

**North Carolina
Agricultural and Technical State University**



ENDOWMENT UPDATE

ENDOWMENT UPDATE



What is an Endowment?

An Endowment is a Gift of money or income producing property to an institution for a specific purpose (such as research or scholarship). Generally, the endowed asset is kept intact and only the income generated by it is consumed.



ENDOWMENT UPDATE

TYPES OF ENDOWMENT

PERMANENT or TRUE – original gift can not be expended.

TERM – original gift can not be expended for a period of time as defined by the agreement.

QUASI – funds that are not true endowments but designated by the Board and/or Management to be treated as endowment funds.



Establishment of An Endowment

- Naming opportunities
- Endowment minimum
- Funding period
- Endowment agreement
- Matching opportunities



ENDOWMENT UPDATE

ENDOWMENT ADMINISTRATION

- Each endowment is set up in a separate fund.
- A fund is very similar to a business.
- The proceeds are combined with the other funds for investment purposes and unitized in an endowment pool.



ENDOWMENT UPDATE

ENDOWMENT ADMINISTRATION (continued)

- The endowment pool functions similarly to individual investments in a 401K plan.
- Income, gains, losses, and expenses are allocated to each endowment based on the number of units.
- Funds are distributed at a rate of 4.5% of the moving 3-year average as of December 31.



ENDOWMENT UPDATE

ENDOWMENT ADMINISTRATION

- *For Example:* An endowment was created in June 2006 with an initial value of \$25,000.

Market Value as of December 31,

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Three Year Average</u>
\$25,000	\$30,000	\$35,000	\$30,000

Distribution would be \$30,000 X 4.5% or \$1,350.



ENDOWMENT UPDATE

UNIVERSITY ENDOWMENT ROLLFORWARD

Beginning Balance	\$15,951,467
Gifts	4,201,521
Income	313,549
Net Investment Appreciation	(3,101,087)
Transfer to Spending Funds	(690,600)
Ending Value	<hr/> <u>\$16,674,850</u>
Return	(17.47%)



ENDOWMENT UPDATE

University Ten-Year Endowment Fund History

Year	Market Value	Annual Gifts
2009	\$16,674,850	\$4,205,937
2008	15,951,466	1,437,813
2007	14,534,103	1,057,721
2006	12,342,360	646,960
2005	11,407,300	1,845,500
2004	9,352,805	782,602
2003	8,572,199	639,192
2002	7,422,900	395,582
2001	9,314,354	71,195
2000	8,110,413	63,329
		<hr/> \$11,145,831



ENDOWMENT UPDATE

COMBINED ENDOWMENT MARKET VALUE SUMMARY

	<u>June 30, 2009</u>	<u>September 30, 2009</u>
University	\$16,674,850	\$17,882,137
Foundation	<u>4,044,879</u>	<u>4,059,847</u>
Total	\$20,719,729	\$21,941,984



ENDOWMENT UPDATE

INVESTMENT COMPOSITION

June 30, 2009

September 30, 2009

	<u>University</u>	<u>Foundation</u>	<u>Total</u>	<u>University</u>	<u>Foundation</u>	<u>Total</u>
UNC Investment Fund	\$11,369,335	-	\$11,369,335	\$14,536,960	-	\$14,536,960
STIF	4,138,787	-	4,138,787	940,234	-	940,234
PIMCO	1,155,038	-	1,155,038	2,393,253	-	2,393,253
WACHOVIA	-	4,044,879	4,044,879	-	4,059,847	4,059,847
Land	11,690	-	11,690	11,690	-	11,690
	<u>\$16,674,850</u>	<u>4,044,879</u>	<u>\$20,719,729</u>	<u>\$17,882,137</u>	<u>4,059,847</u>	<u>\$21,941,984</u>



ENDOWMENT UPDATE

COMPARISON TO PEERS

UNCG \$150,192,182

ECU \$ 87,152,398

UNCC \$ 76,920,201

NCA&T \$ 20,719,729



ENDOWMENT UPDATE

UNDERWATER ENDOWMENTS

- An underwater endowment occurs when the current market values have declined below the original gift or historic dollar value.
- Due to market declines, approximately 62% of the University's endowment funds are underwater.
- In these instances, the university's ability to distribute funds from these endowments has been greatly reduced.



ENDOWMENT UPDATE

ENDOWMENTS UNDERWATER

	Market Value	Number of Endowments	% of Total
Endowment in Distribution Status	4,526,501	70	38%
Endowment Underwater	12,148,349	115	62%
Total Endowment	<u>16,674,850</u>	<u>185</u>	<u>100%</u>



ENDOWMENT UPDATE

UNDERWATER ENDOWMENTS (continued)

- The Uniform Management of Institutional Funds Act (UMIFA) allowed organizations to only distribute earnings (interest and dividends) for underwater endowments.
- UMIFA has been revised under the Uniform Prudent Management of Institutional Funds Act (UPMIFA).
- UPMIFA was adopted by the General Assembly of North Carolina in March 2009.
- Under UPMIFA, charities are no longer restricted by the historic dollar value. They are allowed to distribute an amount deemed prudent after considering the donor's intent, purpose of the funds, and certain economic factors.



ENDOWMENT UPDATE

UNDERWATER ENDOWMENT (continued)

- These factors include the following:
 - General economic conditions
 - Possible effects of inflation or deflation
 - Expected tax consequences of investment decisions
 - The role of each investment in the whole portfolio
 - The expected total return from income and growth of investments
 - Other resources of the organization
 - The needs of the organization and the funds to make distributions and to preserve capital
 - An asset's special relationship or special value, if any, to the charitable purposes of the organization



ENDOWMENT UPDATE

UNDERWATER ENDOWMENTS (continued)

- When making the decision to spend funds from an underwater endowment fund, organizations should document in the minutes of the board meeting its consideration of the factors listed in UPMIFA.
- The University has not adopted UPMIFA and is currently not spending from endowments that were underwater as of December 31, 2008.



ENDOWMENT UPDATE

ITEMS FOR CONSIDERATION FOR THE ENDOWMENT BOARD

- Review of Distribution Policy
- Adoption of UPMIFA
- Investment Manager Review
- Investment Spending Policy
- Cash and Investment Management Process



Questions!

