



The University of Louisville Foundation

March 26, 2020



UNIVERSITY *of* LOUISVILLE
FOUNDATION

What is an Endowment?

- An endowment requires an account of at least **\$25,000** (was \$10,000) where the corpus of the gift is to be maintained in perpetuity and a percentage of its annual earnings and interest are provided to the University in support of its academic mission, consistent with the donor gift agreement.
- The Foundation's total endowment assets were \$711M as of February 29, 2020. This is comprised of many different assets.
- Prime Buchholz provides investment management on our Main Endowment Pool which is approximately \$613M. Balance is managed internally or by outside third parties.

UofL Foundation and UofL Real Estate Foundation Key Values

	February 29, 2020	December 31, 2019
UofL FOUNDATION TOTAL ASSETS	\$863M	\$895M
Total Endowment Assets	\$711M	\$737M
Main Endowment Pool	\$613M	\$637M
Current Use Gifts	\$46M	\$43M
UofL REAL ESTATE FOUNDATION TOTAL ASSETS	\$260M	\$262M

Combined Total Assets = \$1.16B

Spending Policy for Fiscal Years 2020 & 2021

- On December 31, 2018, \$15M was applied to underwater endowment accounts in a manner designed to maximize funding to academic units.
- For FY19-20, the gross annual distribution rate is 5.50% of the three-year moving average of the market values of each endowment account, as recorded each December 31st. Prior year carryover balances are not included in calculating account values.
 - Of the 5.50% distribution, up to 4.25% was allocated to academic units, .97% to support the Office of Advancement and .28% allocated to help fund the UofL Foundation operations.
- On December 31, 2019, \$5.3M was used to replenish underwater scholarship accounts. We expect the FY'21 spending policy percentage distributed to be lower than 4.25%. We do not yet know the rate.

Compliance

- Donors (correctly) expect their gifts to be used to support the purposes stated in their gift agreements.
- The compliance team at the Foundation ensures this is the case.
 - Deans sign an attestation each month that the funds they spent are consistent with donor intent.
 - We follow up on a certain number each month, seeking documents to substantiate the spend. If issues are found we work with the Unit on corrective actions.

What's New?

- Endowments now require \$25,000 to have an individually named account. Smaller gifts will go to a college's general fund.
- Calculations are done on a rolling 12 quarter average to smooth out market volatility (vs. a rolling 3-year average).
- COVID-19 has impacted the stock market. As of December 31, 2019, 22% of our 1860 endowment accounts were underwater \$19.8M (three year's ago this number was over 50% and almost \$60M). As of February 29, 2020, 50% were underwater by \$28M. This is due to market performance. Of the underwater accounts, (59%) are 5% or less.
 - Diversification is important. In February we lost 3.4% while public equities were down 8%.

Endowment Pool

Total \$ Underwater (M)

