

ENDOWMENT

YOUR GENEROSITY IS BEING PUT TO GOOD USE.

The EIU Foundation's primary goal is to manage endowments for the long-term so that the generosity of our donors can be extended to others well beyond their lifetimes.

The EIU Foundation invests each endowment fund in the markets, which can experience both ups and downs over time. To offset market conditions and to maintain a more stable payout the EIU Foundation uses a conservative investment strategy and payment model to manage each endowment. We do this in order to protect the original gift (corpus) while growing the value of each endowment (appreciation).

When a donation is given to establish an endowment fund or to increase an existing fund, the money becomes part of the endowment pool. At this time, units are purchased in the pool based on the unit value from the prior month. The number of units per fund is used to calculate the portion of market value (appreciation or depreciation) given to each fund as well as the interest and dividends that are earned.

To further refine and even-out the market conditions, the EIU Foundation uses a **12 quarter moving average** of the fair market value to calculate spending. Again, the goal is to remove as many of the ups and downs of the market as possible and to maintain stable payouts from the endowment fund. The spending calculations are prepared annually and are based on the previous audited fiscal year-end. The EIU Foundation board annually approves the spending rate.

Below are a few scenarios that can determine if the fund is allowed to give the entire spending amount or not:

Scenario 1: If earnings and appreciation are greater than the amount calculated for spending, the fees are deducted and the full award is available to be given.

Scenario 2: If earnings and appreciation are less than the amount calculated for spending, the fees are deducted and the award is given up to the amount available.

In Scenarios 1 and 2, the full fee is always taken. However, in Scenario 2, the full award is not given, but donors can always augment the payout of their endowment by making additional gifts for spending.

The EIU Foundation charges a modest fee of .75% annually on the balance of endowment funds. This is a relatively low cost as compared to many Foundations and the EIU Foundation is proud that we have maintained a low fee structure. We use the fee to support the Foundation and its operations, including auditing and investment services required for the endowments.

PLEASE NOTE: Assuming market conditions grow in subsequent year, the appreciation of an endowment fund will likely increase and awards would increase corresponding to this growth.

The first several years after an endowment fund has been created are usually the most difficult and typically provide the lowest spending calculations. Donors should not be discouraged by this, rather, please take heart that our conservative spending calculations are designed to provide for the long-term health of each endowment fund.

