



## **Improved Oversight of the UDC Land Grant Endowment Fund is Required**

September 19, 2014

### **Audit Team:**

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A Report by the Office of the District of Columbia Auditor  
Lawrence Perry, Acting District of Columbia Auditor



September 19, 2014

Included herein is the Office of the District of Columbia Auditor's report entitled "Performance Audit of UDC Endowment Funds: Improved Oversight of the UDC Land Grant Endowment Fund Is Required." This audit, mandated by statute, requires the Office of the District of Columbia Auditor (ODCA) to conduct biennial audits of the University of the District of Columbia's (UDC) Land Grant Endowment Fund.

The objective of this audit was to determine if the UDC's Land-Grant Endowment Fund is being managed in accordance with those restrictions, in addition to the university's own guidelines for how endowment funds are to be managed and used.

We would like to thank the staff of both the UDC and the Office of the Chief Financial Officer (OCFO) for their assistance and cooperation during this audit. All of their valuable time and efforts spent on providing us information was greatly appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "Lawrence Perry", written in a cursive style.

Lawrence Perry  
Acting District of Columbia Auditor



September 19, 2014

## **Performance Audit of UDC Endowment Funds: Improved Oversight of the UDC Land Grant Endowment Fund Is Required**

### **Why ODCA Did This Audit**

This audit is mandated by statute, pursuant to D.C. Code §38-1231.01.

### **What ODCA Recommends**

1. We recommend that the Office of the Chief Financial Officer (OCFO) and Investment Advisory Committee (IAC) identify UDC's Land-Grant Endowment Fund, identify and reimburse any non-allowable management fees and expenditures paid from the Fund, and execute written procedures to consistently manage and oversee the Fund to ensure compliance with the appropriate requirements and stipulations regarding: 1) management fees, 2) allowable expenditures, and 3) target allocation ranges.

### **What ODCA Found**

The Office of the Chief Financial Officer (OCFO) and Investment Advisory Committee (IAC) have made improvements in recent years with regard to management of the UDC's Endowment Funds, but opportunities for improved stewardship remain.

The Office of the District of Columbia Auditor (ODCA) was not able to separate the Land-Grant Endowment Fund from amongst the total investment funds held with UDC's two asset managers. Neither the OCFO nor the IAC could provide a historical accounting for each specific UDC Endowment, tracking each Endowment from inception; to the asset manager that maintains custody.

ODCA's Performance Audit of the UDC's Land-Grant Endowment Fund also noted that investments were not compliant with the University's Investment and Spending Policy and prohibited management fees and expenditures may have been made out of the Land-Grant Endowment Fund.

For more information regarding this report, please contact Anovia Daniels, Communications Analyst/ANC Outreach, at [Anovia.Daniels@dc.gov](mailto:Anovia.Daniels@dc.gov) or 202-727-3600.

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# Background

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The University of the District of Columbia (UDC) is the only public institution of higher education in the District of Columbia. UDC is governed by a 15-member board of trustees, 11 appointed by the Mayor with the consent of the D.C. Council, 3 appointed by the alumni association and 1 full-time student elected by the student body.

## **Morrill Act of 1862**

In lieu of granting land to the District of Columbia, the Federal Government appropriated \$7,241,706 to the District of Columbia.

The Morrill Act of 1862 governs the \$7.2 million Land-Grant Endowment appropriated to the District of Columbia and includes two key stipulations regarding the appropriation. One stipulation is that all money derived from the appropriation should be invested “such that the moneys so invested shall constitute a perpetual fund, the capital of which remain forever undiminished.” Another stipulation is that all of the expenses associated with the management of the land-grant “shall be paid by the states to which they may belong, out of the Treasury of said States.”

The District’s Office of the Chief Financial Officer (OCFO) maintains custody over all of UDC’s cash and investments and has established an Investment Advisory Committee (IAC) to assist in managing and investing UDC’s endowment funds. The OCFO and IAC have been tasked with management and oversight of UDC’s Endowment Funds and not UDC’s Board of Trustees.

Pursuant to D.C. Code §38-1231.01 the Office of the District of Columbia Auditor (ODCA) is required to conduct biennial audits of UDC’s Land-Grant Endowment Fund.

## **UDC Endowment Funds**

Endowment Funds are donated assets that are to be managed and spent according to the instructions of the donor. When an entity donates an asset to UDC, it may place restrictions on how those assets are to be invested, the amount that UDC can withdraw and the manner in which withdrawn funds can be spent.

