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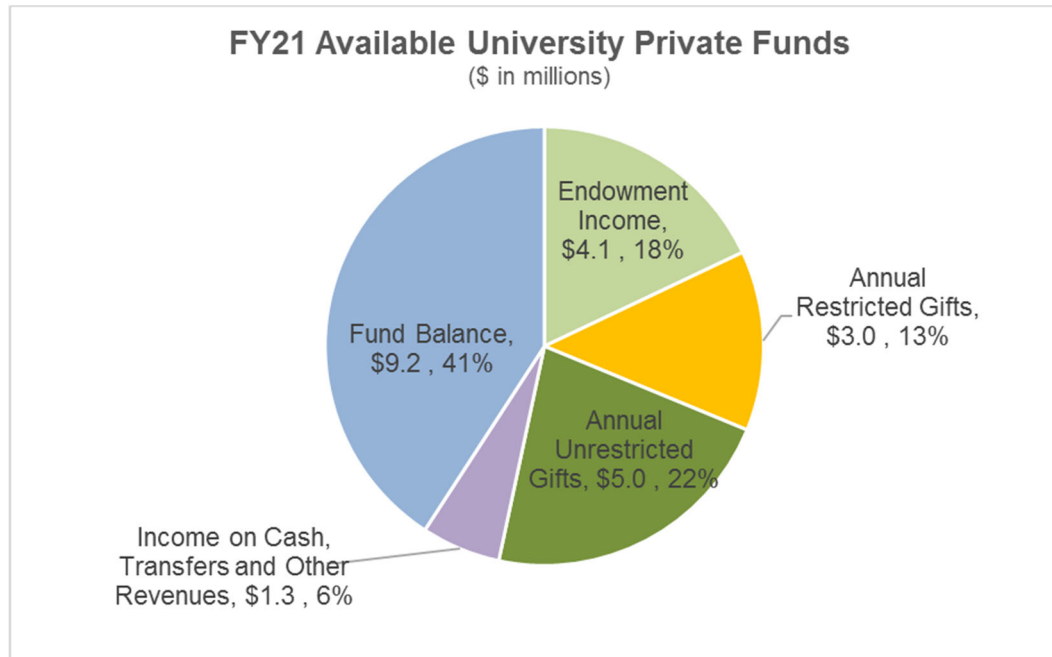
**WILLIAM & MARY
FY21 OPERATING BUDGET DETAIL
FOR UNIVERSITY PRIVATE FUNDS**

William & Mary's Board of Visitors is charged with the responsibility of administering endowed and other expendable funds privately donated to the university for restricted and unrestricted purposes, collectively known as university private funds. As a result, each year the Board:

- Authorizes spending for the upcoming year consistent with donor guidance on restricted endowment and expendable funds;
- Approves the spending of endowment income consistent with Board policy;
- Reviews projections of unrestricted revenue and approves proposed use of those funds; and
- Reviews available fund balances.

For FY21, consistent with Board policy, a spending rate of 4.75% is applied to a rolling three-year average value of endowments to determine income available from each endowment. This spending rate is unchanged from FY20 and is established with consideration of the criteria outlined in UPMIFA (Code of Virginia, Section 64.2-1102) as described on pages 9-11 of this item.

FY21 begins with an estimated total beginning fund balance (including restricted and unrestricted funds) of approximately \$9.2 million and projected revenues of \$13.4 million, resulting in \$22.6 million available for expenditure. Sources of revenue are shown in the chart below.



Budgeted expenditures total \$13.9 million with \$7.0 million coming through planned expenditures from the combined use of income from restricted endowments (\$3.5 million) and restricted expendable gifts (\$3.5 million) and \$6.9 million in expenditures anticipated from unrestricted funds. Budgeted expenditures for unrestricted funds are significantly lower than those budgeted for FY20 to ensure unrestricted funds remain in a positive position.

