# Key Terms

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**Is the UF endowment monolithic?**

No, the endowment is comprised of over several thousand individual donor funds. There are over 4,000 individual funds in the UF endowment.

**What is the minimum gift amount to establish an endowment?**

Generally, institutions establish minimum gift levels for endowments. At UF, the minimum gifts to establish endowments are as follows:

- Named endowed fund: $30K
- Term professorship: $300K
- Professorship: $1M
- Chair: $2M
- Dean/Directorship: $5M

It is important to note that each college may establish higher minimums.

**What is an underwater endowment?**

If an endowment's market value becomes less than the original book value, it is considered an underwater endowment. These funds continue to pay out unless the market value drops below 70% of the original book value. If that occurs, all spending transfers and fees are suspended until the market value rises above 70% of the book value.

**Why should donors consider making an endowed gift?**

Endowments are the cornerstone for innovative breakthroughs and worldwide impact. Each individual endowment provides a margin of excellence and offers an irreplaceable source of quality, stability, productivity and creativity – leaving a lasting impact forever. Investing in an endowment is investing in a better future for Florida, the nation and the world. As a comprehensive research land-grant institution, UF is uniquely positioned to address society’s most pressing concerns.

**How can a donor establish an endowment?**

There are many ways donors can create an endowment, including giving cash, pledges, securities, retirement plan assets, real estate, deferred gifts and gifts-in-kind.
What purposes can a donor establish an endowment?
Endowments can be established for one or more specific purposes or for unrestricted general support. UF’s endowment is comprised of funds that support many purposes, including faculty, staff, students, research, facilities and general support.

What can the endowment be used for?
The endowment payout can only be used for the purposes designated by the donor. Over 99% of the endowment is designated by donors for restricted purposes.

What is the timeline for new endowments?
New endowed gifts are invested quarterly, with the first spendable transfer occurring at the end of its first invested quarter.

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<table>
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<th>Gift Received</th>
<th>Gift Invested</th>
<th>First Transfer to Spendable</th>
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<tr>
<td>December-February</td>
<td>April 1</td>
<td>June 30</td>
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<td>January 1</td>
<td>March 31</td>
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What is an endowment?
An endowment is a donor-established fund that provides a steady payout forever to support a specific purpose.
Endowment Governance and Administration

What is FUPMIFA?
FUPMIFA is an acronym for the Florida Uniform Prudent Management of Institutional Funds Act, which set the standard of conduct in managing, investing and establishing spending policies for endowments and institutional funds. The finance committee of the foundation has interpreted FUPMIFA as requiring the consideration of the following factors using reasonable care and caution, as would be exercised by a prudent investor:

- The purpose of the foundation
- The intent of the donor of the endowment fund
- The terms of the applicable instrument
- The long and short-term needs of the foundation and UF in carrying out their intended purposes
- General economic conditions
- The possible effect of inflation or deflation
- The other resources of the foundation and UF
- Perpetuation of the endowment

Before making any determinations on the investment management or spending policies, the finance committee reviews a FUPMIFA worksheet to ensure appropriate factors are considered.

What governance and oversight is in place for the endowment?
Governance and oversight of the endowment are paramount to the university’s mission to advance education, service, discovery and economic development. The UF Foundation Executive Board, and its audit and finance committees, are vigilant in providing continuous and rigorous oversight of policies, procedures, controls and investment management. The finance committee performs quarterly reviews of investment performance and annual approvals of endowment administrative policies, investment benchmarks and asset allocations. Endowment expenditures are regularly audited by both foundation staff and the university’s Office of Internal Audit, with audit reports reviewed and approved by the audit committee.

How is the endowment administered?
The foundation administers the endowment in accordance with FUPMIFA and the policies set forth by the executive board of the foundation. Endowed funds are carefully established by gift agreements clearly documenting donor intent. Each endowment is structured with a principal fund and a spendable fund. The principal fund is invested with the University of Florida Investment Corporation (UFICO) in the endowment pool and generates spending transfers that are made available in the spendable fund to support the intent of the donor.

When are annual endowment reports (AER) reported to donors?
Each year, the foundation provides donors with detailed endowment reports and letters from faculty and deans/directors. These annual endowment reports (AER) include:

- Financial report
- Dean/Director message
- College highlights
- Endowment brochure
- Endowment survey

Annual endowment reports are distributed (via mail or email) in October and November. Generally, donors with new endowments can expect to receive their first AER packet 12 to 18 months after establishing the fund.

**Can endowment reports be sent to others?**

Yes, the foundation will send annual endowment reports to individuals of the donor’s choosing.
Endowment Investment

How has the endowment’s investments performed over the last 10 years?

