

# **POLICY NO. 903**

**Area: Institutional Advancement**

Date Adopted: March 20, 2026

**Authorized by:** O.R.C 1715.51–1715.59

Certified By: \_\_\_\_\_

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President, Central State University

Revisions Approved: May 1, 2026

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## **SUBJECT: ENDOWMENT INVESTMENT & SPENDING POLICY**

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### **1.0 Purpose**

1.1 The purpose of this policy is to establish guidelines for the prudent management, investment, and spending of endowment assets held directly by Central State University in accordance with:

- a. The Ohio Uniform Prudent Management of Institutional Funds Act (UPMIFA)
- b. Generally Accepted Accounting Principles (GAAP) and applicable accounting standards
- c. Donor intent
- d. The long-term financial stability of the University.

1.2 This policy ensures that University-held endowment assets are managed in a manner that preserves purchasing power while providing sustainable annual support for the mission of Central State University.

### **2.0 Scope**

2.1 This policy applies to all endowment funds legally held by Central State University, including:

- a. Permanently restricted endowments
- b. Temporarily restricted endowments
- c. Quasi-endowments designated by the Board of Trustees

2.2 Endowment assets held by the CSU Innovation & Development Foundation are governed separately under the Foundation Investment & Spending Policy adopted by the Foundation Board.

2.3 Central State University recognizes the CSU Innovation & Development Foundation as the preferred entity for establishing and administering new endowed funds for the benefit of the University. University-held endowments will generally be limited to legacy funds or those required for participation in federal or state programs that require institutional ownership of endowment assets.

### 3.0 Definitions

3.1 Current-Use Funds: Funds received without donor designation or restriction, as well as funds designated for a specific program or project, that are intended to be expended in the normal course of operations and are not added to the endowment.

3.2 Endowment Fund: A fund established by donor restriction or Board designation to be invested for the long term to support the University's mission. Donor-restricted endowments are legally restricted by the terms of the gift instrument and applicable law, including UPMIFA.

3.3 Temporarily Restricted Endowment: A fund in which the donor places restrictions on use or timing of spending but does not require the principal to be held permanently.

3.4 Quasi-Endowment: Unrestricted funds that the Board elects to treat as endowment, but is not legally obligated to do such. These funds follow this policy but may be appropriated for expenditure at the Board's discretion.

3.5 Underwater Endowment: A donor-restricted endowment whose current market value is less than the original gift amount (historic dollar value). Spending from underwater funds must follow UPMIFA's prudence standards and donor intent.

3.6 Market Value: The fair value of an endowment fund, including cash, invested assets, and accrued earnings, as reported by the University's custodian or financial records.

3.7 Total Return: The combined investment return from interest, dividends, realized and unrealized gains, and appreciation.

3.8 Rolling 3-Year Average: The average of the fund's market values from the three most recent fiscal year-end periods. This calculation is used to determine annual spending under this policy unless donor instructions state otherwise.

3.9 Spending Rate: The percentage of a fund's rolling three-year average market value approved by the Board of Trustees to support CSU programs, scholarships, or other donor-designated purposes.

3.10 UPMIFA: The Ohio Uniform Prudent Management of Institutional Funds Act (Ohio Revised Code 1715.51–59), which governs the management, investment, and spending of charitable funds.

3.11 Foundation-Held Endowment: An endowment fund legally held and administered by the Foundation for the benefit of Central State University.

3.12 University-Held Endowment: An endowment fund legally held and administered by Central State University and governed by University policies and oversight.

### 4.0 Governance and Oversight

#### 4.1 Board of Trustees

The Board of Trustees retains ultimate fiduciary responsibility for the management of University-held endowment assets.

#### 4.2 Finance Committee

The Board of Trustees Finance Committee shall review investment performance, endowment spending distributions, and compliance with this policy and provide recommendations to the Board.

#### 4.3 Administration

The President, in coordination with the Chief Financial Officer and Vice President for Institutional Advancement, is responsible for implementing this policy and ensuring compliance with donor restrictions and applicable law.

#### 4.4 Coordination with the CSU Innovation & Development Foundation

Where endowment funds are held by the CSU Innovation & Development Foundation for the benefit of the University, the University shall coordinate with the Foundation to ensure alignment of investment objectives, spending practices, and donor intent.

#### 4.5 Transfers from the Foundation

The University may receive transfers of funds from the CSU Innovation & Development Foundation for the establishment or augmentation of University-held endowments, including endowments eligible for federal matching programs such as Title III.