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**WILLIAM & MARY
SUMMARY OF UNIVERSITY PRIVATE FUNDS
RESTRICTED ENDOWMENTS
REVENUE AND EXPENDITURES
FY 2020 AND FY 2021**

	<u>FY 2020</u>	<u>FY 2021</u>
REVENUE		
Actual/Estimated Beginning Fund Balance (cash, receivables & payables)	\$429,500 (A)	\$429,500 (E)
Estimated Fiscal Year Revenue	<u>3,334,600</u>	<u>3,546,300</u>
TOTAL AVAILABLE REVENUE	\$3,764,100	\$3,975,800
EXPENDITURES		
Instruction	481,900	505,300
Research	136,700	135,500
Public Service	15,000	21,600
Academic Support	947,300	1,036,900
Student Services	36,100	37,600
Institutional Support	26,200	31,200
Campus Facilities and Maintenance	63,700	69,700
Student Aid	<u>1,627,700</u>	<u>1,708,400</u>
TOTAL EXPENDITURES	\$3,334,600	\$3,546,200
ESTIMATED ENDING BALANCE TO CARRY FORWARD	\$429,500	\$429,600

(A) actual

(E) estimate

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**WILLIAM & MARY
SUMMARY OF UNIVERSITY PRIVATE FUNDS
RESTRICTED EXPENDABLE GIFTS
REVENUE AND EXPENDITURES
FY 2020 AND FY 2021**

	<u>FY 2020</u>	<u>FY 2021</u>
REVENUE		
Actual/Estimated Beginning	\$8,756,000 (A)	\$8,490,000 (E)
Fund Balance (cash, receivables & payables)		
Estimated Fiscal Year Revenue	<u>3,305,000</u>	<u>3,290,000</u>
TOTAL AVAILABLE REVENUE	\$12,061,000	\$11,780,000
EXPENDITURES		
Instruction	678,500	687,000
Research	650,000	650,000
Public Service	15,000	15,000
Academic Support	312,000	312,000
Student Services	300,000	275,000
Institutional Support	316,000	260,000
Campus Facilities and Maintenance	125,000	100,000
Student Aid	1,174,500	1,174,500
TOTAL EXPENDITURES	\$3,571,000	\$3,473,500
ESTIMATED ENDING BALANCE TO CARRY FORWARD	\$8,490,000	\$8,306,500

(A) actual

(E) estimate

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**WILLIAM & MARY
SUMMARY OF UNIVERSITY PRIVATE FUNDS
UNRESTRICTED ENDOWMENTS AND EXPENDABLE FUNDS
REVENUE AND EXPENDITURES
FY 2020 AND FY 2021**

	<u>FY 2020</u>	<u>FY 2021</u>
REVENUE		
Actual/Estimated Beginning	\$3,945,900 (A)	\$309,800 (E)
Fund Balance (cash, receivables & payables)		
Estimated Fiscal Year Revenue	<u>7,051,200</u>	<u>6,545,600</u>
TOTAL AVAILABLE REVENUE	\$10,997,100	\$6,855,400
EXPENDITURES		
Instruction	245,600	274,000
Research	12,000	0
Academic Support	49,200	50,700
Student Services	489,300	487,900
Institutional Support		
Fund Administration	137,700	143,000
Advancement	5,200,000	1,613,500
Admin. Support/Special Events	1,116,600	1,118,100
Campus Facilities and Maintenance	1,735,000	1,460,000
Student Aid	<u>1,701,900</u>	<u>1,708,100</u>
TOTAL EXPENDITURES	\$10,687,300	\$6,855,300
ESTIMATED ENDING BALANCE TO CARRY FORWARD	\$309,800	\$100

(A) actual

(E) estimate

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WILLIAM & MARY
FY 2021 UNIVERSITY PRIVATE FUNDS BUDGET
REVENUE DETAIL