The 10-year investment returns were 7.6% — outperforming the benchmark returns of 5.4% with 8% less volatility. The endowment investment pool is positioned for ideal risk vs. return. The chart below depicts the ideal risk vs. return quadrant and plots the endowment along with the investable alternative, a global bond portfolio and a global equity portfolio over the last 10 years.

Who manages the investments of the endowment?

The endowment is invested by the University of Florida Investment Corporation (UFICO). UFICO is governed by a volunteer board of experienced investment professionals who are independent from the university and foundation. The finance committee of the foundation provides oversight and approval of the investment strategy executed by UFICO.

Why my personal investment returns are not comparable to the investment returns of the endowment?

The endowment is not comparable to personal investment accounts because of the liquidity requirements to support the payout and generational time horizon.

How have the endowment and payout grown over the last 10 years?

The endowment has grown from $1.36B as of June 30, 2013 to $2.27B as of June 30, 2022. The payout has grown from $45M in fiscal year 2013 to $82M in fiscal year 2022.
What is the investment objective of the endowment?

The endowment is invested over generations to maximize risk-adjusted returns and provide a sufficient income stream that supports the university and amplifies donor impact — forever.

How is investment performance measured?

Investment returns are compared against two benchmarks:

1. CPI + 5% - The consumer price index plus 5% is the long-term growth benchmark that seeks to measure the purchasing power of the endowment over time.
2. 70/30 - A composite including 70% MSCI All Country World Index and 30% Barclays Global Aggregate Bond Index represents the investable alternative and a short-term measure of performance.
Does a downturn in the financial market impact an endowment's spendable fund balance on campus?

The financial market does not affect an endowment's spendable balance on campus.

When an endowment is established two source of funds (SOF) are created: the principal fund and the spendable fund. The principal fund is invested, and its market value is affected by financial market fluctuations. The principal fund produces a quarterly payout that is transferred to the endowment's spendable fund on a quarterly basis. Once this money is transferred to the spendable fund on campus, the only time the balance of the account will change is when the fund administrator spends from this fund and/or when quarterly transfers occur.

What type of endowment spending policy does UF have?

Generally, there are three types of spending policies used by universities:

- Market value based – links spending to a % of a rolling market value, generally using a 3 to 7 year smoothing period. Market value based policies favor intergenerational equity over stable spending.
- Constant growth – increases spending each year by a measure of inflation or a %. This approach favors stable spending over intergenerational equity.
- Hybrid – generally uses a weighted combination of both market value based and constant growth approaches.

UF uses a 12 quarter rolling average market value based policy that is used by many universities. It balances smoothing of the payout, protecting the purchasing power of the endowment, and valuing current and future fund administrators equally.

Are fees charged on endowments?

Yes, fees are assessed on endowments to help fund Advancement. UF has strategically chosen to invest in Advancement through fees aligned with fundraising activities. For every $1 invested in the fundraising operation, Advancement generally produces $10+ in gifts and commitments to be realized by UF over time.

The foundation assesses a one-time fee of 5% on all new gifts. This fee is accrued in the spendable fund to avoid eroding the endowment principal, and is paid down using up to 50% of spending transfers — allowing the endowment to begin making an impact with the first spending transfer.

Additionally, the foundation assesses an annual administrative fee of 1.35% of each endowment’s spending base.

How does the endowment spending base work?
On July 1st of each year, the spending base for each individual endowment fund will be set equal to the endowment pool spending base ratio using the 12 quarter average unit price of the Long Term Pool (LTP), managed by UFICO, calculated as of the previous quarter ended December 31st.

**What happens to investment earnings in excess of the payout?**

Investment earnings in excess of the payout and the administrative fee are added to the balance of the endowment.

**How is the payout calculated?**

The payout for endowment funds is determined according to the UF Foundation Endowment Policy 5.02. The payout is calculated on an annual basis, but is paid out quarterly. On July 1st of each year, the spending base for each individual endowment fund will be set equal to the endowment pool spending base ratio using the 12 quarter average unit price of the Long Term Pool (LTP), managed by UFICO, calculated as of the previous quarter ended December 31st. New gifts invested into the Endowment Pool subsequent to the December 31st calculation will increase the amount paid out for the respective funds.

**What are the considerations for an endowment spending policy?**

There are three primary considerations:

- Intergenerational equity – it should equally value current and future fund administrators and spending
- Inflation – it should account for inflation
- Stable spending – it should see to smooth spending over time

In addition, there are factors that regularly arise as a spending policy is implemented:

- Complexity – how complex is the policy to implement? How complex is it to explain and understand?
- Intervention – how involved is the board or staff in executing the policy or making course corrections?
- Timeliness – how quickly does the policy react to changes in the market?