Although this audit focused on the original \$7.2 million Land-Grant Endowment, we also attempted to review the following two other Funds identified in our June 2003 audit report.<sup>1</sup>

- Reinvested Income Fund - On June 28, 1984, the UDC Board of Trustees passed resolution No. 84-12 establishing the UDC Reinvested Income Fund. This Fund was established to take the interest income earned from the Land-Grant Endowment and subsequently invest it for the benefit of UDC. The Reinvested Income Fund is to be used for UDC projects of extraordinary merit when no other funding sources are available. Employing withdrawals to fund UDC's operations is expressly prohibited.
- U.S. Department of Energy Fund - UDC established a "virtual energy chair" in 1996, using a \$250,000 grant from the U.S. Department of Energy. This grant was to be invested, with the interest earned used to fund research, presentations and instructional seminars on energy related topics.

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<sup>1</sup> See Auditor's Review of the University of the District of Columbia's Land-Grant Endowment Fund, June 9, 2003. The audit covered the period October 2000 through September 30, 2002.

# **Objectives, Scope and Methodology**

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## **Objectives**

The audit was conducted pursuant to D.C Code § 38-1231.01 to determine whether the UDC Land-Grant Endowment Fund:

1. Is in compliance with the Morrill Act of 1862;
2. Expenditures were in compliance with applicable rules and regulations; and
3. Is being managed in accordance with the OCFO and Investment Advisory Committee's policies and procedures.

## **Scope**

This audit covered UDC's Land-Grant Endowment Fund for fiscal years (FY) 2010-2011. However, other transactions occurring prior to this period have been referenced so as to provide an adequate overview of activities related to the Fund.

## **Methodology**

In conducting this audit, we reviewed relevant Federal and District laws and regulations, account statements from Bernstein Global Wealth Management and JP Morgan, UDC's Investment and Spending policies and procedures governing endowment funds and account listings detailing expenditures from endowment fund account. We also compared the securities held in each endowment fund account to UDC's investment objectives and restrictions, as noted in UDC's Investment and Spending Policy.

## **Scope Limitation**

We were unable to separate the Land-Grant Endowment Fund from the total investment funds held with UDC's two asset managers who oversaw \$33,362,147.45 in investment funds, as of September 30, 2011. Neither the Office of the Chief Financial Officer (OCFO) nor UDC's Investment Advisory Committee (IAC) could provide a historical accounting for each specific UDC Endowment comprising the \$33.4 million, tracking each Endowment from inception, to the asset manager that maintains custody. As a result, ODCA was unable to identify each of UDC's specific Endowment Funds and was required to make assumptions. The specific assumptions are discussed in the audit results section.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



# Audit Results

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We found that historical records for The University of the District of Columbia's (UDC) Endowment Funds lacked sufficient detail to segregate and identify each of UDC's Endowment Funds, including the Land-Grant Endowment Fund. Further, UDC's Funds have not been administered in a manner consistent with the policies and procedures outlined in UDC's Investment and Spending Policy. We also found that UDC may be paying for management fees and non-allowable expenditures out of the Land-Grant Endowment Fund in violation of the Morrill Act of 1862. Despite some improvements made by The Office of the Chief Financial Officer (OCFO) in fiscal year (FY) 2011, a number of operational and compliance challenges must be addressed by the OCFO and Investment Advisory Committee (IAC).

- 1. We recommend that the OCFO and IAC identify UDC's Land-Grant Endowment Fund, identify and reimburse any non-allowable management fees and expenditures paid from the Fund, and execute written procedures to consistently manage and oversee the Fund to ensure compliance with the appropriate requirements and stipulations regarding: 1) management fees, 2) allowable expenditures, and 3) target allocation ranges.**

It is best practice for an organization to know where an investment is located, who the asset managers are over certain investments, and how investments performed over a period of time to ensure accountability. The Office of the District of Columbia Auditor (ODCA) was unable to identify and confirm among the numerous Endowment Funds maintained by UDC, the original Land-Grant Endowment Fund or the Fund's associated income to be reinvested. Further, we were unable to track and attribute management fees, expenditures, and asset specifications to any specific Endowment Fund.

As a result, we were unable to clearly determine if the Land Grant Endowment Fund was in compliance with the Morrill Act and managed in accordance with UDC's Spending and Investment Policy. OCFO staff indicated that there was limited and undocumented UDC management and oversight of the asset managers or the Land-Grant Endowment Fund during the audit scope.

ODCA attempted to verify that the original Land-Grant Endowment appropriation of \$7.2 million and its associated gains and losses by confirming, as the beginning balance, the Fund balance noted in our 2003 audit report. Figure 1 below lists all Endowment Funds identified in our 2003 audit report and their associated balances as of September 30, 2002.

