



THE UNIVERSITY OF NORTH CAROLINA
AT
CHAPEL HILL

Associate Vice Chancellor
for Finance

CB# 1000, 304 South Building
The University of North Carolina at Chapel Hill
Chapel Hill, NC 27599-1000

To: Deans, Directors, and Department Chairs
University Business Managers

From: Roger D. Patterson, Associate Vice Chancellor for Finance

Re: Options for Investment of Endowment Income

Date: March 11, 2002

Distributions of endowment income are made annually and are credited to income accounts designated to support academic needs such as professorships, scholarships and fellowships. Currently the only option for investment of these funds by departments is the University's Temporary Pool. However, I am pleased to announce that while departments may elect to continue using the income when distributed or invest it in the Temporary Pool, departments may now choose to invest all or a portion of the income with The University of North Carolina at Chapel Hill Foundation Investment Fund, Inc. (Investment Fund) for withdrawal and use at a later time.

Both the Board of Trustees of the Endowment Fund of the University and the Board of Directors of The University of North Carolina at Chapel Hill Foundation, Inc. have adopted policies regarding the investment and withdrawal of income invested in the Investment Fund. The policy permits an investment in the Investment Fund of accumulated income balances held in the income accounts and provides that the income invested in the Investment Fund may be withdrawn at a future date without additional Board approval of the withdrawal. Please note that the use of the income and any associated distribution from the Investment Fund related to the invested income must be used in a manner consistent with any donor-imposed restrictions. This change should assist in the prevention of the accumulation of unspent income in the income accounts by providing an additional investment choice. Under the new investment alternative, the income to be invested in the Investment Fund will purchase units that will be separately identified from principal in the Investment Fund. Distributions with respect to these units will occur annually and will be credited to the existing income account.

Enclosed with this memorandum is a copy of the policy as adopted by the Boards and also procedural information to clarify the processes to invest income in the Investment Fund or to withdraw previously invested income. Questions regarding the application of this policy should be addressed to Dennis Press (962-7007 or dennis_press@unc.edu) or Carolyn Sturgess (962-5512 or sturgess@email.unc.edu).

cc: MarkYusko, Chief Investment Officer

RDP/dap

University Endowment and UNC-CH Foundation, Inc.
Distributed February 28, 2002

Reinvested Income Policy

Currently all monies in University Endowment income and Foundation Endowment income accounts are invested in the University's Temporary Pool. This income reinvestment policy will permit accumulated income to be reinvested in the Investment Fund, subject to withdrawal for spending at a later date consistent with any donor imposed restrictions.

Reinvested income may be withdrawn at the end of any quarter without any additional Board action. Reinvested income, however, may not be withdrawn if the income was reinvested based on donor conditions intended to maintain a required level of endowed principal, or to meet other requirements of the endowed gift. The use of income withdrawn for spending must be consistent with donor restrictions.

Investment of Endowment Income Procedures

Investment of University Endowment Income in the Investment Fund:

An Account Adjustment Request (form AJ-1) should be prepared and submitted to Accounting Services, CB# 1210. The debit account should be the income account using 5970 as the account control. The credit account should be the endowment account using 4960 as the account control. The description section should describe the transaction as INCOME - INVEST FUND.

The monthly FBM090/091 reports for the endowment accounts will display principal balances using account control 1231 and the invested income balances using account control 1236.

Withdrawal of University Endowment Income invested in the Investment Fund:

The Withdrawal of Invested Income Request Form should be completed. The signed, original form should be sent to Accounting Services at CB# 1210, and a copy should be sent to the Investment Office at CB# 1300. (A copy of the form is enclosed).

Investment of Foundation Endowment Income in the Investment Fund:

A memorandum should be sent to the University Controller, CB# 1270. The memorandum should indicate the University gift account that receives the allocation of Foundation endowment income and the amount of income that should be invested in the Investment Fund. The disbursing authority for the account shall sign the memorandum. Foundation endowment income funds to be invested in the Investment Fund must be identified prior to the transfer of any Foundation funds to the University gift account.

The monthly FBM090/091 reports for the endowment accounts will display principal balances using account control 1233 and the invested income balances using account control 1236.

Withdrawal of Foundation Endowment Income invested in the Investment Fund:

A memorandum should be sent to the University Controller, CB# 1270. The memorandum should indicate the University gift account that receives the allocation of Foundation endowment income and the amount of income that should be withdrawn. The disbursing authority for the account shall sign the memorandum. The funds will be withdrawn, recorded in the endowment income account, and transferred to the University gift account. Accounting Service will complete the withdrawal form, provide a copy to the Investment Office, and notify the department when the funds are transferred to the appropriate gift account.

**The University of North Carolina at Chapel Hill
 Withdrawal of Invested Income Request Form
 University Endowment Funds**

Purpose of Form:

This form is used to request the withdrawal of invested endowment income for a University endowment fund from the UNC Chapel Hill Foundation Investment Fund. Refer to the Reinvested Income Policy for additional information.

Department Name:	Department Number:
Account Name:	Account Number:
Printed Name of Disbursing Authority:	Date:
Signature of Disbursing Authority:	Phone:
Printed Name of Department Contact:	Fax:

Income Withdrawal (select one): <input type="checkbox"/> withdraw all available income <input type="checkbox"/> withdraw \$ _____ .00	Comments:
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Mail original form to Accounting Services, CB# 1210 and copy of form to the Investment Office, CB# 1300. Withdrawals are made quarterly. The withdrawal form is due by the 1st of the last month in the quarter.

Accounting Services Use Only

Notes:	Date Received:
	UAS Withdrawal Date:
	FRS Recording Date:
	Date of Notice to Department:
	Other: