

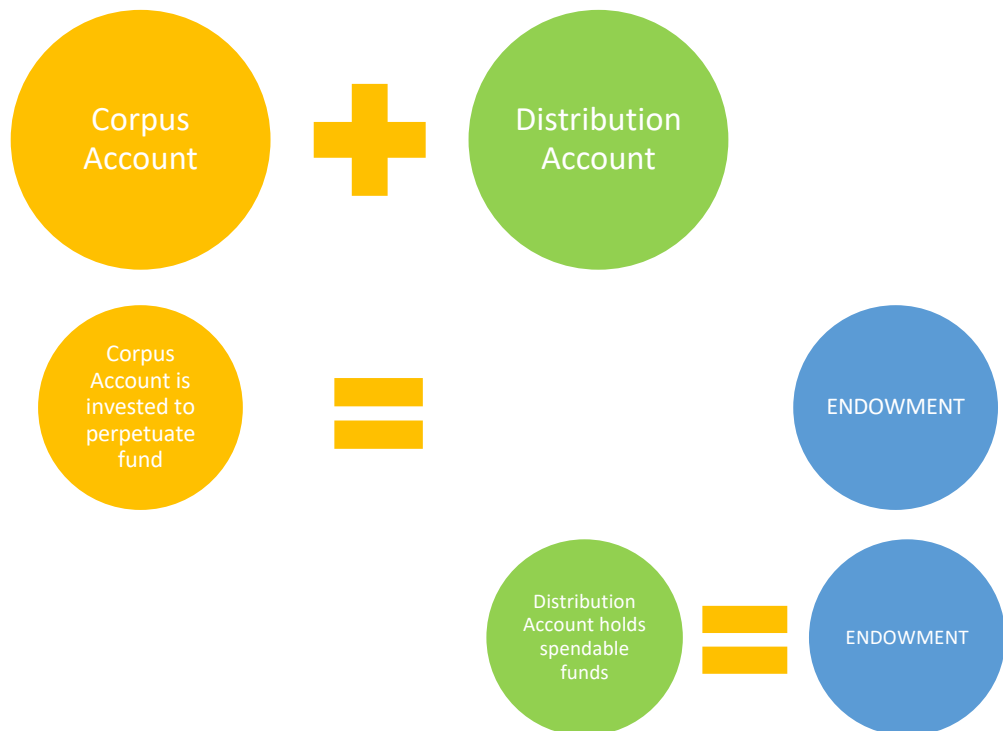
FAQ about University of Missouri endowments

What is an endowment and how does it work?

“An endowment is a financial tool that provides a permanent stream of annual funding for a cause, an organization or a program.”

THE UNIVERSITY’S DEFINITION: The University's Endowment Pool contains gifts, bequests, and other funds directed to be used to support a university program in perpetuity, in conformance with donor stipulations. Most donors require such a commitment as a condition of their gift ("true endowments"). Also, funds may be assigned to function as endowments by the Board of Curators or by University administration ("quasi endowments").

An endowment fund consists of two accounts:



What is an investment policy?

The University says that the Endowment Pool must be managed to provide ongoing support of endowed programs in perpetuity, in conformance with donor stipulations. To accomplish this, investment returns, net of inflation, should be sufficient over time to cover annual spending distributions while maintaining or growing the underlying purchasing power of each endowed gift.

FAQ about endowments

Investment Policy continued ...

In accordance with the Investment Policy approved by the Board of Curators, the Endowment Pool is invested for long-term growth, with broadly diversified investments to reduce risk. The Pool employs a total return approach, with an emphasis on growth assets. The Pool is broadly invested in equities, fixed income, hedge funds, real estate, and private equities to diversify the investment portfolio.



Office of Investments

University of Missouri System

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ENDOWMENT POOL PROFILE

as of JUNE 30, 2020

INVESTMENT PERFORMANCE, Net of Fees Period Ended June 30, 2020

1 Year	3 Years	5 Years	7 Years	10 Years
1.15%	5.36%	5.87%	6.76%	7.91%

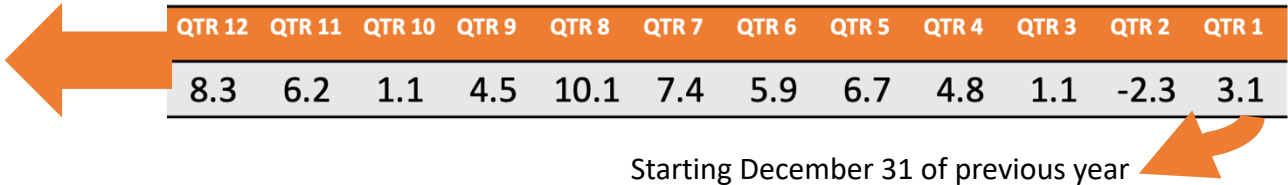
What is a spending policy?

“To create a stream of annual funding from an endowment, a portion of the corpus account may be spent each year in accordance with an established spending policy.”

