



Private Support Budget Book Supplemental



OHIO
UNIVERSITY

Long Term Investment Pool

Pursuant to resolution 2002-1851, the University's Board of Trustees entrusted oversight of the long-term investment portfolio to the Investment Committee (IC) of the Foundation. The long-term investment portfolio is comprised of the University's and the Foundation's endowments and quasi-endowments, as well as a portion of the University's and the Foundation's working capital and a portion of the century bond sinking fund.

From FY10 through FY19, the Foundation engaged Hirtle, Callaghan & Co. (HC) to manage the long-term investment portfolios as an outsourced chief investment officer. HC reported to the IC. As part of its routine fiduciary duties, during FY19, the Foundation issued a Request for Proposals for investment advisory services, reviewed the responses to the RFP, interviewed a series of semi-finalists and finalists, as well as conducted site visits to their respective headquarters. The IC determined that Fund Evaluation Group, LLC (FEG) best met the qualifications set forth by the IC, and FEG was engaged to manage the long-term investment portfolios beginning in FY20.

Investment Pool Activity through March 31, 2022*

	FY19	FY20	FY21	FY22*
Beginning investment pool market value	\$ 710.8	\$ 728.4	\$ 738.8	\$ 949.2
Cash transferred to (from) investment pool	(13.1)	(1.3)	(17.6)	-
Interest and dividends net of management fees	15.9	13.2	8.8	7.6
Realized gains (losses)	(0.2)	(6.9)	16.5	24.9
Unrealized gains (losses)	15.0	5.4	202.7	(38.3)
Ending investment pool market value	<u>\$ 728.4</u>	<u>\$ 738.8</u>	<u>\$ 949.2</u>	<u>\$ 943.4</u>

*Unaudited Estimate

Investment Pool Composition as of March 31, 2022*

	Foundation		University		Total	
Endowments	\$ 409.6	66%	\$ 39.4	13%	\$ 449.0	47%
Quasi-endowments	171.2	27%	108.8	34%	280.0	30%
Working capital	34.2	5%	161.9	51%	196.1	21%
Century bond reserve	-	0%	5.7	2%	5.7	1%
Cash due (to) from pool	12.2	2%	0.4	0%	12.6	1%
Total investment pool	<u>\$ 627.2</u>	<u>100%</u>	<u>\$ 316.2</u>	<u>100%</u>	<u>\$ 943.4</u>	<u>100%</u>

*Unaudited Estimate

Endowment Activity

Endowment includes those contributions which were endowed in perpetuity by the donor and which the University may spend only through annual distributions. Quasi-endowments are funds that the Foundation or the University have set aside to function like endowed funds.

Endowment Activity through March 31, 2022

	FY19	FY20	FY21	FY22*	FY23*
Beginning endowment market value	\$ 568.9	\$ 580.7	\$ 579.3	\$ 747.0	\$ 701.0
New gifts to endowments	12.1	7.1	16.6	20.7	14.9
Transfers to (from) quasi endowments	2.1	7.3	9.6	1.6	0.7
Investment income net of fees	24.7	13.4	174.1	(36.7)	40.4
Spending allocation	(19.5)	(19.7)	(21.5)	(22.0)	(24.0)
Administrative fee	(9.4)	(9.5)	(9.9)	(9.6)	(10.0)
Other additions (withdrawals)	1.8	-	(1.2)	-	-
Ending endowment market value	<u>\$ 580.7</u>	<u>\$ 579.3</u>	<u>\$ 747.0</u>	<u>\$ 701.0</u>	<u>\$ 723.0</u>

**Unaudited estimate. Projected utilizing actual fiscal year to date return through April 2022, and an estimated return for May and June 2022.*

Endowment Distributions

Endowment earnings are authorized for expenditure in accordance with the spending policy adopted by the Foundation. The spending policy and spending rate are reviewed annually and adjusted, as necessary, with the primary objective of balancing the need for current spending with the goal of supporting future expenditures into perpetuity.

For FY23, the annual endowment distribution is equal to the product of a 5.7% spending rate and the endowment's average market value for the trailing 36 months. Both true and quasi-endowments are subject to this spending policy. The 5.7% spending rate is comprised of a 4.0% spending allocation and a 1.7% administrative fee. The spending allocation supports various initiatives, as specified in the gift agreement. This includes, but is not limited to, scholarships and fellowships, chairs and professorships, research activities, and general support of academic units. The administrative fee provides general support for the institution's fundraising, alumni relations, and management and general functions.

