



Carolina's Endowment: What and Why?

Office of University Development

THE VALUE OF ENDOWMENT

An endowment is a permanent fund, invested for growth and income. Its purpose is to provide a perpetual source of income. Endowment funds are important to Carolina because they relieve the University from having to raise every single dollar it needs every single year. An endowment produces income that the institution can depend on. Most of Carolina's endowment funds have been donated or bequeathed by people with a great interest in the University.

At Carolina, endowment funds support undergraduate scholarships, graduate fellowships, professorships, research funds and library funds in dozens of schools, departments and units of the University. Endowed funds are the bulwark for everything Carolina must do: recruit the best students and faculty, generate trailblazing research, and work for a better world. By generating a steady stream of income while leaving the principal untouched, an endowment makes it possible for Carolina to respond to unforeseen opportunities and weather the ebb and flow of state funding, tuition income and federal government grant making.

Endowments can be restricted or unrestricted. The donor of an endowment fund names the endowment and can specify its purpose.

Carolina's goal during the Bicentennial Campaign was to add \$135.2 million to its endowment. A total of \$148 million was given and pledged to endowments in the campaign, which ended June 30, 1995. The Carolina First

Campaign, which ended Dec. 31, 2007, raised \$962.4 million in endowment funding.

HOW CAROLINA'S ENDOWMENT COMPARES (2007)[†]

School	Endowment Value
University of Texas System	\$15.6 billion
University of Michigan	\$ 7 billion
Texas A & M University System and Foundations	\$ 6.6 billion
Duke University	\$ 5.9 billion
University of Virginia	\$ 4.4 billion
Johns Hopkins University	\$ 2.8 billion
UC Berkeley	\$ 2.8 billion
University of Minnesota and Foundations	\$ 2.8 billion
Ohio State University and Foundations	\$ 2.3 billion
UNC-Chapel Hill and Foundations	\$ 2.2 billion

[†](2007 NACUBO Endowment Study)

HOW DOES CAROLINA'S ENDOWMENT COMPARE WITH ITS COMPETITORS' ENDOWMENTS?

Carolina's endowment is considerably smaller than that of every institution it can rightfully call a peer. The bond issue has enabled us to begin addressing our most urgent capital needs. But only private philanthropy can reinvigorate our fiscal foundations. (See chart above for comparisons.)

WHAT IS THE CURRENT VALUE OF CAROLINA'S ENDOWMENT?

As of July 2007, the value of Carolina's total endowment was \$2.2 billion, (2007 NACUBO Endowment Study). The endowment includes the assets of the University and 21 additional related foundations and associations.

THE UNC-CHAPEL HILL FOUNDATION INVESTMENT FUND, INC.

The University of North Carolina at Chapel Hill Foundation Investment Fund, Inc. (Chapel Hill Investment Fund) is overseen by a board of directors, which includes Carolina alumni who are professional investors. The fund is well diversified among asset classes and fund managers who are recommended by UNC Management Company, Inc. and approved by the board. In fiscal year 2007, the Chapel Hill Investment Fund recorded a 23.4 percent investment return and closed the year with a market value of \$2.02 billion (excluding University assets held by other financial institutions). Just three years ago, at the close of the 2004 fiscal year, the market value of the Chapel Hill Investment Fund was \$1.06 billion.

Each year the Chapel Hill Investment Fund's Board of Directors authorizes a spending rate for the annual endowment distribution. This rate is determined in accordance with a spending policy adopted by the board whose goal is to increase the prior year's "per unit" spending by an inflation factor, typically CPI, so long as the resulting spending rate is at least 4% and no more than 7% of the Fund's market value. This "constant growth" spending policy provides a stable, predictable and sustainable stream of spending intended to grow with inflation to support programs at the University. In high return years, investment returns in excess of the spending rate are reinvested so that in down years increases in the distribution amount can be maintained. Using this approach, the spending rate as a percent of the Chapel Hill Investment Fund's market value fluctuates from year to year. Over the long term, the intent is to distribute approximately 5% to 5.5% of the

Chapel Hill Investment Fund's market value annually.