February 29, 2020

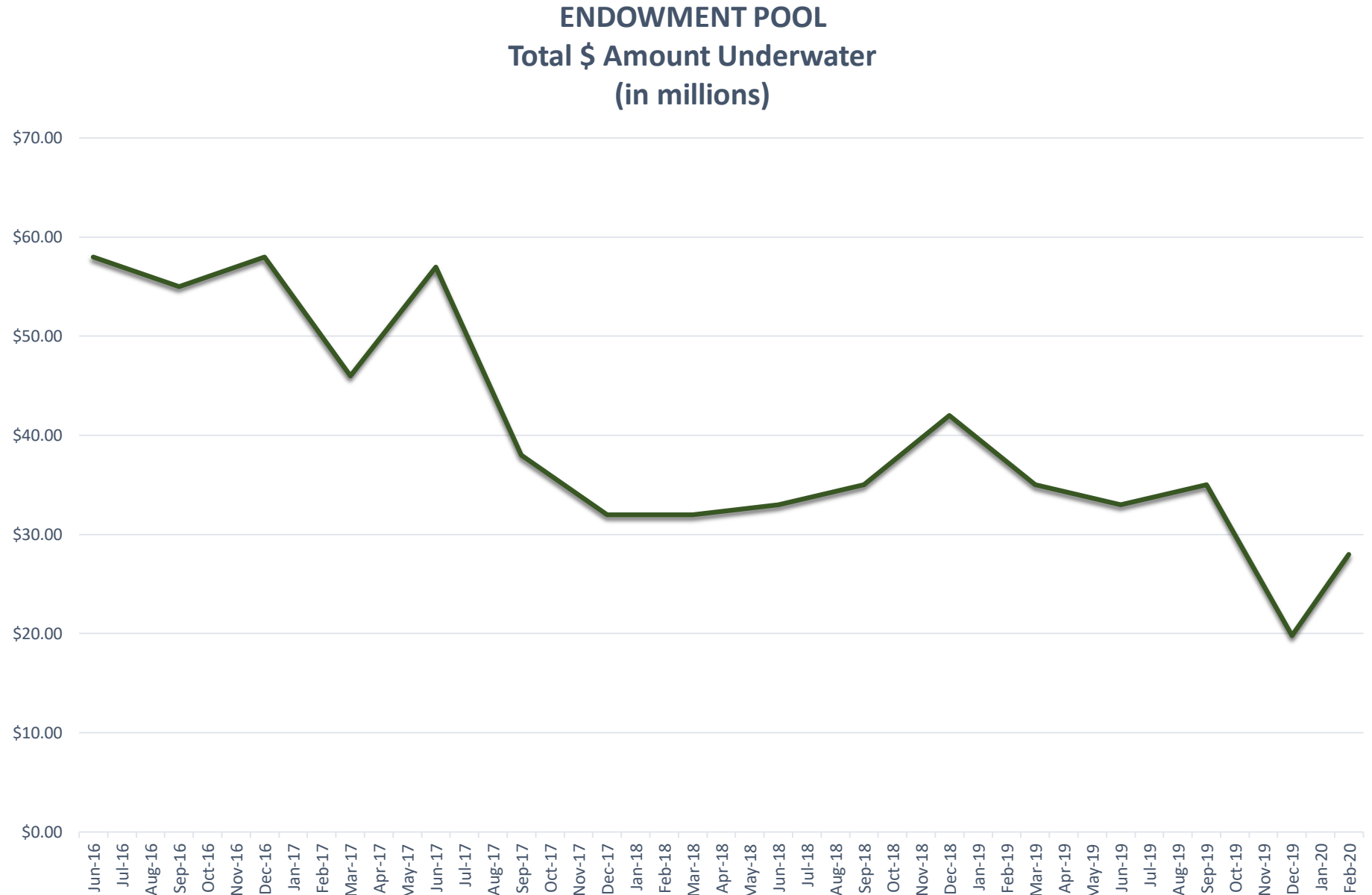
June 2017: Increase due to transfer of carryover from the endowment accounts to the related spendable accounts. Total underwater amount is \$42M.

June 2018: Total underwater amount drops to \$33M.

September 2019: Increase due to transfer of FY20 spending policy from endowment accounts to related spendable account, partially offset by market gains. Total underwater amount is \$35M.

December 2019: Accounts are recovering due to market gains, prudent spending policy, units releasing spendable funds to the endowments and an infusion of over \$5.3M. The \$19.8M total underwater amount is the lowest in 36 months.

February 2020: Market volatility related to COVID-19 has impacted market values. Half of accounts are underwater by \$28M.



Endowment Pool % of Accounts Underwater

February 29, 2020

June 2016: There are 815 accounts underwater by at least \$1.

June 2017: The number of accounts underwater reached the largest amount at 864; \$38M write-off of real estate loans receivable recorded.

June 2018: Total accounts underwater drops to 720.