Endowment Spending Rates

During FY19, the Foundation evaluated the funding model used to support operational needs, including fundraising, alumni relations, and management and general expenses. As a result of this analysis, a revised funding model was implemented in FY20. The revised funding model included the implementation of a 5% current-use gift fee on January 1, 2020, as well as a phased reduction of the endowment administrative fee by 10 basis points per fiscal year, from 2.0% in FY20 to 1.5% in FY25. This revised funding model leverages support for operations from all gifts raised, rather than applying gift fees only to the endowment, which disproportionately impacts these gifts.

Endowment Spending Rates by Fiscal Year

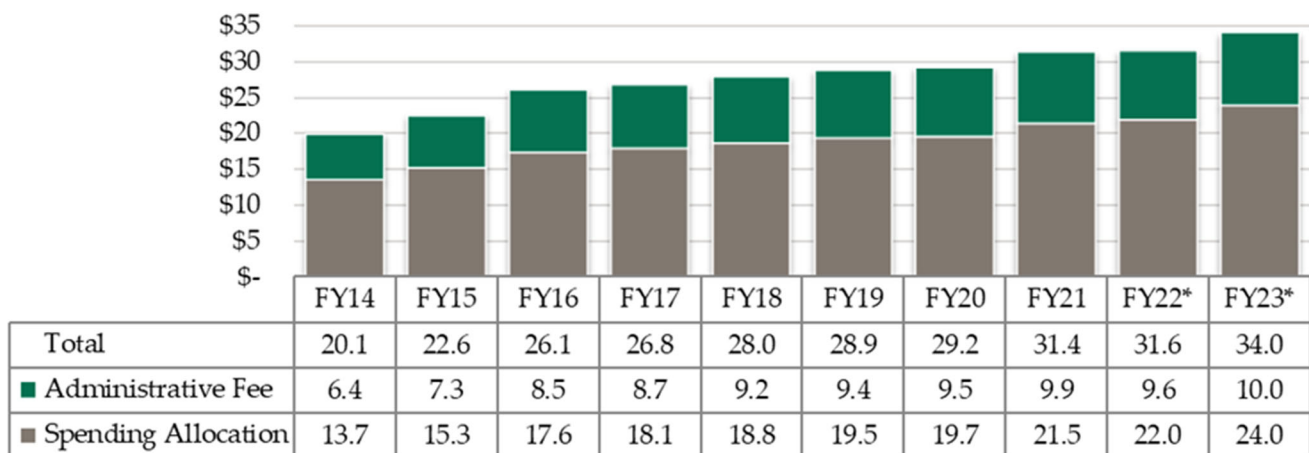
Fiscal Years	Spending Allocation	Administrative Fee	Total Spending Rate
FY14 - FY20	4.0%	2.0%	6.0%
FY21	4.0%	1.9%	5.9%
FY22	4.0%	1.8%	5.8%
FY23	4.0%	1.7%	5.7%

Through FY21, these spending allocation and administrative fee rates applied to accounts whose market value exceeded the historic gift value. Occasionally, due to a downturn in the investment market, an account’s market value may temporarily fall below its historic value. When this occurs, the endowed account is “underwater.” Through FY21, the spending rate for underwater endowments was 1%. Underwater endowments were not assessed an administrative fee. This reduced spending rate was designed to speed the endowment's recovery and ensure the account's ability to provide a perpetual income stream in support of the University, but it was more conservative than the underwater spending formula used by many peer institutions. Effective for FY22, the Foundation's Board of Trustees revised the underwater spending formula in a manner that better aligns it with peers while continuing to protect the endowment's long-term purchasing power. Specifically, the new spending policy provides:

- Endowments with a market value of at least 90% of the historic gift value will distribute a 4.0% spending allocation and will be subject to the policy administrative assessment rate (i.e. 1.7% in FY23, falling by 10bps per fiscal year to 1.5% in FY25).
- Endowments with a market value of at least 80% but less than 90% of the historic gift value will distribute a 3.0% spending allocation and will be subject to a 1.0% administrative assessment.
- Endowments with a market value of less than 80% of the historic gift value will distribute a 1.0% spending allocation and will not be subject to an administrative assessment.

Endowment Distributions by Fiscal Year (in millions)

The following chart depicts endowment distributions over the past decade. Since FY14, the steady increase in endowment distributions has been driven by investment returns, the creation of new endowments, and the increase in the administrative fee from 1.0% in FY12 to 2.0% in FY13 through FY20 before it was reduced to 1.9% in FY21, \$1.8% in FY22 and 1.7% in FY23.



