

Endowment Spending Q&A



Entities Overview

College Based Foundations & Alumni Association

Separate legal entities established to support one college/unit on campus. Ledger 6 funds.

- Ag Foundation (CALS)
- Tobacco Foundation (CALS)
- Engineering Foundation
- Natural Resources Foundation
- Sciences Foundation
- Veterinary Medical Foundation
- Alumni Association

University Endowment Fund

Ledger 7 (University) funds. May benefit any college/unit on campus.

NC State University (NCSU) Foundation

Separate legal entity established to support any college/unit on campus.

Primary Foundation for college/units without separate Foundations.

Ledger 6 funds.

Regardless of entity, all spending budgets will be communicated by FAI prior to campus closing for winter break.

Spending Budget Communications: College-Based Foundations

Communicated by FAI (Chris Lemons) directly to

- Dean
- Assistant Dean for Finance
- Foundation President/Executive Director of Development
- Business Officer(s)/Coordinator(s)

Recipients above are responsible for distributing to responsible persons within the college.

Spending Budget Communications: University Endowment Fund & NCSU Foundation*

College Funds

- Communicated by FAI to parties listed on the prior slide
- Those parties are responsible for distributing to responsible persons within the college.

Provost Funds

- Communicated by FAI to the Provost & Provost's business office.
- Provost's office is responsible for distributing to responsible persons.

Other Units Funds

- Communicated by FAI to appropriate parties. May include Directors of Development, Business Officers, and/or responsible parties.

*Change in communications process. See next slide.

Communications Process Changes

NCSU Foundation

- Prior Years: FAI communicated endowment spending budgets to NCSU Fdn business office. NCSU Fdn responsible for disseminating budgets to units on campus.
- New Process: FAI will communicate spending budgets directly to colleges/units.

Provost Funds

- Prior Years: FAI communicated spending budgets directly to each unit.
- New Process: Excluding Colleges and units with a large magnitude of endowment support*, FAI will communicate spending budgets to the Provost & the Provost's business office. They will be responsible for communicating budgets to responsible parties.

*Units with substantial endowment support, for which FAI will continue to send budgets directly to include: Colleges, University Libraries, and the Office of Scholarships and Financial Aid

Overview of Communication

E-mail from Chris Lemons (FAI) will contain:

- Spreadsheet(s) containing endowment spending budgets from each entity for your college/unit.
- Amount and % of corpus that will be spent in order to fund the budget (if any).
- A deadline (3/13/20) for communicating if you do not wish to spend into corpus for underwater endowments.
- A request to review unused spending balances to determine if any portion should be returned to the principal account and reinvested in the long-term pool.

