

**TRANSFER TO THE UNIVERSITY OF THE ENDOWMENT'S DISTRIBUTION FROM
THE INVESTMENT FUND**

Annually the Chapel Hill Investment Fund authorizes a distribution to its participating investors, including the Endowment Fund. Exhibit 1 is a table showing the proposed June 30, 2013 transfer of that distribution from the Endowment to the University, by category, for expenditure during the 2013-2014 fiscal year as well as two (2) pages of explanatory notes. Regulations adopted by the Board of Governors require that the Trustees approve any transfer of Endowment principal or income to the useful possession of the institution. The Board of Trustees of the Endowment Fund approved, by mail ballot, the proposed June 30, 2013 transfer for University expenditure during the 2013-2014 fiscal year.

Exhibit 2 provides a flowchart of the approval process as background information.

RECOMMENDED ACTION

A motion to approve the June 30, 2013 transfer from the Endowment to the University of the amounts shown on Exhibit 1 for University expenditure during the 2013-2014 fiscal year.

**BOARD OF TRUSTEES OF THE ENDOWMENT FUND OF THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL
JUNE 2013 TRANSFERS FOR FISCAL YEAR 2013-2014 EXPENDITURES**

	Transfer
	June 2013
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Restricted Funds:	
Kenan Professorships	\$3,030,551
William R. Kenan, Jr. Professorships	2,849,893
Johnston Professorships	3,232,769
Other Professorships	22,298,911
Visiting Professors and Lectures	557,550
Scholarships	6,187,801
Fellowships	2,558,714
Prizes and Awards	681,173
Departmental Uses	7,629,464
Library	3,180,912
Miscellaneous	573,590
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Total Restricted	52,781,328
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Unrestricted Funds:	
Pogue Fund:	
Development Program	1,435,000
Library Acquisitions	247,700
Approved Research/Study Programs	152,800
Scholarships	539,800
Fellowships	194,400
Chancellor's Fund	451,627 (1)
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Subtotal - Pogue Fund	3,021,327
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Clayton Fund:	
Chancellor's Carolina Scholars Program	867,400
Faculty Research and Study	53,700
Jr. Faculty Development	92,600
Library Acquisitions	57,500
University Research Council	150,000
Scholarships	73,100
Fellowships	58,300
Undergraduate Advising	231,500
Chancellor's Fund	742,851 (1)
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Subtotal - Clayton Fund	2,326,951
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Other Unrestricted	791,990
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Total Unrestricted	6,140,268
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Grand Total	<u>\$58,921,596</u>

(1) Some of this allocation has been previously committed by the Chancellor.

NOTES TO THE PROPOSED ENDOWMENT TRANSFER OF FUNDS JUNE 2013

Consistent with the procedures for implementing the Uniform Prudent Management of Institutional Funds Act (UPMIFA) presented to the Board of Trustees of the Endowment Fund in 2009, the recommended distribution and transfer exclude any invasion of principal. There were no underwater endowments at the end of fiscal year 2012-13, so the distribution and transfer were not reduced from the calculated payout distribution.

The Restricted Funds amount is a direct pass through of the approved Investment Fund distribution. Unlike June 2008 and previous years, the distribution and transfer for certain Unrestricted Funds do not include previously approved increased transfers. The allowable increased transfers are being suspended for the June 2013 distribution but may continue in subsequent years consistent with previous Board actions.

The Unrestricted Funds category reflects allocations as recommended by University management to the Board for approval. Unrestricted Funds in the *Pogue Fund – Chancellor's Fund*, the *Clayton Fund - Chancellor's Fund* and the *Other Unrestricted* categories are allocated by the University Budget Committee.

Designated, unrestricted allocations were reduced by 7.4 percent in June 2010, consistent with the reduction in the approved Chapel Hill Investment Fund distribution. The same allocation levels were continued in June 2011 and June 2012. Although partial or full restoration was considered, the recommended allocations for designated, unrestricted funds remain at June 2012 levels.