	ACTUAL FUND BALANCE 6/30/2019	ESTIMATED RESTRICTED ENDOWMENTS 6/30/2020	ESTIMATED RESTRICTED GIFT FUNDS 6/30/2020	ESTIMATED UNRESTRICTED FUNDS 6/30/2020	ESTIMATED TOTAL FUND BALANCE 6/30/2020
BEGINNING FUND BALANCE (cash, receivables & payables)	\$13,131,400	\$429,500	\$8,490,000	\$309,800	\$9,229,300
	REVISED REVENUES FY 2019-20	RESTRICTED ENDOWMENT REVENUES FY 2020-21	RESTRICTED GIFT REVENUES FY 2020-21	UNRESTRICTED REVENUES FY 2020-21	TOTAL REVENUES FY 2020-21
REVENUES					
Distribution of Endowment Income	\$3,850,800	\$3,516,200	\$0	\$545,600	\$4,061,800
Administrative Overhead Allocation	300,000	0	0	300,000	300,000
Transfers from Other Sources	0	0	0	0	0
Interest on Cash Balances	940,000	0	40,000	600,000	640,000
Annual Gifts:					
Restricted	3,015,000	0	3,000,000	0	3,000,000
Unrestricted	5,000,000	0	0	5,000,000	5,000,000
Drawdown from BOV Quasi Endow	0	0	0	0	0
Earnings From External Trusts	35,000	30,100	0	0	30,100
Unrestricted Gifts-Interim use ISC4	0	0	0	0	0
Unrestricted Gift -Campus Beautification	0	0	0	0	0
Other Revenue**	550,000	0	250,000	100,000	350,000
TOTAL PROJECTED REVENUES	\$13,690,800	\$3,546,300	\$3,290,000	\$6,545,600	\$13,381,900
AVAILABLE FOR EXPENDITURE	\$26,822,200	\$3,975,800	\$11,780,000	\$6,855,400	\$22,611,200

**FY 20 Other Revenue includes Undesignated Gifts of \$300,000

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**WILLIAM & MARY
FY 2021 UNIVERSITY PRIVATE FUNDS BUDGET
EXPENDITURE DETAIL**

	REVISED BUDGET FY 2019-20	RESTRICTED ENDOWMENT BUDGET FY 2020-21	ESTIMATED RESTRICTED GIFT EXPENDITURES FY 2020-21	UNRESTRICTED BUDGET FY 2020-21	BUDGET FY 2020-21
BUDGETED EXPENDITURES					
INSTRUCTION:					
Faculty Awards and Prizes	\$250,800	\$54,300	\$200,000	\$0	\$254,300
Eminent Scholars	115,500	119,200	0	0	119,200
Faculty Salary Pool	317,700	181,800	0	149,000	330,800
Fringe Benefits & Disability Insurance	104,500	0	0	125,000	125,000
Faculty of Arts & Sciences	510,400	114,400	425,000	0	539,400
School of Business	28,500	0	30,000	0	30,000
School of Education	25,000	0	12,000	0	12,000
School of Law	33,600	35,600	0	0	35,600
School of Marine Science	20,000	0	20,000	0	20,000
SUBTOTAL	\$1,406,000	\$505,300	\$687,000	\$274,000	\$1,466,300
RESEARCH	\$798,600	\$135,500	\$650,000	\$0	\$785,500
PUBLIC SERVICE	\$30,000	\$21,600	\$15,000	\$0	\$36,600
ACADEMIC SUPPORT:					
Reves Center	49,200	0	0	50,700	50,700
School of Law	92,300	95,500	0	0	95,500
Museums	619,400	489,500	145,000	0	634,500
VIMS	17,100	10,900	7,000	0	17,900
Library Support	452,500	396,200	125,000	0	521,200
Other	78,000	44,800	35,000	0	79,800
SUBTOTAL	\$1,308,500	\$1,036,900	\$312,000	\$50,700	\$1,399,600
STUDENT SERVICES:					
Activities and Services	762,600	3,700	275,000	457,000	735,700
Athletics	62,800	33,900	0	30,900	64,800
SUBTOTAL	\$825,400	\$37,600	\$275,000	\$487,900	\$800,500

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**WILLIAM & MARY
FY 2021 UNIVERSITY PRIVATE FUNDS BUDGET
EXPENDITURE DETAIL**

