Spending Policy

The spending formula has been established to provide predictable and consistent endowment distributions through most investment market cycles.

The initial spending allocation for each new endowment is established at 4.5% of the endowment corpus. Once a base spending level has been established, spending in subsequent years is calculated using the following formula:

- 70.0% of the prior year’s spending, adjusted for inflation; plus
- 30.0% of 4.5% of the rolling three year average endowment balance

Provisions are included in the spending policy for endowments that are underwater (i.e. current market value is less than historic gift value). In some cases, an underwater endowment may still make distributions, but at a decreased percentage. No distribution will be made from endowments that are underwater by 20% or more, allowing time for the funds to recover their value.

Spending allocations are determined based on market valuations as of December 31, and final spending allocations are communicated to the University by March 1 of the following year. The University may direct those funds for spending after July 1 for the following academic year.

Endowment Fund Balance

The following chart shows the asset values of the endowment over the past 6½ years. Note that in 2011, the Foundation became the fiscal agent of the University endowment, which was valued at approximately $9.4 million.
Investments Managed by Commonfund
Annual Estimated Returns
The chart above shows the returns for the endowment assets invested with Commonfund. The index is a weighted average comprised of 70% - S&P 500, and 30% - Barclays Capital US Aggregate. This is a standard benchmark for many endowments of this size.

Preserving Donor Intent
Once an endowment fund’s annual spending allocation has been determined, the money is directed to the donor’s intended use, as set forth in the donor’s documentation with the Foundation and the University.

According to Foundation policy, all endowment money is distributed in strict adherence with the donor’s intended purpose. In the case of scholarships, students will be selected in accordance with the criteria established by the donor.

Preventing Conflicts of Interest
Scholarships must be awarded on an objective and nondiscriminatory basis. Per IRS regulation concerning gifts, donors may not influence or participate in selecting students or faculty recipients of the fund, thus preventing the potential for any conflicts of interest.