Unspent prior year allocations are not carried forward for use by the campus unit but are available for reallocation by the University's Budget Committee. The recent history of the unrestricted allocations follows:

	2013	2012	2011	2010	2009
Unrestricted Funds:					
Pogue Fund:					
Development Program	\$1,435,000	\$1,435,000	\$1,435,000	\$1,435,000	\$1,550,000
Library Acquisitions	247,700	247,700	247,700	247,700	267,500
Approved Research/Study	152,800	152,800	152,800	152,800	165,000
Scholarships	539,800	539,800	539,800	539,800	583,000
Fellowships	194,400	194,400	194,400	194,400	210,000
Chancellor's Fund / Unallocated	451,627	445,924	383,858	333,476	392,271
Subtotal - Pogue Fund	3,021,327	3,015,624	2,953,558	2,903,176	3,167,771
Clayton Fund:					
Chancellor's Carolina Scholars	867,400	867,400	867,400	867,400	936,893
Faculty Research and Study *	53,700	-	-	-	-
Jr. Faculty Development *	92,600	-	-	-	-
Library Acquisitions *	57,500	-	-	-	-
University Research Council *	150,000	-	-	-	-
Scholarships *	73,100	-	-	-	-
Fellowships *	58,300	-	-	-	-
Undergraduate Advising	231,500	231,500	231,500	231,500	250,000
Chancellor's Fund / Programs	742,851	1,223,174	1,172,443	1,133,270	1,248,194
Subtotal - Clayton Fund	2,326,951	2,322,074	2,271,343	2,232,170	2,435,087
Other Unrestricted	791,990	760,979	738,564	723,779	785,437
Total	\$6,140,268	\$6,098,677	\$5,963,465	\$5,859,125	\$6,388,295

* Allocations for Faculty Research and Study, Jr. Faculty Development, Library Acquisitions, University Research Council, Scholarships, and Fellowships are discontinued from the University of North Carolina at Chapel Hill Foundation, Inc. and are recommended to be transferred to the distribution from the *Clayton Fund* for June 2013. The change in funding source will allow the Foundation's unrestricted distribution to be allocated for other important needs supporting the University.

**THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL
APPROVAL PROCESS FOR ENDOWMENT PAYOUT**

UNC-CHAPEL HILL FOUNDATION INVESTMENT FUND, INC.

The Investment Fund's purpose is to support the University by operating an investment fund for charitable, nonprofit foundations, associations, trusts, endowments and funds that are organized and operated primarily to support the University.

Pay its earnings to its participating investors on a total return basis.

Annually authorizes a distribution (or payout) to its participants according to a formula adopted by the Investment Fund Board.

Rate is set a year in advance and is approximately 5% of the Fund.

Distribution is paid to participants on 6/30.

UNC-CHAPEL HILL FOUNDATION, INC.

The Foundation's purpose is to aid, support, and promote teaching, research and service in the various educational, scientific, scholarly, professional, artistic and creative endeavors of the University.

Board of Directors approves the transfer of all (or a portion) of its distribution from the Investment Fund to the University for expenditure during the fiscal year (7/1 – 6/30) after the Investment Fund distributes.

The retained portion may be expended by the Foundation on behalf of the University.

Potential expenditures are categorized by donor restrictions (or lack thereof).

UNC-CHAPEL HILL ENDOWMENT FUND

Pursuant to N.C. statutes and Board of Governors regulations, the Board of Trustees of each constituent UNC institution must establish and maintain an endowment fund for the institution.

Board of Trustees of Endowment Fund approves the transfer of the distribution from the Investment Fund to the University for expenditure during the fiscal year (7/1 – 6/30) after the Investment Fund distributes.

Potential expenditures are categorized by donor restrictions (or lack thereof).

UNC-CHAPEL HILL BOARD OF TRUSTEES

Pursuant to Board of Governors regulations, the Board of Trustees must approve the transfer of the distribution from the Endowment to the University.

The Board of Trustees does not approve the Foundation or the Investment Fund actions.