

Endowments at NC State University



Types of 'Endowment' Funds

Endowment Principal

- Holds donor funds (gifts)
- Long Term Pool Net Investment Earnings
- Held in perpetuity
- Corpus = original value of gift(s)
- Spending Reserves = Cumulative net earnings after funding spending budgets
- Corpus +/- spending reserves = Market Value

Endowment Income

- Holds spending budgets generated by principal fund, based on Board approved policy
- "Spending Account" for campus users
- Spending budgets are made available annually in July

Building to Endowment (BTE)

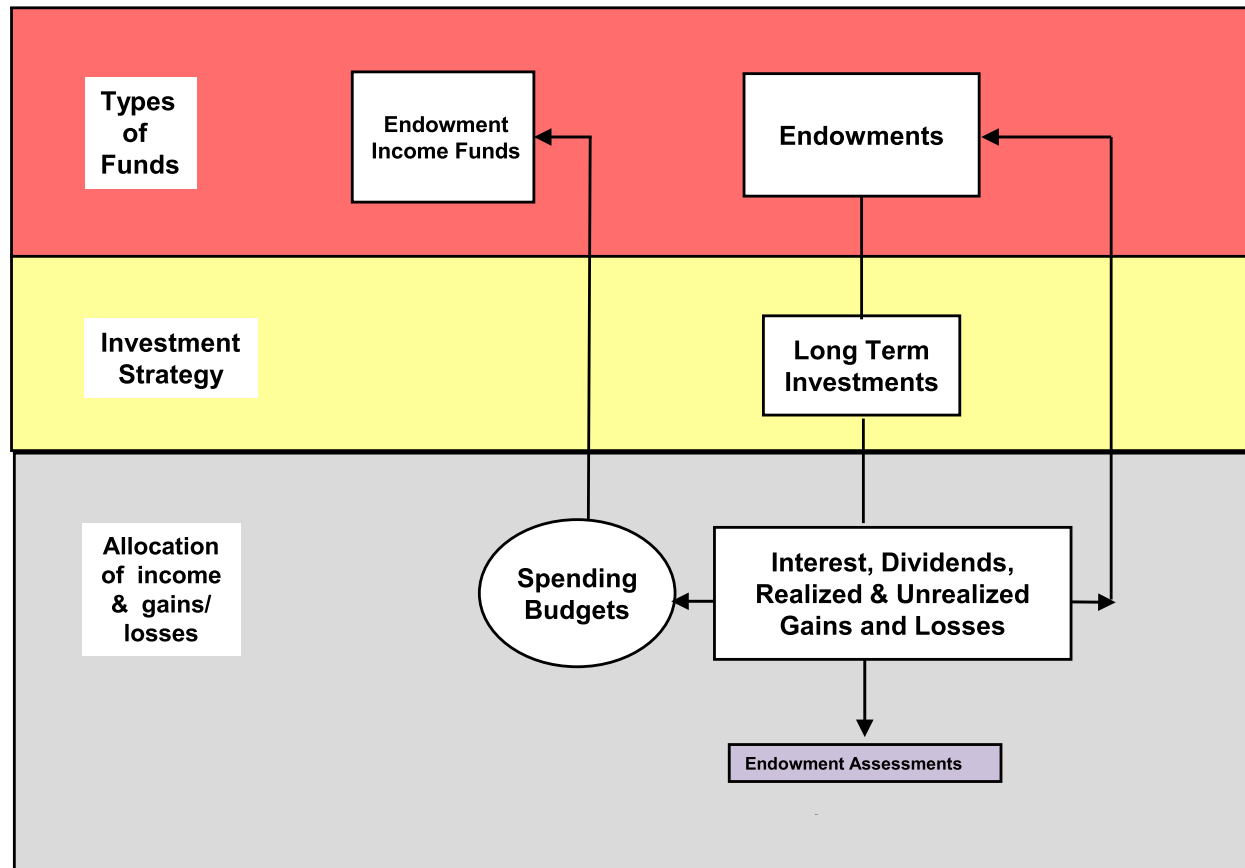
- Holds donor funds until minimum required endowment level reached
- Will convert to endowment principal when minimum required level reached
- A corresponding "Current Use Fund" can be set up for annual gifts made before endowment fully funded

Endowment Investments

- Endowment principal funds are invested in the long-term pool managed by the NC State Investment Fund, Inc.
- Funds remain fully invested, including earnings, throughout the fiscal cycle.
- Spending budgets are calculated and communicated to campus customers in December of each year for the following fiscal year. This timing is necessary in order to begin making scholarship commitments in the January/February timeframe.
- In June of each year the spending budget for the next fiscal year is withdrawn from the long-term pool and placed in the endowment income fund for campus to spend starting in July.
- Endowment income funds (along with unrestricted and restricted funds) are invested in an operating cash pool, made up of short-to-intermediate term investments.
- Earnings on endowment income funds benefit the foundations' general fund.
- Unused endowment spending budgets may be carried over from one fiscal year to the next, or may be reinvested in principal.



