



LOUISIANA STATE UNIVERSITY IN SHREVEPORT

One University Place  
Shreveport, Louisiana 71115

Office of the Vice Chancellor for  
Administration and Finance  
(318) 797-5278

POLICY STATEMENT

3 12.00

COORDINATED BY: OFFICE OF BUSINESS AFFAIRS

EFFECTIVE: JULY 1, 1993

REVISED:

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SUBJECT: ENDOWMENTS - REINVESTMENT IN THE FUTURE

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I. PURPOSE

This policy is an effort to safeguard the University's endowed funds against the erosion of the endowment's earning power. It strives to allow the principal amount of the endowment to grow over the years so that it may continue to fund the particular mission of that endowment. Due to inflation the "purchasing power" of the endowment is reduced each year. This policy is to mandate that all endowments' "principal" funds will be increased each year to help offset inflation.

II. DEFINITION

Principal - Investment funds used to generate income for the particular program. These funds cannot be spent for any reason.

Earnings - Interest earned during the fiscal year from the investment of the principal amount of the endowment. These funds can be spent only in regard to the guidelines of the endowment.

Higher Education Price Index - Measurement of the rate of inflation.

III. POLICY

The policy set up by the Louisiana Board of Regents in regard to the endowed chairs and professorships forms the basis for this policy.

In the month of July of each year, the Accounting Services Office will calculate the amount of increase in the principal of each endowment by the following method: (1) the amount of increase derived when the rate of the Higher Education Price Index (HEPI) for the immediate preceding year is applied to the endowment base for that year; or, (2) the amount of increase which is equal to 25% of the total earnings on the endowment base for the immediate preceding year. The increase to the "principal" of the endowment will be the lesser of the two figures. A worksheet similar to the one attached will be provided by Accounting Services.

Should the donor of the endowment make the stipulation that another calculation for the annual increase in the principal be used, that calculation will also be made. In this case the greater of the University calculation or the donor's requested calculation shall be used to increase the "principal" of the endowment.

It is the responsibility of the department which administers the endowment funds to maintain the minimum annual growth as required by the above policy.

AUTHORIZED W. Lyle Cook 3/31/93  
W. Lyle Cook Date  
Acting Vice Chancellor for Business Affairs

APPROVED John R. Darling 3/31/93  
John R. Darling Date  
Chancellor

CALCULATION OF NEW ENDOWMENT BASE  
REINVESTMENT FOR THE FUTURE  
ANNUAL INCREASE IN ENDOWMENT "PRINCIPAL"

A. Endowment principal on 6/30/\_\_\_ times \_\_\_\_\_

Higher Education Price Index for FY\_\_\_/\_\_\_ \_\_\_\_\_

AMOUNT A. \_\_\_\_\_

B. Earnings on endowed base FY\_\_\_/\_\_\_ \_\_\_\_\_

times 25% \_\_\_\_\_

AMOUNT B. \_\_\_\_\_

Smaller amount of A or B above \_\_\_\_\_

ADD: Endowment Principal on 6/30/\_\_\_ \_\_\_\_\_

ADD: Enhancement of Endowment \_\_\_\_\_

NEW ENDOWMENT BASE FY\_\_\_/\_\_\_ \_\_\_\_\_

NOTE: Complete one of these forms for each endowment.