**Figure 1** **UDC's Endowment Funds, as of September 30, 2002<sup>2</sup>**

| Item #       | Fund Name                      | Fund Amount            |
|--------------|--------------------------------|------------------------|
| 1            | Land-Grant Endowment           | \$9,431,503            |
| 2            | Reinvested Income              | \$8,978,419.63         |
| 3            | Department of Energy Endowment | \$322,983.60           |
| <b>Total</b> |                                | <b>\$18,732,922.63</b> |

During our prior audit, ODCA learned that UDC's entire Endowment Fund Portfolio (containing the confirmed Land-Grant Endowment Fund amount of \$9.4 million) maintained by Riggs Investment Management Corporation was being moved from Riggs and split between two different investment companies (asset accounts). Records indicate that UDC transferred approximately \$11,000,000 to JP Morgan in June 2002 and \$11,134,969 to Bernstein in November 2002, for a total of transfer of \$22,134,969. These transfers were \$3,402,046.37 more than the September 30, 2002 balance. Figure 2 denotes the transfer of UDC's endowment funds.

**Figure 2** **UDC's Endowment Fund Transfers**

| Item #       | Endowment Funds                | Endowment Amount, as of September 30, 2002 | Endowment Location                      | Transfer Amounts (June and November 2002) | Transfer Location                  |
|--------------|--------------------------------|--|---|---|------------------------------------|
| 1            | Land-Grant Endowment           | \$9,431,503                                | Riggs Investment Management Corporation | 11,134,969                                | Bernstein Global Wealth Management |
| 2            | Reinvested Income              | \$8,978,419.63                             |   | \$11,000,000                              | JP Morgan                          |
| 3            | Department of Energy Endowment | \$322,983.60                               |   |   |                                    |
| <b>Total</b> |                                | <b>\$18,732,922.63</b>                     |   | <b>\$22,134,969</b>                       |                                    |

<sup>2</sup> See ODCA's Review of the University of the District of Columbia's Land-Grant Endowment Fund, June 9, 2003. The audit covered the period October 2000 through September 30, 2002.

Although ODCA was unable to determine where the additional \$3,402,046.37 transfer originated, UDC's current Investment and Spending Policy indicates other endowment accounts including funds from the 1997 sale of UDC's radio station and other restricted and unrestricted investment funds. The policy, however, does not indicate the names or amounts of the accounts or the source of the "other" restricted and non-restricted funds.

The OCFO and IAC were also unable to provide documentation or information indicating or naming each specific Endowment Fund within the asset accounts maintained with Bernstein and JP Morgan. Thus, ODCA was unable to confirm beginning/ending balances for the Land Grant Endowment Fund or other Funds maintained by the asset managers or to specifically associate fees and expenditures with any specific Fund. Although unable to definitively identify the Land-Grant Endowment Fund and segregate the other endowments, based upon the amount of the transfers from Riggs to Bernstein and JP Morgan we made the assumption that the Land Grant Endowment Fund was still intact.

We also reviewed certain transactions within the two asset accounts. We concluded that prohibited management fees and expenditures may have been paid out of UDC's Endowment Funds. Specifically, Bernstein and JP Morgan respectively collected \$121,899.72 and \$70,833.27 in management fees from the asset accounts between FY 2010 – FY 2011, in violation of the Morrill Act.<sup>3</sup> The asset accounts also indicated withdrawals totaling \$1,075,220.75 (\$558,750 from Bernstein and \$558,750 from JP Morgan), of which we tested 24 expenditures and found 2 that violated the Morrill Act. One in the amount of \$2,024 for door repairs and another in the amount of \$10,800 for elevator and/or escalator repairs<sup>4</sup>

In addition, our review of the asset accounts did not indicate that asset managers consistently adhered to UDC's Investment and Spending Policy regarding target allocations by sector and industry. The policy dictates target allocations by sector and industry should be in the following ranges:

- US Equities 40 -60 percent
- International Equities 10-20 percent

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<sup>3</sup> The Morrill Act governs the Land-Grant Endowment appropriated to the District of Columbia and includes the stipulation that all of the expenses associated with the management of the land-grant "shall be paid by the states to which they may belong, out of the Treasury of said States."

<sup>4</sup> The Morrill Act states that income derived from the grant is to be used for the endowment, support and maintenance of UDC. An additional stipulation included in the Act states that the Fund should not be used for the "purchase, erection, preservation, or repair of any building or buildings."

