



**The University of  
Louisville Foundation:  
New Reforms Pave Way  
for a Sustainable Future**

**Faculty Senate – May 1, 2019**



UNIVERSITY *of* LOUISVILLE  
**FOUNDATION**

## University of Louisville Foundation Mission:

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*To advance academics at the University by providing financial support.*

- The ULF ensures a reliable source of funds for current & future use.
- The endowment has two additional missions:
  1. The purchasing power of the endowment's assets must be maintained in perpetuity; and
  2. The endowment must achieve investment returns sufficient to sustain reasonable spending necessary to support ongoing University academic operations.

## 18 Months of Intense Scrutiny - - 884 Days Under Audit

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- The Board of Trustees requested a state audit and forensic investigation of the Foundation after questionable financial practices and lack of transparency.
- **The State Audit:** Final report issued in December 2016 identifying 7 key governance issues and 14 recommendations.
- **The Forensic Investigation:** In June 2017, Alvarez & Marsal identified 5 key financial issues and 13 recommendations.

## New Board, New Ways

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- The Foundation, with assistance from the Association of Governing Boards (AGB), has implemented best practices & reforms to restore donor and stakeholder confidence.
- New Bylaws and Articles of Incorporation
- More robust Conflict of Interest Policy
- New MOU with the University
- Culture of Transparency

## Transformative Reforms: Governance

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- Established compliance process to ensure funding to University is consistent with donor intent.
- New Service Providers
- Investment RFP coming Summer 2019

**Results: Professionalized Foundation operations means greater transparency, financial, and institutional controls.**

## Transformative Reforms: Financial

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- Stopped unsustainable spending
- Ended deferred compensation plan
- Developed line-item budgets
- Tightened policies on potential investing in start-up companies
- Review all real estate holdings, determine value; some will be sold

## Transformative Reforms: Financial, cont.

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- Set spending limits with authorization protocols
- Endowment pool simplified; better annual funding prediction
- Transactions must be fully documented, vetted and receive full Board authorization

**RESULTS: We now have full transparency into all money in, all money out, and accurate look at total endowment value. We have curtailed overspending.**

## New Day, New Direction at UL Foundation

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The Foundation has taken actions to address, through policy, MOU and practice, virtually every issue raised by the State Audit and A&M investigation.

It has also instituted reforms that go beyond those reports which are consistent with current University Foundation best practices.

**The Foundation is unrecognizable from previous practices,  
and that is a good thing.**



# FISCAL YEAR CA-ADVISED (ENDOWMENT POOL) RETURNS VS NACUBO AND CA C&U MEDIAN as of June 30, 2018

	FY 2018	FY 2017	FY 2016	Trailing 3 Year	Trailing 5 Year	Trailing 10 Year
<b>CA-ADVISED ENDOWMENT ASSETS</b>	8.9	13.0	-2.2	6.4	7.3	5.8
<b>CAMBRIDGE ASSOCIATES PEER DATA</b>						
<b>CA COLLEGE &amp; UNIVERSITY MEDIAN</b>	9.0	13.2	-2.7	6.3	7.5	5.7
<i>n=</i>	161	164	165	161	159	151
<b>CA COLLEGE &amp; UNIVERSITY \$501M - \$1B MEDIAN</b>	8.8	12.7	-2.6	6.2	7.2	5.5
<i>n=</i>	31	34	34	31	31	28
<b>NACUBO-COMMONFUND ENDOWMENT STUDY</b>						
<b>NACUBO TOTAL INSTITUTIONS MEAN</b>	8.2	12.2	-1.9	6.2	7.3	5.8
<i>n=</i>	802	809	805	802	802	802
<b>NACUBO \$501M - \$1B MEAN</b>	8.7	12.7	-2.2	6.2	7.4	5.6
<i>n=</i>	85	82	75	85	85	85

# University of Louisville Real Estate Foundation

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- Separate board from the UofL Foundation, with real estate related expertise.
- Approximately \$300M of real estate that directly supports the University of Louisville.

# UofL Foundation and UofL Real Estate Foundation

as of February 28, 2019

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## UofL Foundation

- \$681M Total Endowment Assets
- \$774M Total Investment Assets, including \$22M in real estate
- \$68M Non-Endowed Gifts

## UofL Real Estate Foundation

- \$284M

**Combined Total Assets = \$1.1B**

## Spending Policy Glossary of Terms

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Spending Policy

The distribution rate approved by the ULF board multiplied by the rolling three-year average of the endowment accounts.

Distribution Rate

The percentage approved by the ULF board to be distributed to the University from each Endowment account.

Effective Rate

The amount of actual distribution stated as a percentage of the total Endowment. As long as there are underwater accounts the effective rate will be less than the distribution rate approved.

Above Water Funds

The Market Value of each Endowment account is measured annually. Only accounts that have a Market Value greater than the original donation are available for a distribution.

Under Water Funds

Endowment Accounts that have a Market Value less than the value of the original donation.

Maximum Distribution

The amount that would be distributed to the UofL if all Endowment accounts were above water.

## Spending Policy Considerations

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- Fundraising has begun to increase, but new endowment contributions have not
- The overall value of the endowment pool has shrunk year over year
- To preserve the endowment in perpetuity and maintain purchasing power, University funding must be reduced to ensure it does not exceed market returns
- Goal is to balance University needs with obligation to preserve endowment accounts and their purchasing power

- 5.5%
  - 4.25% to Academic Units
  - 0.95% to University Advancement
  - 0.30% to ULF
  
- Pro-rated spending for certain under water accounts

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