	REVISED BUDGET FY 2019-20	RESTRICTED ENDOWMENT BUDGET FY 2020-21	RESTRICTED GIFT EXPENDITURES FY 2020-21	UNRESTRICTED BUDGET FY 2020-21	TOTAL BUDGET FY 2020-21
BUDGETED EXPENDITURES					
INSTITUTIONAL SUPPORT:					
Admin Salary Supplements & Taxes	\$858,500	\$0	\$0	\$858,500	\$858,500
Board of Visitors	30,000	0	0	30,000	30,000
Office Funds & Contingencies	19,000	0	0	19,000	19,000
Administrative Costs	377,700	0	240,000	143,000	383,000
Advancement	5,200,000	0	0	1,613,500	1,613,500
Other Institutional Support	311,200	31,200	20,000	210,600	261,800
SUBTOTAL	\$6,796,400	\$31,200	\$260,000	\$2,874,600	\$3,165,800
FACILITIES AND OPERATIONS	\$1,923,700	\$69,700	\$100,000	\$1,460,000	\$1,629,700
STUDENT AID:					
Awards and Prizes	10,600	6,400	4,500	0	10,900
Fellowships	196,100	73,400	65,000	60,000	198,400
Scholarships	4,217,400	1,628,600	1,105,000	1,563,100	4,296,700
Activity Support	30,000	0	0	35,000	35,000
Athletic Grants	50,000	0	0	50,000	50,000
SUBTOTAL	\$4,504,100	\$1,708,400	\$1,174,500	\$1,708,100	\$4,591,000
TOTAL BUDGETED EXPENDITURES	\$17,592,700	\$3,546,200	\$3,473,500	\$6,855,300	\$13,875,000
PROJECTED YEAR-END BALANCES	\$9,229,500	\$429,600	\$8,306,500	\$100	\$8,736,200

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OFFICE OF FINANCE AND ADMINISTRATION

April 7, 2020

To: The Investments Sub-Committee of the Financial Affairs Committee of the Board of Visitors

From: Amy S. Sebring, Vice President for Finance & Technology

Subject: UPMIFA Considerations in Spending from Endowment in the Proposed FY21 Budget

This memo is intended to inform you of certain provisions articulated in the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as amended by the Commonwealth of Virginia's General Assembly in 2012.

Per UPMIFA guidelines cited in the **Code of Virginia Title 64.2-1102 (2012), Appropriation for expenditure or accumulation of endowment fund; rules of construction**, Board fiduciaries need to recognize the following considerations specifically with respect to adoption of the annual university's annual private funds operating budget:

- "A. Subject to the intent of a donor expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the institution. In making a determination to appropriate or accumulate, the institution shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and shall consider, if relevant, the following factors:
 - 1. The duration and preservation of the endowment fund;
 - 2. The purposes of the institution and the endowment fund;
 - 3. General economic conditions;
 - 4. The possible effect of inflation and deflation;
 - 5. The expected total return from income and the appreciation of investments;
 - 6. Other resources of the institution; and
 - 7. The investment policy of the institution.
- B. To limit the authority to appropriate for expenditure or accumulate under subsection A, a gift instrument shall specifically state the limitation.
- C. Terms in a gift instrument designating a gift as an endowment, or a direction or authorization in the gift instrument to use only "income," "interest," "dividends," or "rents, issues, or profits," or "to preserve the principal intact," or words of similar import:
 - 1. Create an endowment fund of permanent duration unless other language in the gift instrument limits the duration or purposes of the fund; and

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2. Do not otherwise limit the authority to appropriate for expenditure or accumulate under subsection A.”

In the absence of any donor specifications contained in a gift instrument, UPMIFA gives authority to the governing board to spend from the endowment as long as the aforementioned considerations are taken into account. With respect to the BOV’s compliance with criteria cited in subsection A, the following clarifications apply:

