

# **ECU FOUNDATION AND ECU UNIVERSITY ENDOWMENT ENDOWMENT MANAGEMENT POLICY FISCAL YEAR 2021-22**

1. **Annual Spending Distribution for Endowments** remain at **4.00%**
2. **Annual Administrative Fee for Endowments** remain at **1.25%** per year.
3. **Administrative Fee on Gifts to the ECU Foundation** remain at **5%** of the amount of the gift. The maximum fee on any new gift is \$25,000. (5% x \$500,000 = \$25,000) When the gift is part of a multi-year pledge the \$25,000 maximum fee will apply to the whole pledge amount. There will be no fee on gifts to funds designated for annually funded scholarships or endowed professorships.
4. **Threshold for A Spending Distribution** remains at **108%**. The fair market value of the endowment, as a percentage of the corpus value, must meet this threshold before a spending distribution can be made. For purposes of this calculation, fair market value is defined as the total of the corpus value plus the amount in the restricted earning fund. If the value of an endowment falls below the threshold, previously made multi-year scholarship commitments may continue to be honored and paid from the endowment if there are no other funding options available for the scholarship and the fund remains above 100% of corpus or complies with #7 below.
5. **Calculation of Spending Distribution and Administrative Fee:** The annual spending distribution and administrative fee calculation will be based on the combined average monthly fair value of the Corpus and Restricted Earnings funds for the 36 month period (or total life of the fund if less than 36 months) ending June 30<sup>th</sup> each fiscal year. This calculation will include all available earnings through the date of the calculation. The thresholds in item 4 will also be applied based on total fair value as of June 30<sup>th</sup>.

Each fiscal year, the Annual Spending Distribution will be calculated and communicated to all endowment fund managers by December. This will be based on calculations as of the previous June 30<sup>th</sup>. These spending distributions along with the administrative fee will be posted to each endowment's spendable fund in July of the next fiscal year.

6. **Board Interpretation of UPMIFA:** The ECU Foundation Board of Directors, and University Endowment Board interpret the North Carolina Uniform Prudent Management of Institutional Funds Act (UPMIFA) to require that "subject to the intent of the donor expressed in the gift instrument, when making a determination to appropriate or accumulate donor-restricted endowment funds, the Board shall act in good faith and with the care an ordinarily prudent person, in a like position, would exercise under similar circumstances. In so doing, they shall consider: the duration and preservation of the endowment fund; the purposes of the institution and the endowment fund; the general economic conditions; the possible effect of inflation or deflation; the expected total return from income and the appreciation of investments; other resources of the institution; and the investment policy of the institution." Absent explicit donor stipulations to the contrary, for financial statement purposes, the Foundation Board of Directors and Endowment Board shall classify as permanently restricted net assets the original value of the gifts donated to the permanent endowment. This classification does not limit the expenditures only to earnings. The portion of the fund's value spendable annually for the donor-designated purpose is to be determined by the Foundation's Board of Directors and the University Endowment Board.

## Endowment Policy for 2020-21: Continued

7. **Spending from Underwater Endowments – UPMIFA:** When the fair market value of an endowment is less than its corpus amount (i.e. the restricted earning fund has a negative balance) the endowment is to be “frozen”, and no spending is to be made from it unless any of the following circumstances exist and the fund agreement does not explicitly prohibit spending into corpus. (A.) Under the prudent management flexibility of UPMIFA, previously made multi-year scholarship commitments will be honored and may continue to be paid from an underwater endowment if no other funds are available (B.) With approval of the Foundation’s Board of Directors or the University Endowment Board there may be a limited expenditure from an underwater endowment if it has a significant impact on the missions of the university and foundation and can be done prudently without significantly impeding the endowment’s recovery. (C.) If we are made aware of a specific situation either through staff efforts or by a donor, in which a significant new gift to a fund would negatively impact an existing commitment, the situation will be discussed by the Executive Committee and addressed as determined appropriate for the situation. After consideration of the factors referenced in item 6 of this policy, the Foundation’s Board of Directors or the Endowment Board will exercise its fiduciary duty when determining whether spending is allowed from an underwater endowment.
8. **Endowment Management Flexibility:** In cases where an endowments restricted earnings fund has a negative balance, the foundation may utilize monies in the endowments spendable fund to return the restricted earnings fund to a zero balance. The fund manager of the endowment will be notified of the situation. If there are no multi-year commitments for the spendable funds, all or part of the funds may be transferred back to the restricted earning fund to restore it.
9. **Annual Approval and Notification:** The Endowment Policy will be reviewed and approved annually. Deans and Endowment Fund Managers will be notified so they may incorporate the policy into their scholarship and program plans for the next fiscal year.
10. **Effective Dates:** This policy will be effective July 1, 2021