Distinguished Professorships

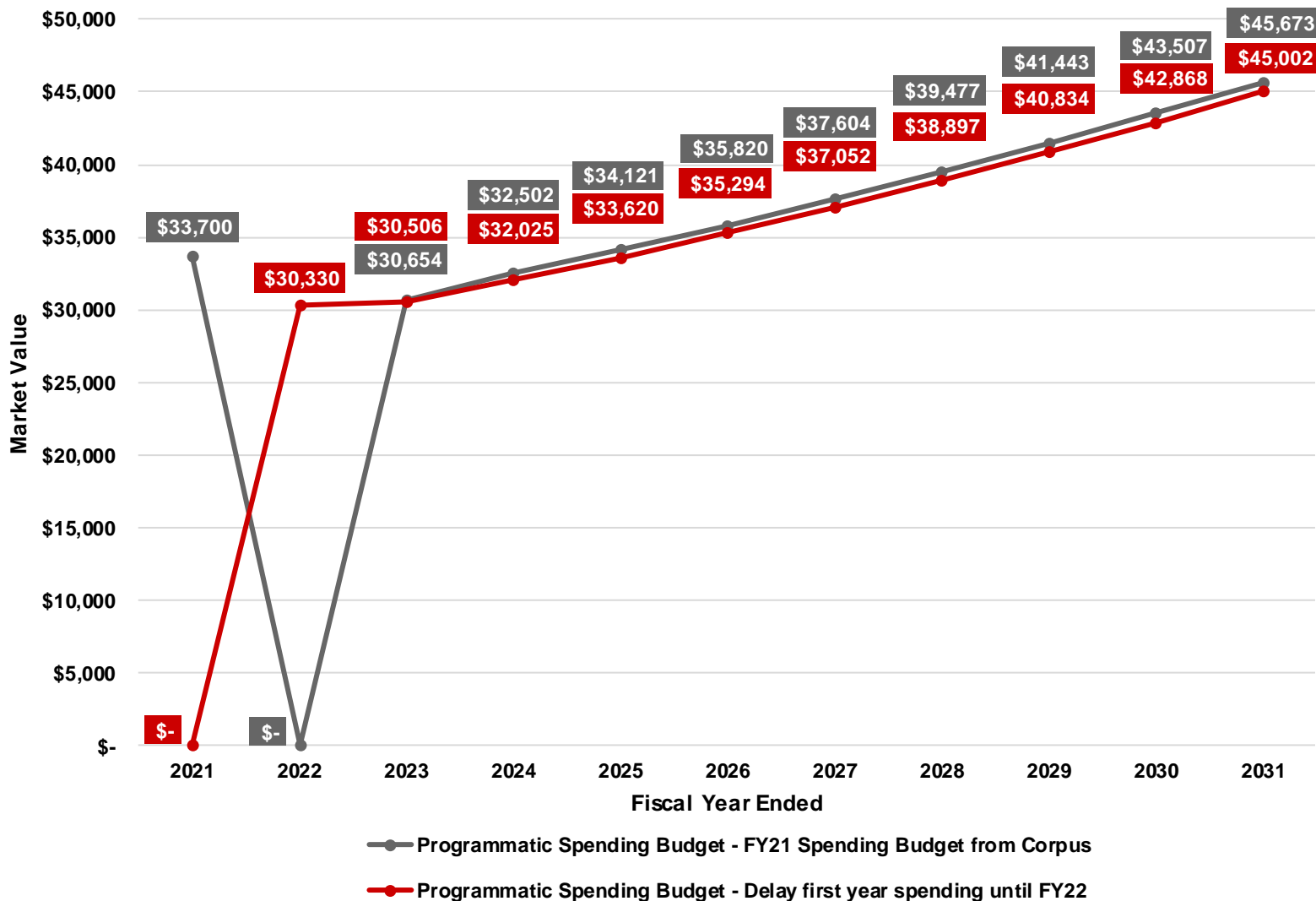
- Match funding from the UNC System for Distinguished Professorships (DPs) is usually received in the fall.
- Spending budgets for DPs that received matching funds are then calculated and communicated to campus in January. We also communicate available spending exceptions for DPs that meet the criteria below in January.
- A DP that is fully funded by the donor, but has not yet received the state match may produce a spending budget, provided that
 - It has sufficient spending reserves to fund the exception
 - The UNC System President has approved the plan for the DP
 - The donor has provided written permission to spend reserves prior to receiving that state match, and understands that it will not be titled a “distinguished” professorship until state match is received
- In the absence of an adopted State budget for FY20, match funding for DPs in the queue may be delayed. To ensure the ability to spend from DPs in the queue for FY21, the above requirements must be met.
- These exceptions for next fiscal year will be calculated and communicated by email in January 2020. If you would like to spend from reserves on these professorships, a response must be provided to Chris Lemons by the deadline provided in the email.

Phase II Spending Budgets

- Spending budget exceptions for new endowments created during the fiscal year with MOUs allowing the prudent spending of corpus
- Computed and communicated to campus by FAI in May
- Often require spending into corpus, depending on market performance and when the endowments were invested
- Require a response to FAI indicating the endowments for which you do want to take the spending budget exception for the next fiscal year
- Deadline for response will be mid-June 2020

Impact of Spending Corpus

The chart below models the programmatic spending budgets for a \$1 million endowment received and invested in the 4th quarter of FY19, with a -12% return for FY20.



Unused Spending Budgets

Unused spending budgets left in the spending account

- Are not invested in the long-term pool
- Do not participate in any investment earnings of the fund
- Can potentially create donor relation issues if not spent

Consider returning unused spending budgets that will not be needed within the next year to the endowment principal. Returned budgets

- Will be reinvested in the long-term pool
- Will increase the spending reserves & market value of the endowment
- Will begin participating in investment earnings of the fund
- Can signal to donors that endowment funds are being appropriately stewarded, even if funds are not currently needed/being spent
- May be requested as a spending exception if funds are needed at a future date

Unused spending budgets may be returned to principal at any time by contacting Chris Lemons at cmlemons@ncsu.edu.

