FSU Foundation Endowments
Investment and Spending Policies

FSU Foundation’s Mission
The Florida State University Foundation enhances the academic vision and priorities of FSU through its organized fundraising activities and funds management. The FSU Foundation accomplishes its mission by:

• Fostering relationships with alumni and friends of FSU and advocating charitable giving to FSU;
• Soliciting contributions for academic purposes as part of FSU’s overall advancement effort;
• Investing and disbursing funds to meet current and future needs of FSU; and
• Strengthening relationships with donors to FSU.

Investment Oversight
The Investment Committee of the FSU Foundation Board of Trustees is responsible for investing the Foundation’s endowments. The committee, with the help of an independent investment consultant, develops formal investment policies and employs professional investment managers to implement those policies. A major U.S. bank holds the Foundation’s investments that require custody.

Investment Policy
All the endowments of the FSU Foundation are pooled for purposes of investment into the Long Term Investment Pool (or investment pool). The primary objective of the investment pool is to grow the corpus in excess of inflation and to meet both current and future obligations as dictated by the spending policy, net of operational cost.

To reflect the growth objectives and risk tolerance of the Investment Committee and to support the spending policy, the endowment assets are invested according to the following asset allocation guidelines:

- Public Equity 45%
- Marketable Alternatives 15%
- Private Equity 20%
- Fixed Income 10%
- Real Assets 10%

Spending Policy
The endowment spending policy is designed to provide a stable income stream to the University community for its current needs while maintaining the purchasing power of the endowed assets.

Spending is 4% of a rolling three-year average of the quarterly market values of participating funds. Spending is distributed at the end of each quarter.

Underwater Endowments Policy
The Foundation strives to balance the donor’s and the Florida State University’s (the “University”) desire to fund current program, faculty and scholarship needs with the need to grow the corpus in excess of inflation in order to meet both current and future obligations.

In the event an endowment falls underwater by greater than 15 percent of its historic dollar value (the aggregate value of all contributions to an endowment fund at the time they were made), future spending distributions will be suspended until the fund goes back above the 20 percent level. Exceptions to this requirement are intended to be extremely rare and can only be granted with the approval of the Provost and the Foundation Chief Financial Officer (CFO).

The intent of the Underwater Endowments Policy is to continue to provide spending distributions to support the scholarships, programs and facility as designated by the donor and in accordance with Florida laws, while also allowing the endowment to recover more quickly from economic downturns.

Administrative Fee
The Foundation assesses an administrative fee sufficient to offset its operating expenses. As of July 1, 2020, the fee equals 1.5% annually.

Growth/inflation
The earnings allocated to an endowment are based on the fund’s prorated share of the total investment pool. The amount allocated is the net of market performance, less the administrative fee and inflation.

In order to maintain purchasing power, the following equation must be true:

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\text{Total Long-Term Return} - \text{Total Withdrawals (spending/administrative fees)} \geq \text{Inflation}
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Fiduciary Responsibilities
An independent CPA firm annually audits endowment accounts held by the Foundation. Management reports are provided to the FSU Foundation board and FSU officials. All requests for disbursements are reviewed for compliance with the Foundation’s disbursement policy and donor guidelines. Financial Statements are made available monthly to responsible parties for each endowment.

Frequently Asked Questions

Q. What is the minimum gift amount that can create an endowment?
A. $30,000 is the minimum amount required to create an endowment that can participate in the investment pool. Once gifts are invested in the investment pool, the associated funds cannot be withdrawn.

Q. Can an endowment be created with funds other than endowed gifts?
A. Yes. A dean or director can identify non-endowed funds to be used to establish an endowment. The same $30,000 minimum applies, and once placed in the pool, funds cannot be withdrawn.

Q. When are endowments transferred into the investment pool?
A. Endowments are transferred into the investment pool on the last day of the quarter when the gift was received.

Q. Upon entering the investment pool, when will a new endowment receive its first distribution?
A. Spending distributions and earnings allocations are made at the end of each quarter. For example, an endowed gift that is received in February will be added to the investment pool on March 31 and will receive its first distribution/allocation on June 30.

Q. How is the spending distribution calculated?
A. The Foundation uses a smoothing formula based on a rolling three-year average of the quarterly market values. Ending market values for the last 12 quarters are averaged and the result is then multiplied by the stated 4% spending rate (1% per quarter) to determine the total amount to be distributed. This amount is then allocated to participating funds based on their pro-rata share of the total investment pool.

Q. Can the spending distribution for an endowment ever go down from one quarter to the next?
A. Yes. However, while the market value reported each quarter might be quite volatile, the spending amount, which is based on a three-year moving average, tends to change very gradually.

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

Q. What effect do low or negative returns have on the Foundation’s endowments?
A. Whenever the investment return is less than the spending distributions and the administrative fee, the balance of the endowment is reduced accordingly. Due to the spending distributions and the administrative fee, the value of the endowment can go down even when investment returns are positive.