

A Guide to Understanding Your Financial Information

> Beginning Market Value

Reflects the ending market or fund value from the previous fiscal year (FY). For funds building to the endowment level, it reflects gifts intended to endow the fund.

> Ending Market Value

Reflects cumulative investment gains and losses, realized and unrealized gains, gifts, other income, transfers and distributions, as applicable. For funds building to the endowment level, it reflects gifts intended to endow the fund.

> Total Contributed Value (Corpus)

Includes all gifts to the principal account and any required donor returns to the principal account. Total contributed value (corpus) is not reported for funds in the process of building to the full endowment level.

> Distributions

Includes withdrawals from the principal account for FY25 (July 1, 2024, to June 30, 2025) spending budget and endowment assessment fees, if applicable. The spending budget is transferred to the income account for expenditures.

> Gifts and Contributions

Represents gifts received over the course of the fiscal year to the principal and/or income accounts. It could also include state matching funds received for distinguished professorships or a transfer of unspent funds from the income account to the principal account.

How can I grow my endowment?

To ensure that future generations can continue to benefit from your long-term investment in NC State, we offer the following options for growing your endowment.

> Outright Gifts

Outright gifts, such as cash, securities, real estate or personal property, provide the most immediate return on your partnership with NC State as well as the greatest tax benefit and savings. **Grow your endowment online at give.ncsu.edu/growendowment or call 919.513.9238.**

> Legacy Gifts

Legacy gifts can offer you the opportunity to make a larger contribution to the future of NC State than you may have thought possible. There are many types of legacy gifts, including will bequests or trust provisions, charitable gift annuities, charitable remainder trusts, life insurance, qualified retirement plans and more. **Call 919.513.9238 for more information.**

> Why am I receiving this report?

NC State is grateful for donors who have contributed to or established endowed funds and is pleased to share the progress made possible through these generous gifts. At this time, you are listed as a contact for the fund described in this report. If you wish to make any changes to that information, please contact the Office of Donor Services at donorservices@ncsu.edu or 919.513.9238.

> How is a spending budget determined? What is the relationship between overall investment return and the spending on an endowment?

Endowments adhere to spending policies set by the NC State Investment Fund, Inc. (NCSIF). A sustainable spending rule is total net investment return minus inflation to cover programmatic spending as well as assessment fees. Programmatic endowment spending is generally computed as 4% of the average market value of the previous 20 quarters. NC State's supporting entities use this averaging method in order to smooth out significant changes from year to year that would otherwise occur due to market volatility. To further provide stability during periods of volatility and to ensure spending levels can be maintained over time, the programmatic spending rate is maintained within a band of 3% to 5% of the endowment market value as of the prior fiscal year end.

> What is an "underwater" endowment?

This is an endowment that has used all accumulated earnings and appreciation, resulting in a market value that is less than total contributed value (corpus). This may be caused by declining market performance or utilizing an early spending budget to create immediate impact. Eroded total contributed value (corpus) and negative spending reserves are other terms used to denote "underwater" endowments.

> What happens when investment returns are negative?

An endowment can spend from prior years' excess returns, also referred to as spending reserves. However, if there are no spending reserves available, there are two possibilities with respect to spending when investment returns are negative:

- A. If the endowment agreement prohibits spending of total contributed value (corpus), there can be no spending.
- B. If the endowment agreement does not prohibit spending of total contributed value (corpus) and the endowment market value is greater than 85% of total contributed value (corpus), spending at some level may be possible through borrowing against future spending reserves.

> What are the entities that support NC State?

The Endowment Fund of North Carolina State University
NC State University Alumni Association, Inc.
NC State Engineering Foundation, Inc.
NC State Natural Resources Foundation, Inc.
The North Carolina Agricultural Foundation, Inc.
North Carolina State University College of Sciences Foundation, Inc.

North Carolina State University Foundation, Inc.
North Carolina Veterinary Medical Foundation, Inc.
NCSU Student Aid Association, Inc.*
North Carolina Textile Foundation, Inc.*

*These entities' endowments are not exclusively managed by the NCSIF and have spending and distribution policies that may differ from those outlined above.