For more information about our investment and spending policies or information about our current endowment results and allocations, please see the Endowment Information section of the University of Mississippi Foundation’s website: http://umfoundation.com/endowment.

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### FREQUENTLY ASKED QUESTIONS

1. **What is the minimum gift to create an endowment?**
   The minimum level is $25,000 to participate in the investment pool. This amount can be donated over multiple years or via a one-time gift. Gifts less than $25,000 are held in a restricted account until reaching the $25,000 level. At that time, they are moved to the endowment pool and participate in the pool’s investment returns.

2. **When are endowments transferred into the investment pool?**
   Upon reaching the $25,000 level, endowment funds are transferred into the investment pool on the first day of the month following receipt of the gift.

3. **After entering the investment pool, when will a new endowment award its first distribution?**
   Endowments begin earning income the month after they are fully funded and should be allowed to build for 24 months to ensure sufficient earnings prior to distributions. This time period provides ample time for the endowment to grow and reduces the potential for volatility of distribution amounts in the early years of a new fund. Many donors wish to fund needs such as scholarships and faculty positions earlier than this 24-month period and set aside additional funds in restricted accounts to help accelerate the awarding process.

4. **What is the difference between an endowment account and a restricted account?**
   Funds donated to endowments are to be held in perpetuity as named and are invested in an effort to maintain an equal and consistent flow of funds in perpetuity. The investment intent is to create a spendable distribution that will maintain its purchasing power for decades to
come. The long-term investment return goal is Consumer Price Index (CPI) plus the current distribution rate of 4 to 4.5 percent.

Restricted accounts are not invested in the endowment pool as the spending is fully expected in the near term. These funds are held by the Foundation for the purpose intended by the donor and resemble a demand deposit account with a financial institution.

5. **How is the endowment spending distribution calculated?**
The Foundation uses a smoothing formula based on a rolling 36-month average of the ending fair market value of the account each calendar year. This calculated value multiplied by the current spending rate (4 to 4.5 percent) determines the distribution for the next fiscal year. Distributions are made quarterly during the following fiscal year.

6. **When is the University made aware of the distribution?**
The Foundation finalizes projections and disseminates that information to the University administration in March. This information assists with the upcoming fiscal year scholarship awarding and budgeting process.

7. **Can the distribution for an endowment ever go down from one year to the next?**
Yes. While the market value reported each month can be quite volatile, the distributions, which are based on a 36-month moving average, typically change very gradually.

8. **What fees are charged to the endowment?**
The Foundation charges a management fee of one half of 1 percent (or 50 basis points) as its annual fee for managing the endowment. This fee is based on the fair market value of the endowment determined each March 31 and is distributed in monthly installments over the succeeding fiscal year. Any fees charged by individual fund managers are netted against their monthly returns.

9. **What happens when endowment earnings exceed the amount needed for spending and administration fees?**
Each endowment receives its proportionate share of the investment pool’s total return. Earnings in excess of the spending distribution and the management fee are added to the balance of the endowment and are available to provide funding for spending during future periods, including periods of poor investment performance.

10. **What effects do negative or very low returns have on the Foundation’s endowments?**
When the investment return is less than the spending rate, the balance of the endowment is reduced accordingly. Due to the distributions and management fee, the value of the endowment can go down even when
investment returns are slightly positive. The Foundation’s spending policy is based on its projection that, in the long term, the average investment rate of return will equal or exceed the sum of the rates for spending and inflation.

11. What happens if the market value of an endowment drops below the sum of the principle of the gifts made into the endowment?
This situation is referred to as an “underwater endowment” and was prevalent in many endowment portfolios following the last recession. In this situation, the endowment distributions are reduced to cash earnings projected for each endowment (interest and dividends) such that the corpus of the endowment is not reduced. Distributions return to normal spending rates when the market value returns to levels above the corpus that support the current distribution spending rate.

12. Where do I find current information on recent endowment returns and endowment investment allocations?
The Foundation’s website updates this information on a quarterly basis and can be found at http://umfoundation.com/endowment.

13. Where can I find a sample agreement that is needed to create an endowment?
The Donor(s) and the Foundation enter into a formal Memorandum of Agreement (MOA) upon the establishment of each endowment. This agreement is essential to ensure that donors’ intent for these funds is adhered to in future periods. Since these funds are to be held in perpetuity, the MOA helps to ensure the future administrators of the endowment clearly understand the purpose of the endowment allowing for compliance with its stipulations. Donors often request to add specialized criteria and qualifications for an award, but the remaining portions are relatively standard. The sample agreement is included here or available at http://umfoundation.com/endowment.

14. Does paragraph 7 of the sample MOA mean the criteria can be changed?
No. This paragraph is in no way intended to replace donor intent. It is only added to allow future administrators of the endowment working with the University to alter the award in the event on an unforeseen operational change. As endowments are held in perpetuity, and the future unpredictable, it is important to maintain some flexibility should changes in University structure or operations occur decades from now. For example, if a particular department or school were to be merged or altered in some way, it would be beneficial to have existing language allowing the Foundation to follow donor intent as closely as possible within the written agreement.