such Funds, to establish a Restricted Endowment Fund with a balance of $50,000 or more under the terms of a governing instrument setting forth the common purpose or purposes of the Fund. However, the written consent of the Donor or any such Fund which is to be combined with another Fund or Funds shall be required only if such Donor is reasonably available.

(b) To transfer money or property from other available sources of the Foundation to the Fund in an amount sufficient to build the value of the Fund up to $50,000.

(c) To transfer the entire balance of the Fund to one or more other Restricted Endowment Funds or to the Unrestricted Endowment Fund of the Foundation to be used for the benefit and support of the Foundation and MUSC/MUHA.

The Foundation will not certify to a Donor the value of a contribution of property.

SECTION THREE

Investment of Fund Assets

3.1 Responsibility. The Foundation has the responsibility and authority for the investment of the assets of each Restricted Endowment Fund. The assets of any Fund may be commingled with those of other Restricted Endowment Funds for purposes of investment and shall be governed by the Foundation’s Investment Policy Statement and the South Carolina Uniform Prudent Management of Institutional Funds Act (S.C. Code §34-6-10 et.seq, adapted effective July 1, 2008).

3.2 Administration. Decisions with respect to the retention, investment, or reinvestment of assets and with respect to commingling of assets shall be made by the Board of Directors, or by a committee, agent, or trustee authorized by the Board, in accordance with regular procedures. Except for the management fees specified in Section Five, the Donor and the Foundation may agree that no income (including for this purpose interest, earnings, capital gain, or other appreciation) or principal shall be paid or distributed from a Restricted Endowment Fund until the total value of such Fund, including accumulated income, exceeds $50,000 less associated gift management fees.
SECTION FOUR

Distributions from Restricted Endowment Funds

4.1 In General. The Board of Directors has the right to direct all distributions of income or principal of Restricted Endowment Funds. However, the Board of Directors has authorized the CEO or CFO of the Foundation, or such person or persons as may be designated, to be its agent in all matters relating to Restricted Endowment Funds, including the making of distributions from Restricted Endowment Funds which are consistent with the charitable purposes and functions of the Foundation and the terms of the agreement, deed of gift, or other instrument of transfer creating each Restricted Endowment Fund. Subject to the limitations contained herein and in the articles of incorporation, bylaws and resolutions of the Foundation as from time to time amended, each Restricted Endowment Fund shall be used only for the purpose or purposes designated by the Donor, as long as such purpose or purposes are described in section 170(c)(1) or (2)(B) of the Internal Revenue Code, as amended, and are consistent with the purpose and functions of the Foundation as a tax-exempt charitable organization described in section 501(c)(3) of the Code.

4.2 Charitable Needs for Which Distributions May Be Made. All distributions from Restricted Endowment Funds of the Foundation shall be made strictly in compliance with the standards and requirements imposed on charitable organizations exempt from tax under section 501(c)(3) of the Internal Revenue Code, as amended. Such distributions shall be made in accordance with current regulations and rulings issued pursuant to the Internal Revenue code, as amended. On this basis, distributions shall be made from Restricted Endowment Funds of the Foundation only for purposes which are exclusively charitable and which further in a direct and substantial way the charitable purposes and functions of the Foundation as stated in the articles of incorporation and bylaws of the Foundation, as from time to time amended. Within these parameters, the purposes and functions of the Foundation shall be broadly construed for purposes of making distributions from Restricted Endowment Funds, subject only to the limitations imposed on the Foundation by federal, state and local laws and regulations.

4.3 Limitations. In order to facilitate the procedures of the Foundation and to meet the requirements of the Internal Revenue Service, the following limitations shall apply to all distributions from Restricted Endowment Funds:

(a) The Foundation, as a public charity, will not make any distribution from a Restricted Endowment Fund except as a distribution from the Foundation for its charitable purposes; and no distribution will be made from any Restricted Endowment Fund which might have the effect of jeopardizing the tax status of the Foundation as a public charity.

(b) In the agreement, deed of gift, or other instrument of transfer creating a Restricted Endowment Fund, the Donor shall have the privilege of requesting that distributions be made out of the income and/or principal of the Fund for the purpose or purposes
designated. However, it is the general policy of the Foundation that a substantial part of Restricted Endowment Fund shall remain as a permanent endowment of the Foundation, except in unusual or compelling circumstances, it is not likely that distributions will be made from the principal of a Restricted Endowment Fund.

4.4 Requirement of Current Distributions. It is the general policy of the Foundation that, once a Restricted Endowment Fund has reached the minimum size as provided in Section 2.2 above, an amount equal to the calculated payout for the Restricted Endowment Fund shall be distributed during the fiscal year provided that the guidelines outlined in the Expenditure Policy for New Endowment Funds have been met.

4.5 Notification to Recipient as to Source of Distribution. Unless otherwise requested by the Donor of the Fund, any distribution from a Restricted Endowment Fund (or from the corresponding Restricted Expendable Fund) shall identify to the recipient or recipients the name of the Fund from which the distribution is made.

SECTION FIVE

Administrative Management Fees

5.1 Administrative Recurring Management Fees. A quarterly administrative fee will be applied to each Fund on March 31, June 30, September 30 and December 31 of each year according to the Management Fee Policy.

5.2 Administrative Gift Management Fees. A gift fee is taken on all liquidated gifts up to a maximum of $50,000 excluding special events revenue. More details are available in a separate Management Fee Policy.
SECTION SIX

The MUSC Foundation Board of Directors has adopted a formula for distributing payout to pooled endowment funds according to the Endowment Payout (Spending Policy) rule. Each fund receives the annual payout amount quarterly.

Endowment Payout Examples

Full payout

Payout threshold is $1,000,000 at 12/31/14
3 year rolling average

<table>
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<tr>
<th>Year</th>
<th>Amount</th>
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</thead>
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<tr>
<td>2012</td>
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</tr>
<tr>
<td>2013</td>
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</tr>
<tr>
<td>2014</td>
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</tbody>
</table>

1,061,333.33 (average)

4.25% (payout rate approved annually)

45,106.66

Fund balance at 12/31/14 1,144,000.00
Payout threshold 1,000,000.00
Difference 144,000.00

Eligible for full payout 45,106.66

Fund balance has dropped (6/30/15)

Balance has dropped to: 1,020,000.00
Threshold 1,000,000.00
Difference 20,000.00
Eligible for only partial payout: 20,000.00

OR - the balance as of 6/30/15 has fallen below $1 million, no payout is available.

Notes:

Annual Payouts do not carry over from one fiscal year to the next fiscal year.

Vacant chairs will not payout unless it is determined that the payment is needed for chair recruitment activities or necessary for continued programmatic support associated with the chair.
Related Documents

- Expenditure Policy for New Endowment Funds
- Endowment Payout (Spending) Policy
- Minimum Endowment Levels