1. **No prohibitions against spending.** Staff have researched that from a total of 183 endowment funds there were no endowments with a market value at December 31, 2019 beneath their respective historical gift values, i.e. “underwater”. This compares to the prior year when 12 of 180 endowment funds had market values beneath their historical gift values by a difference of \$387,626. Endowment funds that are subject to revenue sources outside that of distributions from the investment pool will be budgeted according to trend estimates (e.g. pattern of dividend yield).
2. **Duration and preservation of the endowment fund.** The BOV has contracted with the Optimal Service Group of Wells Fargo Advisors as its investment consultant and accordingly that engagement includes design and execution of a long-term investment approach for the BOV endowment pool that provides for broadly diversified asset allocation, best insuring the preservation of the endowment. Contributions to endowment are invested in perpetuity with a goal of providing current support to the university as well as maintaining intergenerational spending power of gift assets.
3. **Purposes of the institution and the endowment fund.** The university was chartered in 1693 as an institution of higher education. Since that time, the university has been the recipient of private contributions that are used to further the mission and initiatives of the university. Contributions to endowment are administered by university staff in keeping with governance policies and oversight of the Board of Visitors as well as following any donor imposed restrictions with respect to use of payout from the invested endowment.
4. **General economic conditions.** Representatives from Wells Fargo Advisors are invited to attend regularly scheduled meetings of the Board in order to provide informational updates on the invested endowment portfolio. Part of their discussion time focuses on general economic conditions, domestic and global, that affect held investments.
5. **The possible effect of inflation and deflation.** Representatives from Wells Fargo Advisors, in regularly scheduled meetings with the BOV, typically address the various causal relationships that affect investment performance, including that of the possible effect of inflation and deflation on held investments in the manager portfolios.
6. **The expected total return from income and the appreciation of investments.** The BOV’s average annualized compounded returns versus the portfolio’s policy benchmark and the net difference in added value are displayed below:

	One Year	Three Years	Five Years	Ten Years
	Thru 12/31/19	Thru 12/31/19	Thru 12/31/19	Thru 12/31/19
BOV	18.2%	8.3%	5.8%	7.5%
Policy Benchmark	17.6%	8.2%	6.4%	8.0%
Added Value	0.6%	0.1%	-0.6%	-0.5%

These total return statistics are net of fees and include both income and appreciation. As a policy objective, the BOV seeks to achieve maximum long-term total returns within prudent levels of risk. Risk is reduced within the portfolio by employing broadly diversified asset classes, strategies, and multiple professional investment managers. Asset allocation within the BOV portfolio is derived following intensive due diligence by the Wells Fargo consultants and review by the BOV Investments Sub-Committee, whereby additions or deletions of managers or strategies are made thoughtfully considering the risk and performance impact on the portfolio in both the short and long term. Actual performance relative to the established policy benchmark can vary widely year to year and through business cycles, however, over longer time periods positive

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absolute returns should be sufficiently high to support a prudent spending rate. The 2021 BOV budget has a recommended spending rate of 4.75%.

7. **Other resources of the institution.** The university's comprehensive operating budget includes revenue from both the Commonwealth and private sources. Besides state appropriations, support can come from tuition and fees, grants and contracts, endowment payout, distributions from external funds held in trust by others, income from specifically held securities, expendable gift contributions, interest income from working capital, and other miscellaneous revenue sources. Funds with donor restrictions as to use are budgeted accordingly and unrestricted funds are allocated for discretionary use following review and endorsement by the President of the university, incorporating her priorities and most pressing needs.
8. **The Investment Policy of the institution.** The BOV passed a revised Investment and Spending Policy for Endowment at its September 25-27, 2019 meeting. Contained in the policy are specific guidelines that apply to corporate governance, investment objectives, delegation of management and investment functions, portfolio composition and asset allocation, social responsibility, manager guidelines, and spending provisions.

With respect to criteria cited in subsection B (above) of the UPMIFA guidelines, the BOV remains compliant with any donor restrictions that cap or limit the spending authority of the Board.

With respect to criteria cited in subsection C (above) of the UPMIFA guidelines, donor restrictions are documented in gift agreements, trust documents, bequest agreements (wills and estates), and other donor correspondence. Any restrictions or limitations with respect to use or spending are articulated in these types of documents.

Management Recommendation

In view of the fiduciary responsibilities required by UPMIFA as cited in the Code of Virginia for a governing board to appropriate spending from an endowment pool, this memorandum serves to inform you of those various considerations that need to be taken into account before a board takes action on spending.

Accordingly, following review by internal management we see no impediments to the spending recommendations outlined in the university Private Funds Budget for FY 2021, considering current economic conditions and the performance of the BOV portfolio over the past year and annualized over longer term time periods.

The Association of Governing Boards has counseled member institutions to make a management recommendation a point of record. Accordingly, this memorandum should be referenced in the Board's budget review process and later included with the minutes from the April meeting.

Please let me know if I can be of further assistance with respect to this governance issue.

C: Samuel E. Jones