- US Fixed Income 15-35 percent
- Real Estate 0-10 percent
- Alternative Assets 0-10 percent
- Cash 0-5 percent
- No more than 5 percent of fixed income securities can be concentrated in any single issuer with the exception of U.S. Government or Agency Securities
- No more than 40 percent of international equity may be invested in a single foreign country
- Each investment in an alternate asset fund (private equity, buyout fund and hedge fund) must be limited to 3 percent of the total market value of the portfolio
- No single investment can exceed 5 percent of the market value of the investment manager's portfolio
- No more than 10 percent of the total amount of an investment in fixed income securities may be invested in securities below a rating of "A"
- Mutual fund expense ratios must meet the following criteria: 1 percent for Fixed Income, 2.5 percent for International Funds and 1.5 percent or less for Equity Funds
- Mutual funds must have at least a three-star rating from Morningstar
- Mutual funds cannot have a front load, deferred back-end load or level load
- Investments that are not specifically authorized by UDC's policy may not be made without the prior written approval of the CFO or his/her designee

ODCA found the following departures from the requirements set forth in the Investment Spending Policy:

- Target allocations for Fixed Income Securities and Domestic and International Equities were not met;
- Fixed Income Securities rated below "A," were held in excess of 10 percent of the fund's Fixed Income portfolio;
- Alternative Asset purchases were concentrated in a single issuer, exceeding 3 percent of the total market value of the Endowment;
- Fixed Income and Equity Securities were held in excess of 5 percent of the total market value of the Endowment;

- Mutual Funds with Front, Deferred Back-End or Level Load fees were purchased; and
- Mutual Funds and Fixed Income Securities that did not have at least a three-star rating from Morningstar were purchased and retained in the portfolio without prior written approval from the CFO or his/her designee.<sup>5</sup>

See Appendix 1 for additional detail on our compliance tests performed and results obtained.

Although, during our audit scope there was limited management and oversight of the Endowment Funds or the asset managers, beginning in FY 2011, the OCFO began performing compliance assessments of the investment holdings and allocations included in asset accounts to verify that holdings were in compliance with the Investment and Spending Policy. These assessments culminated in a report detailing the following exceptions:

- Equity holdings in excess of the 5 percent cap on investment holdings; and
- Poorly rated investment holdings, as defined by a Morningstar rating below three stars.

The OCFO should be recognized for implementing these compliance assessments, which will strengthen UDC's internal control environment. However, considering the circumstances noted in this report surrounding the Fund, ODCA was unable to conclude on the audit objectives and fully report the Fund's status, as done in our prior audit reports.

Given the importance of the Land-Grant Endowment Fund and its requirements, it is imperative that it be effectively managed and monitored to ensure compliance. Further, not providing sufficient oversight and maintaining an accurate accounting of the Fund increases the risk that restrictions on the Fund's use are not met and increases the risk that the Fund may be misused.

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<sup>5</sup> According to UDC's Investment and Spending Policy, investments that are not specifically authorized by policy may not be made without the prior written approval of the CFO or his/her designee. A waiver was signed by the Deputy CFO of the District for these exceptions, found during our review, so that UDC could retain these investments in their endowment accounts. However, this only occurred after the exceptions had been noted.

## Audit Results Summary

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For those tasked with administering and managing the UDC's Endowment Funds, our audit identified one recommendation that will strengthen stewardship over the UDC's Endowment Funds.

| Recommendation  | Finding   |
|---|---|
| 1. We recommend that the Office of the Chief Financial Officer (OCFO) and Investment Advisory Committee (IAC) identify UDC's Land-Grant Endowment Fund, identify and reimburse any non-allowable management fees and expenditures paid from the Fund, and execute written procedures to consistently manage and oversee the Fund to ensure compliance with the appropriate requirements and stipulations regarding: 1) management fees, 2) allowable expenditures, and 3) target allocation ranges. | <ul style="list-style-type: none"><li>• ODCA could not definitively verify the location of the Land-Grant Endowment, noted prohibited expenditures and fees and found investment holdings that were not compliant with the University's Investment and Spending Policy.</li></ul> |

## Conclusion

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When an entity appropriates funds to a University in order to establish an endowment, that entity may place restrictions on how those funds are to be used. The University must maintain sufficient records on each appropriation that it receives to ensure compliance with any restrictions governing their use. This will improve transparency and encourage donations in the future.

Our audit of the UDC's Land-Grant Endowment Fund identified numerous deficiencies. Historical records for the Fund lacked sufficient detail to segregate and identify each of UDC's Endowment Funds, including the Land-Grant Endowment Fund. We found that UDC's Endowment Funds have not been administered in a manner consistent with the policies and procedures outlined in UDC's Investment and Spending Policy, and noted management fees and non-allowable expenses which may have been paid out of the Land-Grant Endowment Fund in violation of the Morrill Act of 1862.

Our audit yielded a detailed recommendation for the Office of the Chief Financial Officer (OCFO) and Investment Advisory Committee (IAC) to implement. We are pleased that the OCFO's office has reviewed the recommendation and is taking steps to implement a majority of the recommendation.