**Unaudited*

Endowment Distribution by Planning Unit and Purpose

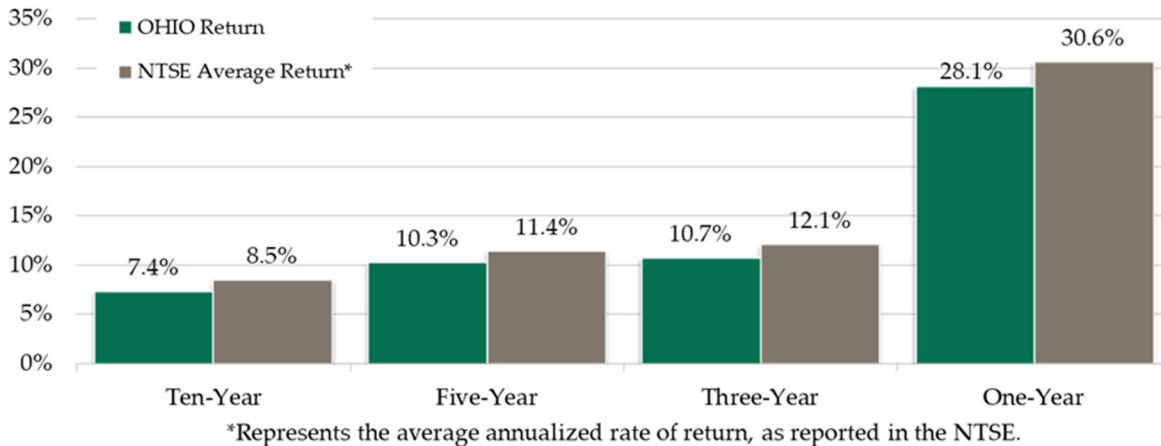
FY23 Endowment Spending Allocation by Purpose and Planning Unit						
Planning Unit	Academic/ Instruction	Research	Student Aid	General Institution	Total	
Arts and Sciences	\$ 879,218	\$ 119,540	\$ 829,485	\$ 4,345	\$ 1,832,588	
Athletics	-	-	88,997	99,662	188,659	
Business	749,632	8,293	374,290	2,964	1,135,179	
Campus Recreation	-	-	10,851	1,538	12,389	
Central Accounting	-	-	22,957	410,473	433,430	
Chillicothe	30,922	-	111,101	5,324	147,347	
Communication	1,362,277	-	527,467	-	1,889,744	
Diversity and Inclusion	2,061	-	345,726	-	347,787	
Eastern	985	-	107,081	3,492	111,558	
Education	188,403	-	334,692	5,426	528,521	
Engineering	6,217,794	125,021	619,905	1,563	6,964,283	
Enrollment Management	-	-	1,450,010	129,954	1,579,964	
Exec Dean Regional Campuses	5,000	-	-	-	5,000	
Fine Arts	38,974	80,673	326,615	3,306	449,567	
Graduate College	-	-	1,814	-	1,814	
Grounds	-	-	-	2,680	2,680	
HCOM Athens	139,583	728,810	926,892	-	1,795,285	
HCOM Dublin	-	-	8,119	-	8,119	
Health Sciences	47,557	2,697	174,931	7,038	232,223	
Honors	1,328	-	1,304,179	-	1,305,506	
Human Resources	-	-	-	1,189	1,189	
Information Technology	-	-	1,074	-	1,074	
Instructional Innovation	-	-	2,006	-	2,006	
ISFS	4,906	-	1,871	-	6,777	
Kennedy Museum	5,588	-	-	59,098	64,686	
Lancaster	-	-	450,628	7,316	457,944	
Library	356,726	-	51,587	-	408,313	
Marching 110	1,798	-	3,441	-	5,239	
OGAIS	211,367	-	33,378	-	244,745	
President	24,506	-	-	-	24,506	
Provost	594,351	-	-	57,363	651,713	
Southern	-	-	96,100	799	96,899	
University College	3,696	-	28,596	9,696	41,988	
Voinovich	25,551	-	8,545	-	34,096	
VP of Advancement	777	-	4,147	74,038	78,962	
VP of Research	249,159	1,790,134	94,415	3,437	2,137,145	
VP of Student Affairs	15,727	-	21,444	75,874	113,046	
WOUB	997	-	1,430	652,699	655,126	
Zanesville	5,893	-	40,289	3,592	49,773	
Total	\$ 11,164,776	\$ 2,855,167	\$ 8,404,064	\$ 1,622,865	\$ 24,046,872	