#### 4.6 Establishment of University-Held Endowments

The University will generally establish new endowment funds only when required for participation in federal or state matching programs, including Title III, or when institutional ownership of the endowment is otherwise required. Determinations regarding the classification and structure of endowment gifts will be made by Finance in coordination with Institutional Advancement to ensure alignment with donor intent, applicable funding requirements, and University financial policies.

### 5.0 Investment Objectives

5.1 The University's endowment investment strategy seeks to:

5.2 Preserve the long-term purchasing power of endowment assets;

5.3 Generate sufficient returns to support annual spending distributions;

5.4 Maintain appropriate diversification and risk management; and

5.5 Utilize external investment managers or pooled investment vehicles, as appropriate, to achieve these objectives.

5.6 The Finance Committee will review investment performance as reported by the University's investment broker or advisor. Performance will be evaluated relative to appropriate market benchmarks and, where available, peer institutions of similar size and profile. Evaluation will include fiscal year performance as well as rolling three (3), five (5), and ten (10) year periods to assess long-term trends. The Endowment shall be managed to achieve a long-term total return sufficient to support the spending policy, preserve purchasing power, and cover costs. This is generally understood as a return objective of spending plus inflation (commonly

estimated at approximately 6% to 6.5% over time, though actual targets may vary based on market conditions).

## 6.0 Asset Allocation and Diversification

6.1 Endowment assets shall be diversified across asset classes, including:

- a. Equities
- b. Fixed income
- c. Alternatives
- d. Cash and short-term investments

6.2 Investments shall be managed in accordance with prudent investment standards and applicable state law.

## 7.0 Spending Policy

7.1 The Board of Trustees may approve an annual distribution from endowment funds based on a uniform spending rate applied to the rolling three-year average market value of endowment funds, unless otherwise specified by donor agreement. The spending rate shall apply uniformly to eligible endowment funds unless otherwise restricted by donor agreement or applicable law.

7.2 The spending rate will be recommended by Administration and reviewed by the Finance Committee with the goal of balancing stable annual support with preservation of the endowment's long-term purchasing power. Under normal circumstances, the annual spending rate will be based on a multi-year rolling average of endowment market values and is expected to fall within a range of approximately 4% to 5%, and generally not exceed 6%. In accordance with the Uniform Prudent Management of Institutional Funds Act, spending rates above 7% of the endowment's average market value may be subject to additional scrutiny and will require approval by the University Board of Trustees.

7.3 The Board of Trustees establishes the methodology for calculating distributions through this policy and approves the applicable spending rate as recommended by the Finance Committee. The spending rate will be reviewed periodically and approved by the Board of Trustees upon recommendation of the Finance Committee, typically as part of the annual budget process.

7.4 Donor restrictions take precedence over general spending provisions.

7.5 The University reserves the right to suspend or adjust distributions from an endowment when required to comply with donor restrictions, applicable law, or prudent financial management.

7.6 In cases where a new University-held endowment is established, gifts designated for the endowment will be held in a restricted account maintained and accounted for by the University through the Administration and Finance Department until the minimum endowment level is reached. Once the minimum threshold is achieved, the funds will be invested as an endowment and subject to the University's spending policy.

7.7 The annual endowment distribution recommendation will be prepared by Finance in coordination with Institutional Advancement to ensure alignment with financial management practices, donor intent, and applicable policy requirements. Institutional Advancement's role in this process is to confirm donor intent and applicable fund restrictions.

## 8.0 Underwater Endowments

When the market value of a donor-restricted endowment falls below the historic dollar value of the gift, spending decisions will follow the prudence standards outlined in UPMIFA. If an endowment fund's market value falls below a level that would generate a meaningful annual distribution, the University may suspend or adjust distributions until the fund balance recovers.

## 9.0 Liquidity

The University shall maintain sufficient liquidity to meet spending distributions, administrative costs, and other obligations.

## 10.0 Donor Intent

10.1 The Office of Institutional Advancement will coordinate the establishment of new endowment funds and ensure compliance with donor agreements and applicable minimum funding thresholds.

10.2 All endowment funds shall be administered in accordance with donor agreements and gift instruments.

10.3 Donor intent takes precedence over general policy provisions.

## 11.0 Monitoring and Review

11.1 Investment performance and endowment distributions shall be reviewed periodically by the Finance Committee.

11.2 This policy shall be reviewed at least every five years from the date of adoption or as required by changes in law, accounting standards, or institutional practice.