The OCFO, however, did not concur with a portion of our findings and recommendation, specifically with our recommendation that they reimburse any management fees and expenses that may have been paid out of the Land-Grant Endowment, in express violation of the Morrill Act of 1862. To the extent possible, the University must trace its current endowment Fund balances to their original source so as to definitively identify the Land-Grant Endowment Fund. If this analysis shows that management fees and expenses were in fact paid out of the Land-Grant Endowment Fund, the OCFO should ensure that these fees and expenditures are reimbursed to the Fund.

Sincerely,



Lawrence Perry,  
Acting District of Columbia Auditor

## **Agency Comments**

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On July 29, 2014, the Office of the District of Columbia Auditor submitted the draft report titled, “Improved Oversight of the UDC Land Grant Endowment Fund is Required,” for review and comment to the Office of the Chief Financial Officer (OCFO).

ODCA received written comments from the OCFO on August 26, 2014. The OCFO response is included with this report.



**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
OFFICE OF THE CHIEF FINANCIAL OFFICER



**Jeff DeWitt**  
Chief Financial Officer

August 26, 2014

Lawrence Perry  
Acting District of Columbia Auditor  
Office of the District of Columbia Auditor  
717 14<sup>th</sup> Street, NW – Suite 900  
Washington, DC 20005

*RE: Audit of UDC Land Grant Endowment Fund*

Dear Mr. Perry:

The Office of the Chief Financial Officer (OCFO) has reviewed the Office of the DC Auditor (ODCA) draft audit report, as revised, dated July 29, 2014, entitled “Improved Oversight of the UDC Land Grant Endowment Fund is Required” (hereafter, the “Report”). The Report focused on the original \$7.2 million Land-Grant Endowment, but included a review of two other endowment funds: (i) Reinvested Income Fund and (ii) U.S. Department of Energy Fund. Below are the OCFO’s responses to the draft audit of the UDC Land Grant Endowment Fund.

**I. SUMMARY ANSWERS TO THE FINDINGS**

The Report contained three findings which will be discussed below:

**Audit Finding 1:**

*“We found that historical records for the University of the District of Columbia’s (UDC) endowment funds lacked sufficient detail to segregate and identify each of UDC’s Endowment Funds, including the Land-Grant Endowment Fund.”*

Prior to the audit OCFO and UDC staff consolidated the management of the UDC Endowment Funds on two separate occasions. Those transfers were done to improve the investment performance and overall management of the funds in absence of the knowledge of the land-grant requirements. OCFO staff will work with UDC staff to retrace the activity of the endowment funds to determine the balances of the specific funds. As soon as the OCFO completes this analysis we will submit an updated response to the Report to the ODCA, on or before September 30, 2014.

**Audit Finding 2:**

*“UDC’s Funds have not been administered in a manner consistent with the policies and procedures outlined in UDC’s Investment and Spending Policy.”*

The OCFO will work with UDC staff and OCFO staff to track and attribute management fees, expenditures, and asset specifications to specific endowment funds consistent with the terms of the specific endowment funds. We will provide an update on this analysis with the follow up report that will be provided, on or before September 30, 2014.

**Audit Finding 3:**

*UDC may be paying for management fees and non-allowable expenditures out of the Land-Grant Endowment Fund in violation of the Morrill Act of 1862.*

The moneys in the combined asset accounts received from sources other than the Land-Grant Endowment Fund are more than sufficient to cover the management fees and other expenses not allowed by the Morrill Act of 1862. The OCFO will adjust our policies and procedures and ensure that the determined balance for each fund is managed in compliance with the Morrill Act.

**II. OCFO RESPONSES TO RECOMMENDATIONS IN THE REPORT**

The Report contained three recommendations:

**Audit Recommendation 1:**

*“OCFO and IAC identify UDC’s Land-Grant Endowment Fund”*

The OCFO concurs with the recommendation and will immediately transfer to a separate fund account to be known as the “UDC Land Grant Fund” the original principal land grant in the amount of \$7,241,706. The OCFO will continue to work with UDC staff and OCFO staff to determine, from the date of the original land grant to the present, the total amount of principal and interest that should be carried over to the new UDC Land Grant Fund and submit an updated response to the Report, on or before September 30, 2014.

**Audit Recommendation 2:**

*“Reimburse any non-allowable management fees and expenditures paid from the Fund [Land-Grant Endowment Fund]”*

The OCFO disagrees with this recommendation that it is necessary to reimburse any non-allowable management fees and expenditures to the Land-Grant Endowment Fund.

Interest earnings on moneys in the combined asset accounts from sources other than the Land-Grant Endowment Fund were more than sufficient to pay all management fees (including those associated with the Land Grant) and expenditures identified in the Report. The determined balances as discussed under “Audit Finding 1” will ensure that compliance.