NACUBO-TIAA Study of Endowments

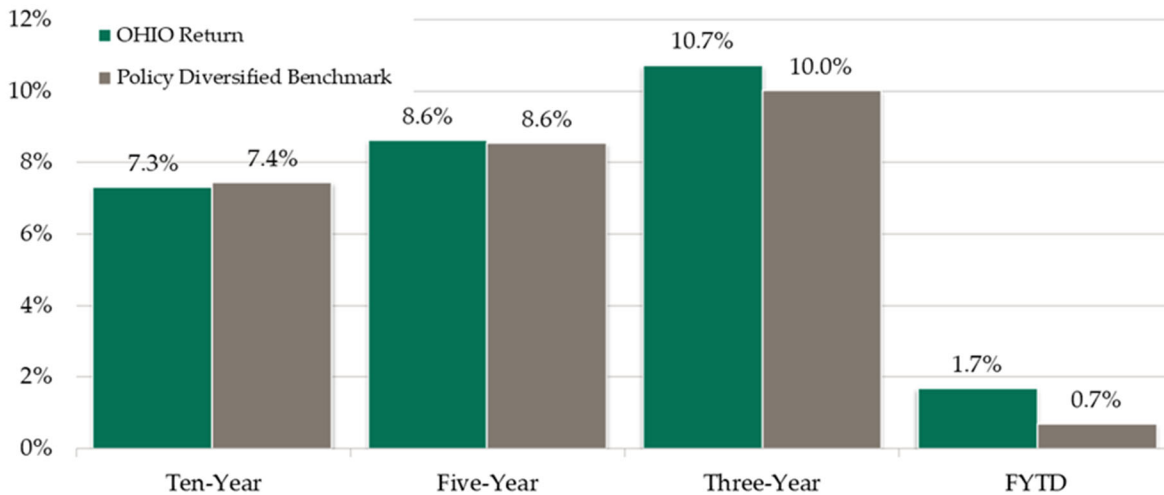
Annually, OHIO participates in the NACUBO-TIAA Study of Endowments (NTSE), a survey that analyzes the endowment management practices and portfolio performance of more than seven hundred higher education institutions and their related foundations. The following charts provide information about the relative performance of OHIO's endowment assets.

Final results for the year ending June 30, 2021 were made available in early 2022. OHIO's portfolio lagged the NTSE average for the one-, three-, five-, and ten-year periods ending June 30, 2021.

Performance vs. Peer Institutions for Period ended June 30, 2021



Performance vs. Policy Benchmark for Period ended March 31, 2022



Gifts and Contributions

Each year, The Ohio University Foundation receives charitable contributions that are designated to support various colleges, campuses, academic programs, student activities, scholarships, capital projects and other OHIO initiatives. While some gifts are endowed (permanently restricted), others are available for immediate use (expendable).

Gift Type	FY18	FY19	FY20	FY21	FY22*	FY23*
Expendable						
Unrestricted - current use	\$ 1.2	\$ 0.2	\$ 0.4	\$ 1.2	\$ 0.8	\$ 1.0
Restricted - current use	8.8	14.7	11.4	19.0	27.5	9.1
Subtotal - Expendable	10.0	14.9	11.8	20.2	28.3	10.1
Nonexpendable						
Restricted - endowed	9.7	11.8	7.5	23.0	13.3	14.9
Subtotal - Nonexpendable	9.7	11.8	7.5	23.0	13.3	14.9
Total	\$ 19.7	\$ 26.7	\$ 19.3	\$ 43.2	\$ 41.6	\$ 25.0

*FY22 figures are forecast as of May 2022. FY23 figures represent budgeted amounts.

For FY23, \$25.0M in total gifts are budgeted, inclusive of expendable and nonexpendable gifts.

Expendable gifts – Expendable gifts are contributions for which the University can spend the corpus, or gift amount, to fund operations in accordance with the donor designation. These include unrestricted contributions (\$1.0M), which may be used for any purpose that supports the University, as well as restricted contributions (\$9.1M), which have been designated by the donor to support a specific purpose. Restricted expendable gifts may be designated for scholarships, faculty support, the construction or renovation of a particular facility, the support of a particular college or program, or other OHIO initiatives.

Nonexpendable gifts – Nonexpendable gifts are contributions for which the University may *not* spend the corpus which must be endowed in perpetuity and invested in the long-term investment portfolio; but for which we may spend the distributions against the principal in accordance with the BOT approved spending policy (as described above). These contributions are included in the FY23 budget at \$14.9M and shown as growth in our Endowment column (part of the non-operating budget). The associated annual endowment distribution will be spent in accordance with the donor specifications, which may include unrestricted purposes, or specific support for activities such as faculty chairs and professorships, scholarships and fellowships, or support of specific colleges or programs.