

Endowment Policies

Endowment Funding

The University's endowment consists of individual funds established for a variety of purposes. Its endowment includes both donor restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation of Relevant Law and Spending Policy

The Board of Trustees of the University has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), requiring the preservation of the original value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original gift value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets as defined by donor restrictions or until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the University and the donor restricted 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 University
- (7) The investment policies of the University

Distributions from long term investments are made using the total return method. Under the total return method, distributions consist of interest, dividends, and realized and unrealized gains. The Board of Trustees has approved spending of up to 4% of the three year rolling average balance of the endowment. The University has adopted this spending policy in order to protect the original corpus of gifts as well as to preserve the purchasing power of these funds into the future.

Return Objectives and Risk Parameters

The University's investment portfolio is managed to provide for the long term support of the University. Accordingly, these funds are managed with disciplined longer term investment objectives and strategies designed to meet cash flow and spending requirements. Management of the assets is designed to attain the maximum total return consistent with acceptable and agreed upon levels of risk. It is the goal of the aggregate long term investments to generate a long term target rate of return of at least 5% plus inflation, which would meet the annual spending rate, provide for inflation, fees and real growth.

Strategies for Achieving Investment Objectives

To satisfy its long term rate of return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets an asset allocation strategy wherein assets are diversified among several asset classes. The pursuit of maximizing total return is tempered by the need to minimize the volatility of returns and preserve capital. As such, the University seeks broad diversification among assets having different characteristics with the intent to endure lower relative performance in strong markets in exchange for greater downside protection in weak markets

If you have any questions about SNHU's Endowment Policies or to learn more about how your gift can help Southern New Hampshire University, please contact Lisa Christensen.

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