Unused Spending Budgets Report

Unused balances in endowment income funds can be obtained by running a fund report at

https://webappprd.acs.ncsu.edu/scripts/fdn/nc_fd_main2

Step 1: Select Report

Foundations Fund Report (Per 1-998)
 EF-Univ Endow Fund Report

General Fund Budget Report
 EF-Contributions to Endowment Income Projects

Fund List (Active, Inactive and Pending)

Funds Building to Endowment

Deficit Balances by College

Contributions to Endowment Income Projects

Details of Restricted Funds

Expenditures to Endowment Projects

Transaction Summary Report (Multiple Projects)

Budget Report by Multiple for LLC (Per 1-998)

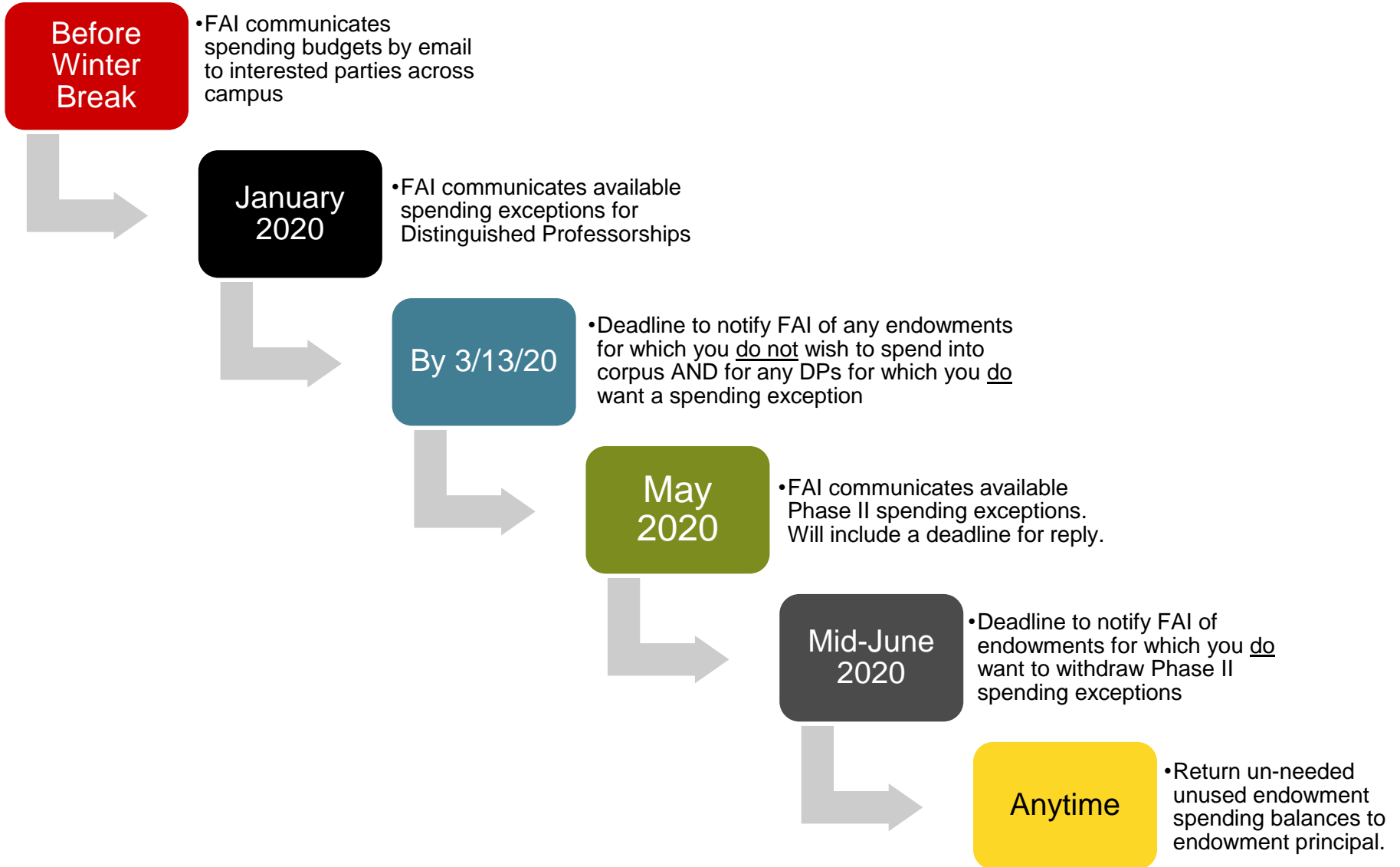
Monthly Budget Report by Multiple for LLC (Per 1-998)

Step 2: Enter Variables Project: Dept ID: to Dept ID: FAI Fund Type:

Step 3: Select a Period

Step 4: View Report

Communications Timeline





Questions?

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<https://foundationsaccounting.ofa.ncsu.edu/>