

Endowment Overview and Update

March 2023

Agenda

- Introduction
- Endowment basics
- Annual spending distribution
- Endowment structure
- Performance
- Next Steps

Endowment Basics

- When a permanent endowment is established by a donor, the contribution itself forms the corpus (or principal) of the endowment, which the University invests according to its investment policy.
- The corpus remains untouched for as long as the endowment exists (held in perpetuity).
- A portion of the investment earnings are made available for spending through an annual spending distribution process, which is a calculated amount allocated for donor-specified purposes.
- New endowments generally become eligible to participate in the annual spending distribution process after a 1-year investment period from the date the endowment was originally established. This allows the earnings sufficient time to grow and avoid pulling the endowment “underwater” with the first distribution.

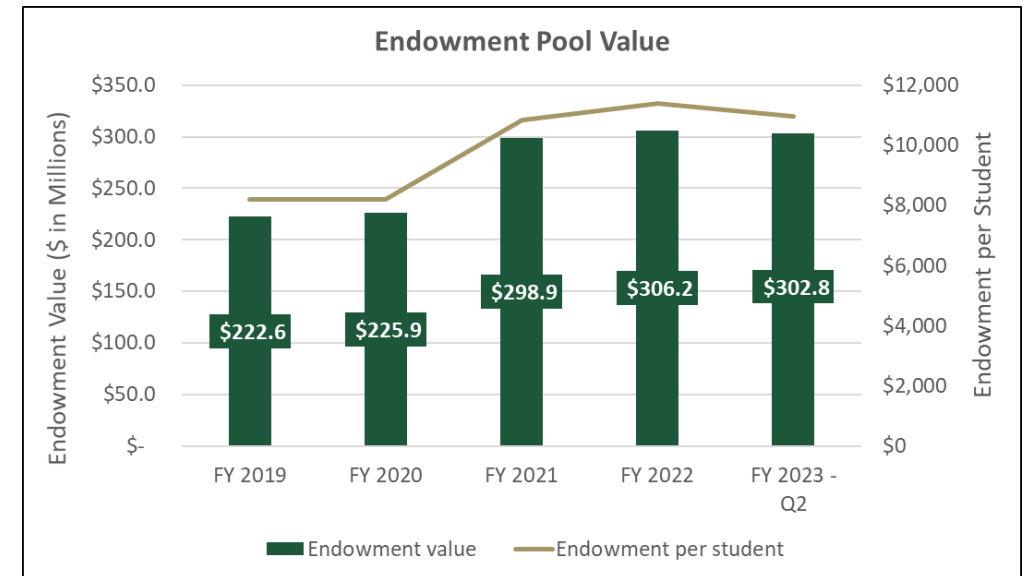
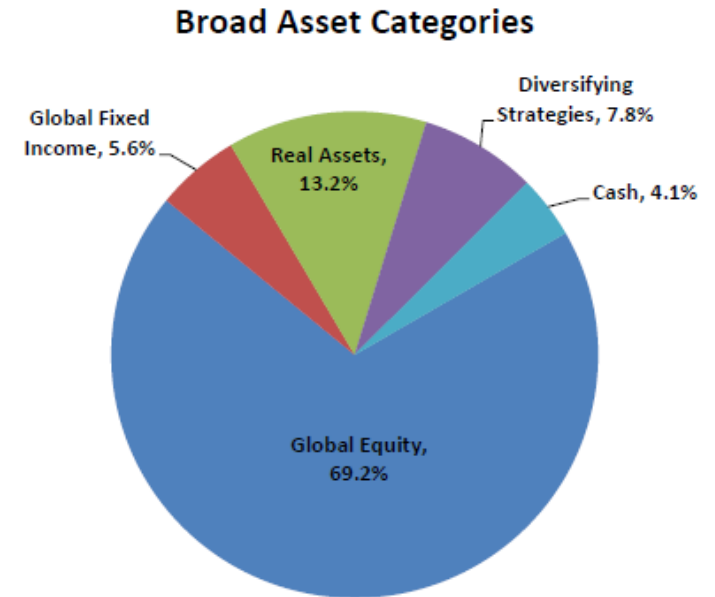
Endowment =	Corpus (principal) <i>Held in perpetuity</i>	+	Accumulated investment earnings <i>Used partially for annual spending</i>
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Annual Spending Distribution

- Annual endowment spending is calculated for eligible endowments using a standard policy:
 - 80% component: Prior year's spending, adjusted for inflation
 - 20% component: 4.5% of the average of prior three years' market values at year-end
- Spending amounts announced to departments in March to plan for the upcoming academic year
 - Funds available for spending July 1
- The annual spending distribution should be used in accordance with the gift agreement
 - Coordinate with the University Scholarship Office to ensure maximum use of scholarship funds available
- Administrative assessment:
 - Annual administrative assessment of 1% (based on 3-year average FMV)
 - Assessment funds are used for University Advancement fundraising efforts that attract additional endowment funds and supports other initiatives that further accomplish the University's mission

Endowment Structure

- Total assets, as of 12/31/2022 = **\$302.8 million**
- Three “members” in the investment pool:
 - University
 - Foundation of UNC Charlotte
 - Athletic Foundation of UNC Charlotte
- Investment management is fully outsourced:
 - UNC Management Company and Global Endowment Management
- Endowment processes are administered by Financial Services in Division of Business Affairs



The University of North Carolina at Charlotte
Investment Fund, Inc.
(A Component Unit of The University of North Carolina at Charlotte)

Supplemental Schedule of Allocated Revenues, Expenses and Changes in Members' Net Position
For the Year Ended June 30, 2022

	UNC Charlotte Endowment	The Foundation of UNC Charlotte	Athletic Foundation of UNC Charlotte	Total
Members net position at June 30, 2021	\$ 105,224,286	\$ 173,482,132	\$ 20,220,829	298,927,247
Cash contributions from members	4,473,719	5,342,185	423,519	10,239,423
Interest earned	3,114	5,083	590	8,787
Investment-related expenses	(524,582)	(859,511)	(99,948)	(1,484,041)
Net appreciation in fair value of investments	2,753,562	4,594,766	538,890	7,887,218
Cash distributions to members:				
Spending	(3,263,316)	(5,413,925)	(565,907)	(9,243,148)
Divestment	(96,244)	(10,995)	-	(107,239)
Members net position at June 30, 2022	<u>\$ 108,570,539</u>	<u>\$ 177,139,735</u>	<u>\$ 20,517,973</u>	<u>\$ 306,228,247</u>

Performance

- Objective = CPI + 5%
- FY22 performance = **2%**

UNC Charlotte Investment Fund Fiscal Year Performance

	2022	2021	2020	2019	2018
<u>Total Composite</u>	2.9%	35.7%	0.1%	5.7%	9.9%
Global Balanced Index ¹	-14.0	26.3	4.6	6.7	7.4
Domestic Balanced Index ²	-12.6	29.4	7.8	9.1	10.1
CPI + 5%	13.9	10.3	6.0	6.8	8.0



Next Steps

- Combined Endowment Report:
 - Path to report: *S: drive > TREASURY > Restricted Funds and Combined Endowment Report > CER 12.31.22*
 - Funds listed by org code
- Review Combined Endowment Report for your orgs
 - Contact Ellen Harris in Treasury Services if access is needed to the report
- Coordinate with your department on use funds in accordance with endowment agreement
- Questions?