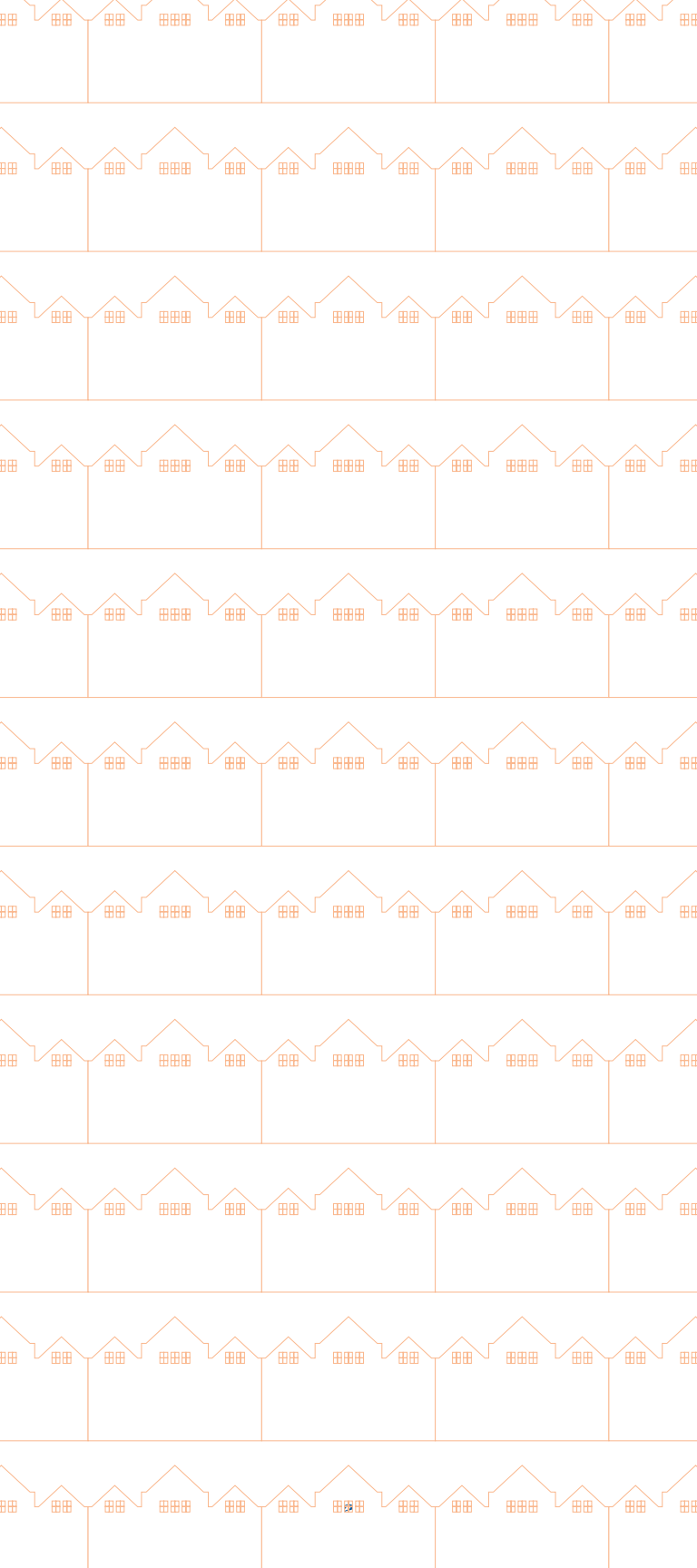


2022



**UNIVERSITY OF  
FLORIDA  
FOUNDATION**

ANNUAL ENDOWMENT REPORT



# WHAT IS A UNIVERSITY ENDOWMENT?

Since the founding of the University of Florida (UF) in 1853, generous alumni, corporations, foundations, parents and friends have contributed financial resources to assist UF in achieving its long-term mission of providing a superb education for undergraduates while maintaining excellent graduate programs and professional schools. As a result, UF's total endowment market value is among the largest public university endowments in the United States.

Although there are several variations, in its simplest form, an endowment fund represents donated assets permanently invested to generate an annual return for the support of University operations, both currently and far into the future.

# ENDOWMENT MANAGEMENT

Your gift to create an endowment for UF resides with the University of Florida Foundation (UFF). UFF is a private, not-for-profit, 501(c)(3) direct support organization of the University that raises and manages all gift money for the benefit of the University. The UFF Board of Directors oversees the management of the endowment and establishes policies to ensure the strong performance of UF's endowed funds.