**Audit Recommendation 3:**

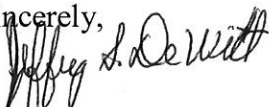
*“Execute written procedures to consistently manage and oversee the Fund to ensure compliance with the appropriate requirements and stipulations regarding: 1) management fees, 2) allowable expenditures, and 3) target allocation balances.”*

The OCFO agrees that the current Endowment Investment Policy should and will be revised to more clearly state the policies relating to the management of UDC’s endowment funds, the policies relating to the determination of the timing and amounts of withdrawals and expenditures of UDC endowment funds, and the respective roles of the UDC and the UDC Board of Trustees in these endeavors. The Policy will also be updated to make sure future management of the funds comply with all federal laws, including the Morrill Act of 1862. Once the new policy is revised and approved, the policy will be submitted as an update to the Report, on or before September 30, 2014.

**III. ADDITIONAL COMMENTS**

1. Reinvested Income Fund. Established by Board resolution on June 28, 1984, for which the fund was established to take the interest income from the Land-Grant endowment Fund. It is the OCFO’s view that the Board did not have legislative authority to create this fund. The OCFO will transfer the monies in this fund to the new UDC Land Grant Fund where it will be subject to the restrictions of the Morrill Act of 1862.
2. U.S. Department of Energy Fund. The OCFO did not find any record of this fund in the financial records of the Board or in any other UDC records. The OCFO will continue to work with UDC staff and OCFO staff to retrace the activities of this fund and submit an updated response to the Report.
3. Proceeds from the sale of the UDC radio station. The UDC financial records indicate that the proceeds are included within the moneys in the combined asset accounts and are unrestricted funds. The UDC staff and OCFO staff will continue to retrace the activity of the proceeds and submit an updated response to the Report, on or before September 30, 2014.

If you have any questions, please do not hesitate to contact me at (202) 727-2476.

Sincerely,  
  
Jeffrey S. DeWitt

## **Auditor's Response to Agency Comments**

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ODCA appreciates the comments provided by the Office of the Chief Financial Officer (OCFO). We are pleased to learn that the OCFO is taking positive steps towards implementing the majority of the recommendation presented in the report. While the OCFO did not concur with a portion of our findings and recommendation, it remains the position of ODCA that the OCFO reimburse any prohibited management fees and expenditures made out of the University's Land-Grant Endowment.

The OCFO indicated they are performing their own set of analysis on the University's Endowment Funds to properly address the recommendation in this report. They intend to provide an updated response to this report on or before September 30, 2014. ODCA looks forward to examining the OCFO's updated response, including any progress on the recommendation that has been made.

## Appendix I

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## JP Morgan Securities Analysis

|              | No More than 10% of Fixed Income in Securities below "A" | Fixed Income Expense Ratio Not to Exceed 1% | Equity Fund Expense Ratio Not to Exceed 1.5% | International Fund Expense Ratio Not to Exceed 2.5% | Mutual Fund Does not Have a Front Load, Deferred Back-End or Level Load | 3 Star Rating or Greater for Five Year Average |
|--------------|--|---|--|---|---|--|
| <b>DODFX</b> | N/A  | N/A   | N/A  | Yes   | Yes   | Yes  |
| <b>EILVX</b> | N/A  | N/A   | Yes  | N/A   | Yes   | 2 Star Five Year Rating                        |
| <b>EXWAX</b> | N/A  | N/A   | N/A  | Yes   | Yes   | Yes  |
| <b>FLMVX</b> | N/A  | N/A   | Yes  | N/A   | Yes   | Yes  |
| <b>HLIEX</b> | N/A  | N/A   | Yes  | N/A   | Yes   | Yes  |
| <b>IWM</b>   | N/A  | N/A   | Yes  | N/A   | Yes   | Yes  |
| <b>IWR</b>   | N/A  | N/A   | Yes  | N/A   | Yes   | Yes  |
| <b>JAMCX</b> | N/A  | N/A   | Yes  | N/A   | 5.25% Load  | Yes  |
| <b>JGASX</b> | N/A  | N/A   | Yes  | N/A   | Yes   | Yes  |
| <b>JMUEX</b> | N/A  | N/A   | Yes  | N/A   | Yes   | Yes  |
| <b>JPAIX</b> | N/A  | N/A   | N/A  | Yes   | Yes   | 2 Star Rating per Yahoo Finance                |
| <b>JPIAX</b> | N/A  | N/A   | Yes  | N/A   | Yes   | Yes  |
| <b>MAPTX</b> | N/A  | N/A   | N/A  | Yes   | Yes   | Yes  |
| <b>NMULX</b> | N/A  | N/A   | Yes  | N/A   | Yes   | Yes  |
| <b>OGLVX</b> | OGLVX is rated A.  | Yes   | N/A  | N/A   | 2.25% Load  | 2 Star Five Year Rating                        |
| <b>PGBOX</b> | PGBOX is rated BBB, exceeds 10% portfolio.               | Yes   | N/A  | N/A   | 3.75% Load  | 2 Star Five Year Rating                        |
| <b>SPY</b>   | N/A  | N/A   | Yes  | N/A   | Yes   | Yes  |

