



UNIVERSITY of NORTH CAROLINA WILMINGTON



## *Endowment Report*

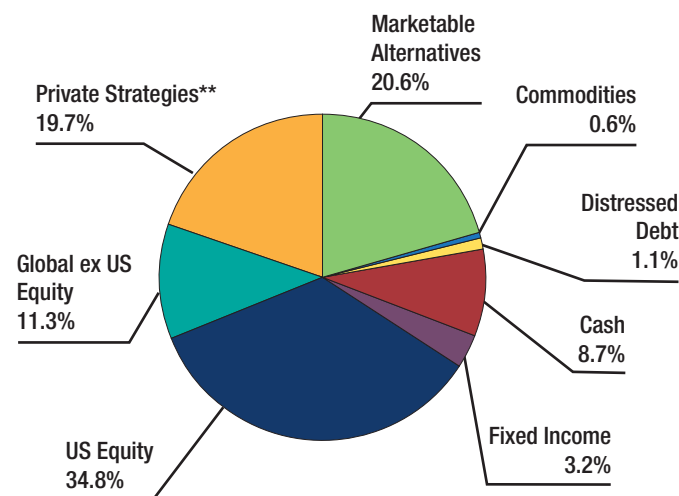
July 1, 2015 - June 30, 2016



## The UNCW Endowment – by the Numbers

	2015-16	2014-15
End-of-Year Value	\$ 84,266,637	\$ 90,896,398
Average Value	213,597	230,701
Investment Performance	-.01%	5.40%
New Contributions	2,499,725	1,512,283
Endowment Distributions	(3,269,671)	(2,916,686)
<b>Endowments for:</b>	<b>2015-16</b>	<b>2014-15</b>
Scholarships	37,204,989	37,189,240
Academic Support	14,950,728	14,955,283
Professorships	16,037,527	16,837,574
Facilities	5,891,473	6,205,332
Public Service	2,542,326	2,680,029
General University Support	7,639,594	13,028,939
Total Endowments	\$ 84,266,637	\$ 90,896,398

## UNCW Endowment Pool Asset Allocation as of June 30, 2016



\*\* includes buyouts, venture capital, real estate and energy & natural resources

## THE UNCW ENDOWMENT

The University of North Carolina Wilmington and the UNCW Foundation Inc. encourage endowment gifts from alumni, parents, students and friends of the university to ensure that support for UNCW students, faculty and programs will thrive in perpetuity. An endowment is a long-term investment that creates financial stability, allowing the university to plan using dependable and predictable sources of revenue. Moreover, an endowed gift offers alumni and friends the opportunity to connect a family name and other loved ones to an area of the university in which they have a special interest. Donors of endowments may either give money to UNCW for supporting programs at the university's discretion (unrestricted endowments) or set up specific endowments for agreed purposes (restricted endowments), such as scholarships, professorships, academic and athletic programs, research and public service engagement.

Endowment gifts are prudently managed by the university and foundation in order to generate adequate income for the endowments' purposes while protecting their real value against inflation and, ideally, producing a surplus beyond this level. Gifts are invested in pooled investment funds within each entity. The accounting for these funds is similar to that of a mutual fund, with each individual endowment owning a pro-rata share of the pooled assets and participating in the pro-rata share of investment gains/losses.

The university and foundation endowment portfolio that supports UNCW has grown significantly since its inception. Endowment funds support initiatives that promote excellence at UNCW – scholarships and fellowships for our students, professorships for distinguished

faculty and research and program support. The benefits of these lasting gifts have been felt across the campus, with every dollar helping to support vital activities, shaping the character of the university and ensuring permanent financing for the many endeavors of UNCW's students and faculty.

This document provides an overview of what the endowment portfolio does for the university and serves as a financial report of its investment and distribution activities for the past year. A separate statement detailing information on a donor's particular endowment(s) is also included with this report. Additional information about UNCW's endowment, including definitions of terms, can be found online at [www.uncw.edu/endowmentreport](http://www.uncw.edu/endowmentreport).