UFF's management of the endowment investment pool is designed to accomplish two goals:

- 1.** Provide a real total return from assets invested that will preserve or increase the purchasing power of the endowment capital, and;
- 2.** Generate the maximum current spendable income stream to support activities of funds held for colleges and units of the University.

The investment of the UFF endowment is overseen by the Finance Committee of the UFF Board of Directors, which establishes the goals and performance benchmarks for the pool.

## THE FOUNDATION'S FIDUCIARY RESPONSIBILITIES INCLUDE:

- investing your gift asset(s) wisely;
- ensuring endowment proceeds are used for the University purpose you intend;
- protecting the ability of your endowment to provide a continuing income stream sufficient to support the UF activity you designate, in perpetuity.

As an accountable steward of your gift, the UF Foundation provides you with an annual endowment report outlining the financial performance of your fund.

# ENDOWMENT INVESTMENT PERFORMANCE

The University of Florida Investment Corporation (UFICO) was created by the UF Board of Trustees in June 2004 to oversee UF's investments. UFICO manages money for the UF Foundation, the UF Research Foundation, the University Athletic Association and the University, with assets under management totaling more than \$1 billion.

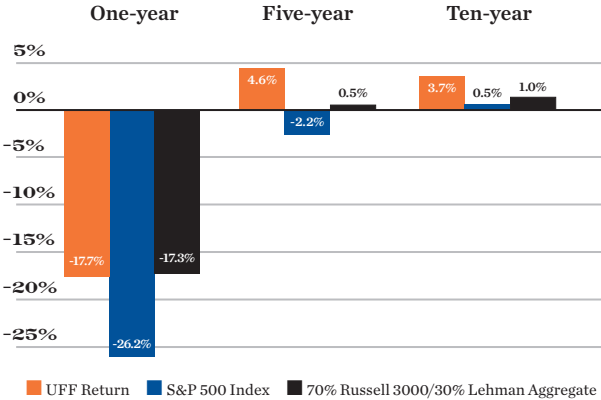
UFICO is governed by a separate Board of Directors comprised of members appointed by UF's Board of Trustees. The Board of Directors approves the investment policies, objectives and broad asset allocations for the various investment pools managed by UFICO and approves all investment manager and service provider changes for amounts greater than 2% of assets.

UFICO staff members oversee the day-to-day operational investment activities subject to policies established by their Board. The staff performs manager due diligence on current and prospective investment managers, and retains or dismisses investment managers, custodians and service providers for amounts up to 2% of assets. To learn more, visit <http://www.ufico.ufl.edu/>.

We are pleased to report that UFICO was named Nonprofit Investor of the Year in 2009 by industry magazine *Alternate Investment News*, beating out Georgetown University, the College of William and Mary and the University of Colorado Foundation's investment teams.

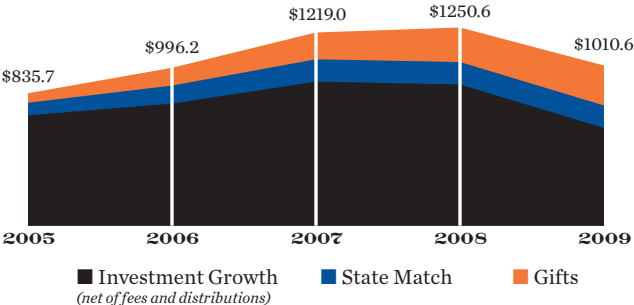
This has been an unprecedented year in the financial markets. Losses in the market were extraordinary. UFICO's performance continued to be relatively excellent, ranking in the very top echelon of endowments. Yet the fiscal year end earnings were -17.68% (net of investment manager fees). Although it was not achieved this fiscal year, on a long-term basis the investment goal is a return of 5.3% plus inflation.

### ENDOWMENT INVESTMENT POOL ANNUALIZED RETURN\*



\*Returns are net of investment manager fees, before endowment spending.