|              | No More than 10% of Fixed Income in Securities below "A" | Fixed Income Expense Ratio Not to Exceed 1% | Equity Fund Expense Ratio Not to Exceed 1.5% | International Fund Expense Ratio Not to Exceed 2.5% | Mutual Fund Does not Have a Front Load, Deferred Back-End or Level Load | 3 Star Rating or Greater for Five Year Average |
|--------------|--|---|--|---|---|--|
| <b>TVIFX</b> | N/A  | N/A   | Yes  | N/A   | Yes   | 1 Star Five Year Rating                        |

## JP Morgan Compliance Assessment

|                | 0-5% of Unrestricted Funds Invested in Cash/Cash Equivalent | Target US Equity 40-60% | Target Intl Equities 10-20%. | No More than 40% of the International Component in Single Foreign Country | Target Alternative Assets 0%-10% | No More than 3% of Total Market Value of Endowment Invested in Single Private Equity, Buyout or Hedge Fund | Target Real Estate 0-10% | Target Fixed Income 15-35% | No More than 5% of Fixed Income Securities Invested in one issue, other than US Govt. | No Single Investment Can Exceed 5% Threshold                     |
|----------------|---|-------------------------|------------------------------|---|----------------------------------|--|--------------------------|----------------------------|---|--|
| <b>10/2009</b> | 1%  | 43%                     | 20%                          | Compliant   | 5%                               | JPM Multi Strategy Fund exceeds 3% of Total Market Value.  | 1%                       | 30%                        | OGLVX and PGBOX exceed 5% threshold.  | DODFX, EILVX, JGASX, JMUEX and TVIFX exceed 5% threshold.        |
| <b>11/2009</b> | 1%  | 44%                     | 20%                          | Compliant   | 5%                               | JPM Multi Strategy Fund exceeds 3% of Total Market Value.  | 1%                       | 29%                        | OGLVX and PGBOX exceed 5% threshold.  | DODFX, EILVX, JGASX, JMUEX, JPIAX and TVIFX exceed 5% threshold. |
| <b>12/2009</b> | 1%  | 45%                     | 20%                          | Compliant   | 5%                               | JPM Multi Strategy Fund exceeds 3% of Total Market Value.  | 1%                       | 28%                        | OGLVX and PGBOX exceed 5% threshold.  | DODFX, EILVX, JGASX, JMUEX, JPIAX and TVIFX exceed 5% threshold. |
| <b>01/2010</b> | 2%  | 43%                     | 20%                          | Compliant   | 5%                               | JPM Multi Strategy Fund exceeds 3% of Total Market Value.  | 1%                       | 29%                        | OGLVX and PGBOX exceed 5% threshold.  | DODFX, EILVX, JGASX, JMUEX and TVIFX exceed 5% threshold.        |