Investments and Related Income



Endowment Spending Budgets

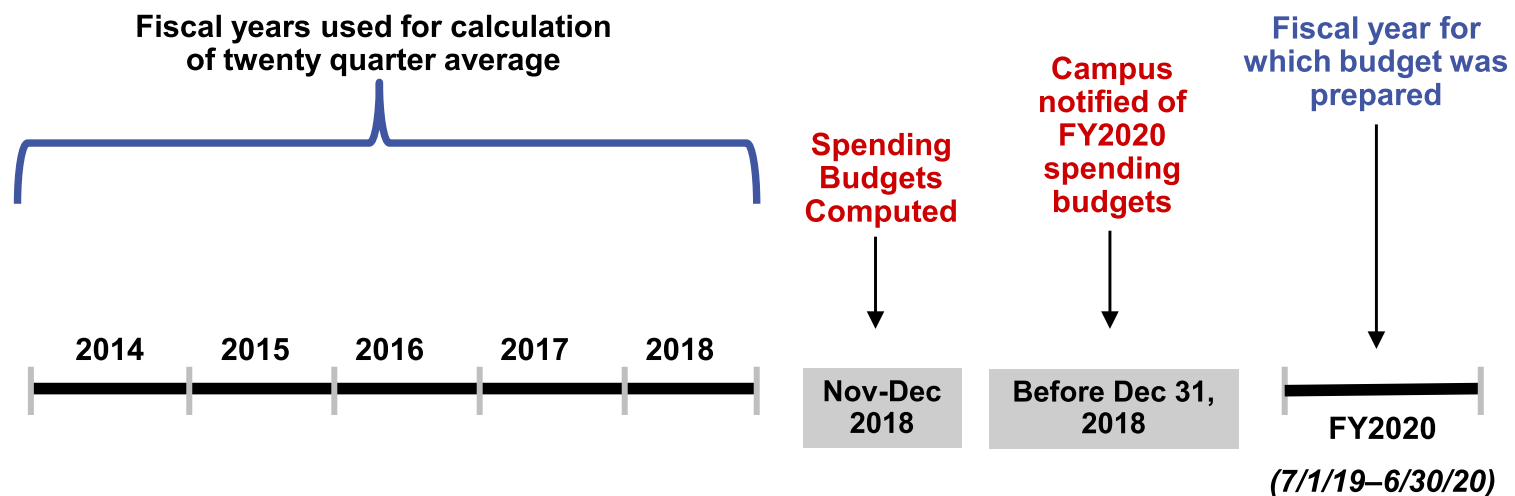
- NCGS Chapter 36E, Uniform Prudent Management of Institutional Funds Act , UPMIFA, governs the investment and management of endowments and other institutional funds
- UPMIFA permits the prudent spending of corpus, subject to consideration of certain factors
- For donor agreements prohibiting invasion of corpus, there can be no spending without positive spending reserves.
- Spending reserves is the term for the difference between market value and corpus (or total historical gifts), and represent cumulative net earnings, plus any unspent budget amounts that are returned to principal.
- NC State has adopted a prudence standard allowing expenditure of corpus up to 15% IF not prohibited by the endowment agreement.

Endowment Spending Budgets



- Endowment spending policy is set by the board, upon recommendation of the Treasurer.
- The goal of a sustainable spending rule is to ensure that the endowment maintains its purchasing power over time to support future generations. This concept is referred to as 'intergenerational equity'.
- Spending budget = Spending rate per unit, which is 4% of the long-term pool 20-quarter average pooled market value per unit, multiplied by number of units owned at June 30th
- Spending budgets for next fiscal year must be provided to campus by December 31st of current fiscal year.

Endowment Spending Budgets Time Line



To spend in FY2020, endowments must have had adequate spending reserves at June 30, 2018 OR an UPMIFA compliant agreement and a market value greater than 85% of corpus.

Note: Periods used in the computation are based on the fact that campus users must be notified of spending budgets before the end of December of each year. This is necessary because commitments (in particular for scholarships) start being made the following January.