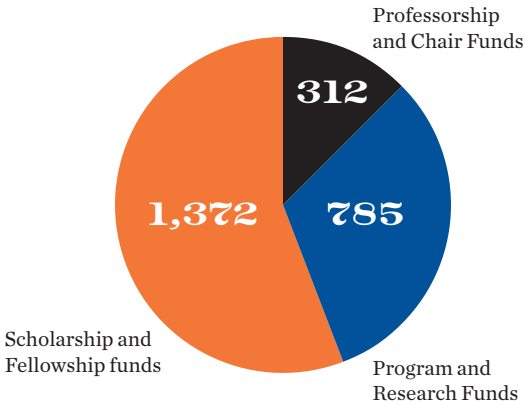
### ENDOWMENT GROWTH (in millions)



# ENDOWMENTS AT UFF

The University of Florida’s endowment includes over 2,400 individual funds, each with its own set of instructions regarding the purposes to be supported. A fund may be established for a specific purpose or for unrestricted general support. UF endowments provide a broad range of continuing support that is vital to the effectiveness of the university. UF’s endowments are comprised of 1,372 scholarship and fellowship funds, 312 professorship and chair funds, and 785 program and research funds. Endowments are critical to UF’s future because they generate predictable, growing streams of income in perpetuity that create and sustain tomorrow’s teaching, research and service programs. The current financial crisis underscores the importance of endowment funds, which continue to generate spendable income even in the “rocky” times.

## UNIVERSITY OF FLORIDA ENDOWMENT FUNDS



# ENDOWMENT BASICS

When a new endowment is created, UFF establishes two funds: a *principal fund* and a *spendable fund*.

## Principal Fund

Each endowment principal fund in the endowment investment pool has three values: *book value*, *spending base* and *market value*. Think of the principal fund as a “savings account.”

**Book Value:** The book value is the original gift plus any subsequent gifts (including corporate and state matches) that are placed in the endowment’s principal fund.

**Spending Base:** Each endowment’s principal fund has a spending base used to calculate endowment spending transfers and fee assessments. The spending base is adjusted quarterly for investment performance.

**Market Value:** The market value is the actual value of each fund’s share of the endowment pool’s investment portfolio at a specific point in time. This value is recalculated quarterly.

## Spendable Fund

The endowment’s spendable fund allows spending in accordance with the donor’s restrictions as reflected in the gift agreement or other written document. Additional restrictions may be imposed for funds that receive state matches.

The annual spending rate is 4% of the principal fund’s spending base, distributed quarterly. Think of this fund as a “checking account.”

# SPENDING BASE

In the short term, financial markets can be highly volatile. The Foundation's endowment management policy is designed to return a net positive gain in market value (growth) over an extended period of time. We expect occasional periods of decline in value, but these occasional declines should be more than offset by periods of increase in value.

For a new gift, the spending base is set at 90% of the gift's market value. Quarterly, we compare the fund's spending base to its market value.

- ➔ If the ratio of spending base to market value falls within the range (currently set at 85 to 95%) specified by the Finance Committee, no further adjustment will be made.
- ➔ If the ratio of spending base to market value is less than the specified lower limit (currently 85%), the spending base of the fund will be increased so the ratio equals that lower limit.
- ➔ If the ratio of spending base to market value is greater than the specified upper limit (currently 95%), the spending base of the fund will be reduced so the ratio equals that upper limit.

The corresponding endowment spendable fund receives a transfer each quarter of 1% (4% annually) of the spending base from the endowment principal fund. In addition, the endowment principal fund is assessed a quarterly administrative fee of .325% (1.3% annually) of the total spending base. This means that each quarter, 1.33% of the spending base is transferred from the principal fund.

# FREQUENTLY ASKED QUESTIONS

## WHY DOES MY ENDOWMENT GET TO SPEND ONLY 4% ANNUALLY?

Calculated as an integral part of this endowment policy, the 4% payout is the maximum spendable income that also allows adequate protection of the endowment's future purchasing power.

## WHY DOES THE FOUNDATION CHARGE FEES ASSOCIATED WITH MY GIFT?

The University of Florida has chosen to fund development and alumni programs at UF through a series of fees, which is a common practice among state universities.

In addition to the 1.3% annual management fee, the Foundation assesses a 2.5% one-time gift fee on all endowment gifts; this fee is charged against spendable income to avoid eroding the endowment principal or reducing state matching funds.

We are pleased to share with you that the Foundation's per-dollar cost of fundraising is low. During the last fiscal year, the cost to raise \$1 has averaged \$.16. In comparison, the national goal is \$.20 per \$1 raised.

## WHAT ABOUT STATE MATCHING DOLLARS?

Florida's Legislature pioneered programs years ago that match private gifts with state funds for public higher education. Although the state has been unable to appropriate funds for the endowment matching program for the past two years, we are optimistic that gifts submitted to this program ultimately will be matched and, if funded, these state matches will far outpace investment returns.

Starting at \$100,000, endowment gifts for academic purposes are eligible for state matches, as long as the Legislature continues to appropriate matching funds. Once your endowment gift is in hand, the Foundation applies to the state for matching funds, which, when received, are placed in your endowment principal fund.