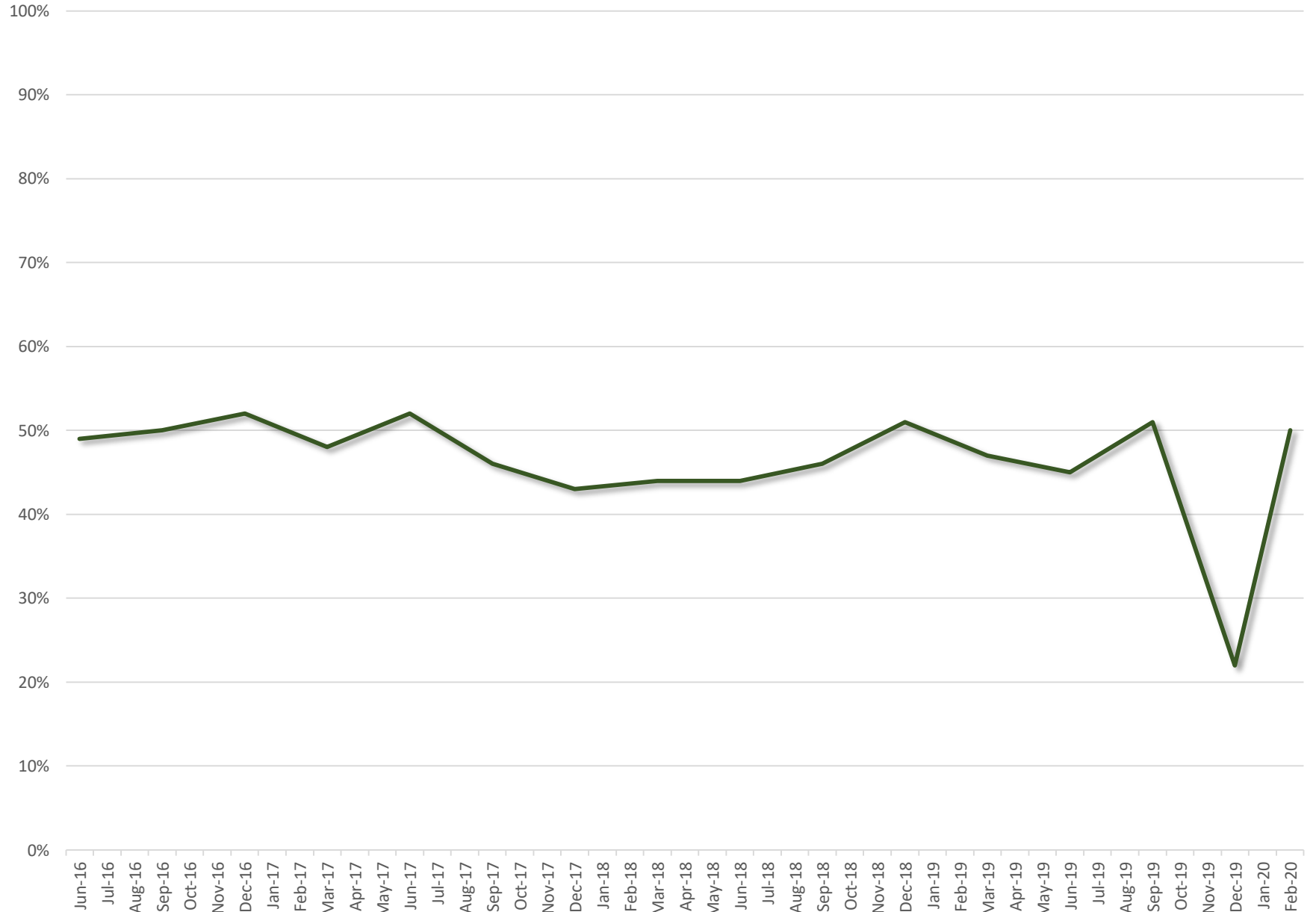
December 2018: Total accounts underwater is 854, increased due transferring carryover from the endowment accounts to the related spendable accounts.

September 2019: Slight bump in accounts underwater due to distribution of FY20 spending policy from the endowment accounts to the related spendable accounts.

December 2019: The percent (22%) and number (694) of accounts reported in January has been reduced further to 354 accounts.

February 2020: Market volatility related to COVID-19 has impacted market values. Half of accounts are underwater (830 accounts). Of those 59% (489 accounts) are 5% or less underwater and 12% (99 accounts) are between 5%-10% underwater.

Endowment Pool % of Accounts Underwater



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