## HOW LARGE IS UNCW'S ENDOWMENT PORTFOLIO AND HOW DOES IT COMPARE TO THOSE OF PEER INSTITUTIONS?

As of June 30, 2016, endowments valued at \$84,266,637 benefit UNCW. The majority of these endowments, \$81,574,543, belong to the University and its component unit, the Donald R. Watson Foundation. Another \$4,140,535 belong to the Foundation of UNCW, whose sole purpose is to benefit the University. Since July 1, 2005, 193 endowments have been created, bringing the total number to 418. Over the past 10 years, the pooled endowment portfolio's annualized rate of return has been 6.4 percent; which ranks in the top quartile of our peers within the BNY Mellon Endowment and Foundation Funds Universe.

## HOW DOES UNCW MANAGE THE ENDOWMENT?

The Endowment Fund of UNC Wilmington was statutorily created by the State of North Carolina Legislature in 1977 and is subject to the UNC Policy for Endowments established by the UNC Board of Governors. The Endowment Fund is governed by a nine-member board which includes the Chancellor, the Chair, immediate past Chair and Vice Chair of the Board of Trustees of UNCW, and up to five members appointed by the Board's trustees. The members of the Endowment Board are responsible for adopting investment objectives and policies and for monitoring policy implementation. The Board's primary role is to oversee the allocation of the Endowment Fund's portfolio among asset classes, and investment vehicles, and to monitor investment performance. The Endowment Fund is subject to an annual review by State of North Carolina auditors and is reported in the University's financial statements ([http://uncw.edu/controller/financial\\_reports.html](http://uncw.edu/controller/financial_reports.html)). The Endowment Fund utilizes the investment management services of UNC Management Company ([www.uncmc.unc.edu](http://www.uncmc.unc.edu)) and The Investment Fund for Foundations ([www.tiff.org](http://www.tiff.org)) for substantially all of its assets. The goal of the fund's investment program is to provide a real total return from endowed assets invested that will preserve the purchasing power of fund capital while generating an income stream to support the spending needs of the university.

## WHAT ARE THE UNIVERSITY'S INVESTMENT OBJECTIVES?

The Endowment Fund has a long-term investment horizon. The primary investment objectives of the Fund are to maintain the inflation adjusted purchasing power after costs and spending and to provide a stable source of liquidity and financial support for the mission of the university. The Fund seeks to diversify its exposure to all asset classes by hiring external managers that employ various investment approaches. A substantial portion of the Fund's assets have been allocated to an outsourced manager, UNC Management Company, a professionally staffed asset management company which is dedicated to serving the University of North Carolina at Chapel Hill and its other constituent institutions and affiliated foundations.

## HOW HAS THE ENDOWMENT PERFORMED?

The Endowment Fund's long-term performance continues to perform ahead of peer institutions. Our 1-, 5- and 10-year returns exceed our primary investment objectives and rank in the top quartile of institutional peers within the BNY Mellon Endowment and Foundation Funds Universe.

## WHAT IS UNC WILMINGTON'S SPENDING POLICY?

Annually, the UNCW Endowment Board of the Board of Trustees and the Investment Committee of the Foundation Board review the spending policy payout rate for the upcoming fiscal year (July 1 through June 30). The objective is to maintain a spending policy rate which 1) will result in a stable spending amount from year to year, 2) can be maintained over the long-term, and 3) will preserve the real value of the endowment over the long term.

*For 2015-16, the boards approved a spending rate of 4.5 percent. This payout percentage is applicable to all endowments in the absence of another rate made explicit by the endowment agreement. In establishing the spending policy, the boards are required to consider the university's long- and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends and general economic conditions. The spending policy strives to maximize total return while minimizing risk, in order to provide a steady stream of income to present and future generations and to protect the purchasing power of the endowments from erosion by inflation. For fiscal years 2006 through 2010, the approved spending rate was 4.5 percent; however, due to the market losses in 2008, the spending rate approved for the 2010-11 and 2011-12 academic years was lowered to 3.5 percent in an effort to preserve the endowment and allow for future growth.*

## HOW IS THE SPENDING DISTRIBUTION CALCULATED FOR MY NAMED ENDOWED FUND?

A unitized endowment pool allows multiple endowments to invest in the same pool of assets and has mechanics similar to that of a mutual fund. Each individually named endowment fund owns units in the unitized investment pool, and the units are valued monthly based on the market value of the pool's underlying assets. New endowments entering the pool can buy in by receiving units in the pool valued at beginning of the month values.