## WHAT ARE THE MINIMUM GIFT AMOUNTS FOR ENDOWED FUNDS?

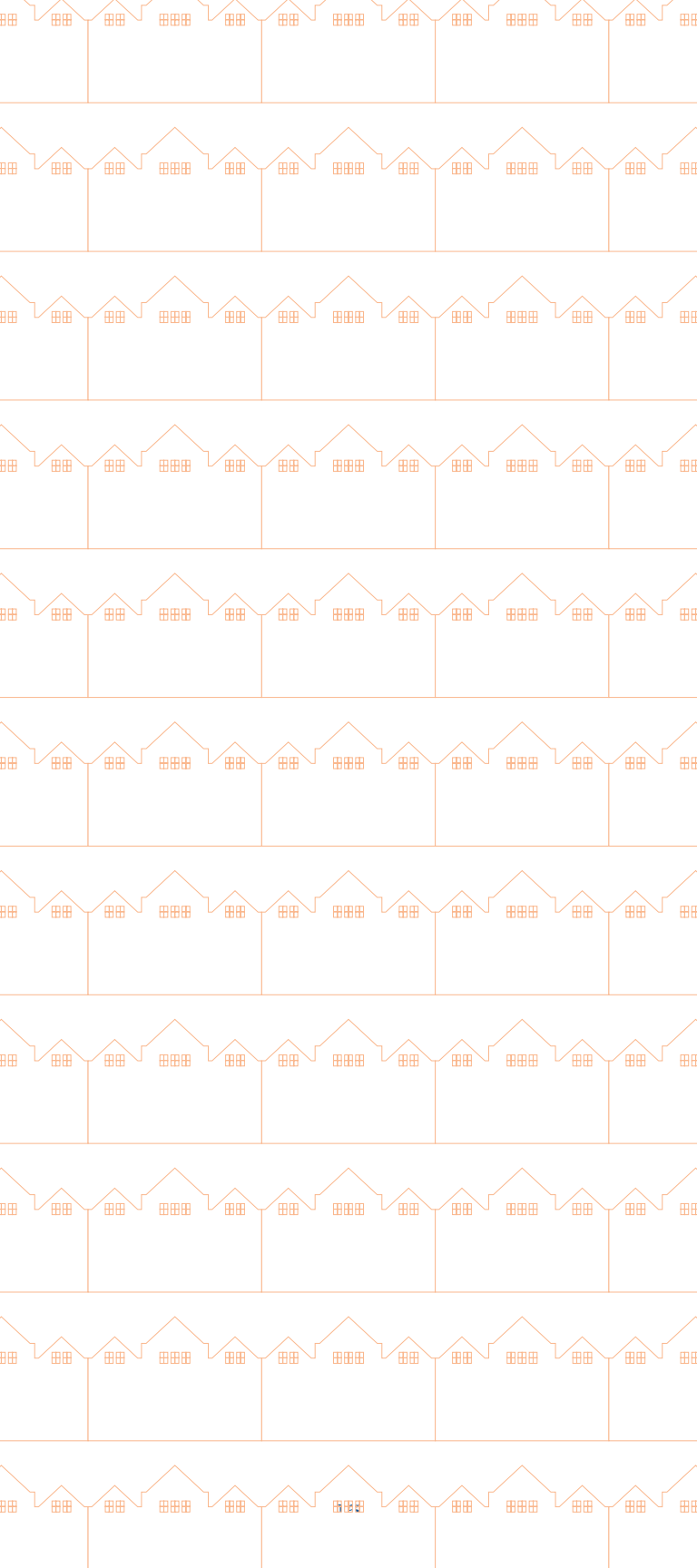
A minimum gift of \$30,000 is required to create an endowed fund. Some examples of minimum guidelines for named endowed funds are:

SCHOLARSHIPS/FELLOWSHIPS:	<b>\$30,000</b>
TERM PROFESSORSHIP:	<b>\$300,000</b>
PROFESSORSHIP:	<b>\$600,000</b>
CHAIR:	<b>\$1.5 MILLION</b>
UNIVERSITY CHAIR:	<b>\$4 MILLION</b>
DEAN/DIRECTOR:	<b>\$5 MILLION</b>

FOR MORE INFORMATION ABOUT  
ENDOWMENTS, PLEASE CONTACT

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**UF** | **FLORIDA**  
**TOMORROW**  
THE CAMPAIGN FOR THE UNIVERSITY OF FLORIDA