THE UNIVERSITY’S SPENDING POLICY:

The University is transitioning the spending distribution rate from 4.5% to 4.0% in a methodical manner over a period not to exceed the seven years ended June 30, 2024. In no case shall the transition from 4.5% to 4.0% cause the actual spending distribution to decrease from one year to the next during the transition phase. This decrease is consistent with our mandate to maintain the purchasing power of each endowment account. The actual formula used to determine the Endowment Pool spending distribution for each fiscal year applies the spending distribution rate to a base equal to the 28-quarter trailing average of market values as of December 31st of the prior fiscal year.

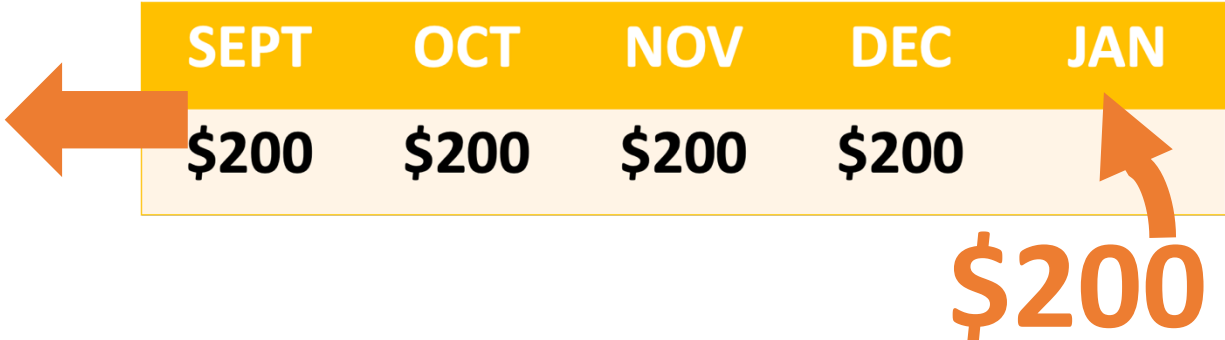
Example of Trailing Quarterly Averages:



FAQ about endowments

Spending Policy continued ...

Based on this annual calculation, endowment spending distributions are paid on a monthly basis throughout each fiscal year. Spending distributions for new endowment accounts will generally begin in the first full month following receipt of the gift.



Are there fees that are applied to an endowment?

Yes. There is a one-time 5 percent fee on all contributions. An annual endowment fee (called an administrative fee) is assessed each year on all University endowments. The administrative fee is calculated by applying a rate of 1.25% to a base equal to the 28-quarter trailing average market values as of December 31st of the prior fiscal year. Fees are non-negotiable and set by the Curators of the University of Missouri. Fees make investment success possible, and pay for Advancement services including receipting of gifts, management of donor information and gift planning and acquisition of complex gifts. Reporting on the endowment investment pool show performance net of fees.

The Corpus Account + Policies mean a growing endowment:



Examples of amounts available depending on size of endowment:

A \$50,000 endowment would provide approximately \$2,000 per year in perpetuity. A \$100,000 endowment would provide approximately \$4,000 per year, and so on.

FAQ about endowments

How can we grow our endowment?

One way is to move unused funds in the distribution account back into the corpus account. For example, one county endowment has \$18,471.20 in the Corpus account, and \$17,016.38 in the Distribution account.

PROPOSAL #1: Move \$10,000 to Corpus account, which leaves \$7,016.38 to spend for current needs. Provides about \$1,000 annually to spend that will increase over time. The \$10,000 placed in the corpus today, will be paid back through distributions in 10 years or less.

PROPOSAL #2: Move \$16,000 to Corpus account, which leaves \$1,016.38 to spend now. Provides about \$1,200 annually to spend that will increase over time. The \$16,000 placed in the corpus today, will be paid back in distributions in 13 years or less.

Can I get some answers to questions about Gift Funds?

Gift funds can be used for any purpose. They are designed for use with raising funds for short duration, low cost projects, or with crowdfunding and online giving such as through Mizzou Give Direct.

Does this fund accrue interest?

Yes. Like passbook savings account, one percent or less.

Does the fund need to be zeroed out each year?

No. You can allow a balance to accumulate as you raise money for a project.

Can the remaining balance be moved to the endowment for a higher return?

No. However, money accumulating in your endowment's distribution account can be moved over to the endowment account. But if it a true gift account, the donors are expecting the money to be spent, not invested.

FAQ about endowments

Does my county need a 501c3 Foundation?

No. The purpose of a 501c3 is to set up a corporate structure to function as a non-profit charitable organization, which is not necessary for a county extension council or an extension program. A county extension council can function as a charitable organization through statutes covering governmental entities. The University enjoys the same status through similar statutes under Section 115 of the tax code. In other words, any 501c3 set up to serve a county extension council or extension programming, is setting up a corporate redundancy. A major drawback to county foundations is the extra administrative requirements to remain an active corporation. Meeting these requirements uses up volunteer energy and time that could be devoted to more productive activities.

What do I do if my county already has a 501c3 Foundation?

Is the foundation functioning well? Work with it. If the foundation is not functioning well, or not functioning at all, encourage volunteers that their fiduciary responsibility requires they revive the foundation, or disband it.

Extension Advancement and the Missouri 4-H Foundation can help.

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