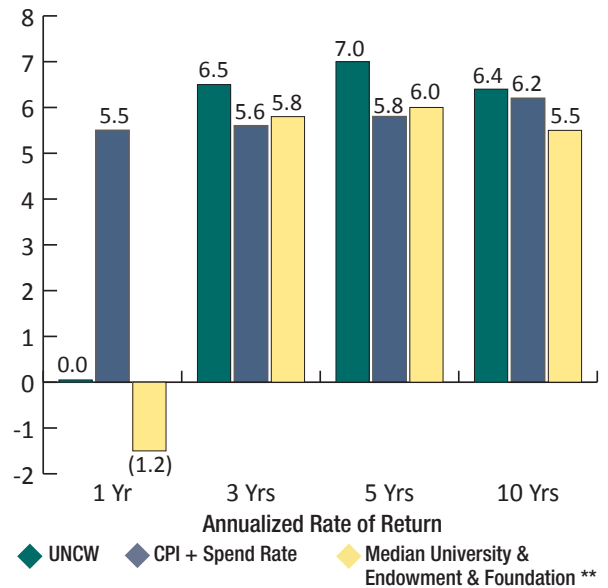
Each year at June 30 a spending rate is computed as 4.5% of the pool's average market value at June 30 for the 3 previous years, divided by the pool's total units. This spending rate per unit is then applied to the ending units at June 30 of each individually named endowment fund and serves as the next fiscal year's distribution. For example, endowment valuations at June 30, 2016 serve as the basis for FY 2017-18 spending distributions. As such, it normally takes at least one full year before a new endowment can begin to make distributions.

## How did we do in FY16?

Endowments for:	2015-16	2014-15
Opening Balance	\$ 90,896,398	\$ 87,865,374
Reclassification of Real Estate	(4,745,964)	NA
Restated Opening Balance	86,150,434	87,865,374
New Gifts	2,499,725	1,512,283
Net Earnings	(280,749)	5,176,028
Spending Distribution	(3,269,671)	(2,916,686)
Administrative Fees*	(833,102)	(740,601)
Year-end Balance	\$ 84,266,637	\$ 90,896,398

\* An annual administrative fee of 1.25% of the average market value of the endowment portfolio over the three previous fiscal years is assessed on each individual endowment and paid from its reserves of accumulated earnings, after the spending distributions. A fully funded spending distribution is our highest priority. If reserves are insufficient to fully fund the spending distribution or if assessment of the administrative fee would erode the gift principal, then no fee will be assessed on that individual endowment.

## Endowment Investment Performance



\*\* Based on Bank of New York Mellon endowment survey of about 150 college and university endowments.



## Endowment Activity Report

Combined University and Foundation Endowments	2015-16	2014-15	2013-14
Beginning Balance	\$90,896,398	\$ 87,865,374	\$ 76,025,968
Additions	2,499,725	1,512,283	4,118,754
Net Investment Gains	(280,749)	5,176,028	10,606,536
<b>Total Distributions</b>			
Scholarships	(1,383,919)	(1,245,043)	(1,053,497)
Academic Support	(547,831)	(485,044)	(385,275)
Professorships	(644,600)	(562,227)	(410,769)
Facilities	(245,277)	(223,750)	(204,653)
Public Service	(137,510)	(125,790)	0
General University Support	(310,534)	(274,842)	(255,704)
		(2,916,656)	(2,309,899)
<b>Ending Balance</b>	<b>\$ 84,266,637</b>	<b>\$ 90,896,398</b>	<b>\$ 87,865,374</b>