|                | 0-5% of<br>Unrestricted<br>Funds<br>Invested in<br>Cash/Cash<br>Equivalent | Target US<br>Equity<br>40-60% | Target<br>Intl<br>Equities<br>10-20%. | No More than<br>40% of the<br>International<br>Component in<br>Single Foreign<br>Country | Target<br>Alternative<br>Assets 0%-<br>10% | No More than<br>3% of Total<br>Market Value<br>of Endowment<br>Invested in<br>Single Private<br>Equity, Buyout<br>or Hedge Fund | Target<br>Real<br>Estate<br>0-10% | Target<br>Fixed<br>Income<br>15-35% | No More than<br>5% of Fixed<br>Income<br>Securities<br>Invested in<br>one issue,<br>other than US<br>Govt. | No Single<br>Investment<br>Can Exceed<br>5%<br>Threshold                           |
|----------------|--|-------------------------------|---------------------------------------|--|--|---|-----------------------------------|-------------------------------------|--|--|
| <b>02/2010</b> | 2%   | 45%                           | 19%                                   | Compliant  | 5%   | JPM Multi<br>Strategy Fund<br>exceeds 3% of<br>Total Market<br>Value.   | 1%                                | 28%                                 | OGLVX and<br>PGBOX exceed<br>5% threshold.   | DODFX,<br>EILVX,<br>JGASX,<br>JMUEX,<br>JPIAX and<br>TVIFX exceed<br>5% threshold. |
| <b>03/2010</b> | 2%   | 45%                           | 20%                                   | Compliant  | 5%   | JPM Multi<br>Strategy Fund<br>exceeds 3% of<br>Total Market<br>Value.   | 1%                                | 27%                                 | OGLVX and<br>PGBOX exceed<br>5% threshold.   | DODFX,<br>EILVX,<br>JGASX,<br>JMUEX,<br>JPIAX and<br>TVIFX exceed<br>5% threshold. |
| <b>04/2010</b> | 3%   | 43%                           | 20%                                   | Compliant  | 5%   | JPM Multi<br>Strategy Fund<br>exceeds 3% of<br>Total Market<br>Value.   | 1%                                | 28%                                 | OGLVX and<br>PGBOX exceed<br>5% threshold.   | DODFX,<br>EILVX,<br>JGASX,<br>JMUEX and<br>JPIAX exceed<br>5% threshold.           |
| <b>05/2010</b> | 3%   | 42%                           | 19%                                   | Compliant  | 5%   | JPM Multi<br>Strategy Fund<br>exceeds 3% of<br>Total Market<br>Value.   | 1%                                | 30%                                 | OGLVX and<br>PGBOX exceed<br>5% threshold.   | DODFX,<br>EILVX,<br>JMUEX and<br>JPIAX exceed<br>5% threshold.                     |
| <b>06/2010</b> | 1%   | 40%                           | 17%                                   | Compliant  | 5%   | JPM Multi<br>Strategy Fund<br>exceeds 3% of<br>Total Market<br>Value.   | 1%                                | 36%                                 | OGLVX and<br>PGBOX exceed<br>5% threshold.   | EILVX,<br>JGASX, and<br>JMUEX<br>exceed 5%<br>threshold.                           |

|                | 0-5% of<br>Unrestricted<br>Funds<br>Invested in<br>Cash/Cash<br>Equivalent | Target US<br>Equity<br>40-60% | Target<br>Intl<br>Equities<br>10-20%. | No More than<br>40% of the<br>International<br>Component in<br>Single Foreign<br>Country | Target<br>Alternative<br>Assets 0%-<br>10% | No More than<br>3% of Total<br>Market Value<br>of Endowment<br>Invested in<br>Single Private<br>Equity, Buyout<br>or Hedge Fund | Target<br>Real<br>Estate<br>0-10% | Target<br>Fixed<br>Income<br>15-35% | No More than<br>5% of Fixed<br>Income<br>Securities<br>Invested in<br>one issue,<br>other than US<br>Govt. | No Single<br>Investment<br>Can Exceed<br>5%<br>Threshold                    |
|----------------|--|-------------------------------|---------------------------------------|--|--|---|-----------------------------------|-------------------------------------|--|---|
| <b>07/2010</b> | 1%   | 41%                           | 17%                                   | Compliant  | 5%   | JPM Multi<br>Strategy Fund<br>exceeds 3% of<br>Total Market<br>Value.   | 1%                                | 35%                                 | OGLVX and<br>PGBOX exceed<br>5% threshold.   | EILVX,<br>JGASX, and<br>JMUEX<br>exceed 5%<br>threshold.                    |
| <b>08/2010</b> | 1%   | 41%                           | 17%                                   | Compliant  | 5%   | JPM Multi<br>Strategy Fund<br>exceeds 3% of<br>Total Market<br>Value.   | 1%                                | 35%                                 | OGLVX and<br>PGBOX exceed<br>5% threshold.   | EILVX,<br>JGASX, and<br>JMUEX<br>exceed 5%<br>threshold.                    |
| <b>09/2010</b> | 1%   | 39%                           | 19%                                   | Compliant  | 5%   | JPM Multi<br>Strategy Fund<br>exceeds 3% of<br>Total Market<br>Value.   | 1%                                | 35%                                 | OGLVX and<br>PGBOX exceed<br>5% threshold.   | EILVX,<br>JGASX,<br>JMUEX,<br>JPIAX,<br>MAPTX<br>exceed 5%<br>threshold.    |
| <b>10/2010</b> | 1%   | 40%                           | 19%                                   | Compliant  | 5%   | JPM Multi<br>Strategy Fund<br>exceeds 3% of<br>Total Market<br>Value.   | 1%                                | 34%                                 | OGLVX and<br>PGBOX exceed<br>5% threshold.   | EILVX,<br>JGASX,<br>JMUEX,<br>JPIAX,<br>MAPTX<br>exceed 5%<br>threshold.    |
| <b>11/2010</b> | 1%   | 41%                           | 18%                                   | Compliant  | 5%   | JPM Multi<br>Strategy Fund<br>exceeds 3% of<br>Total Market<br>Value.   | 1%                                | 34%                                 | OGLVX and<br>PGBOX exceed<br>5% threshold.   | EILVX,<br>JGASX,<br>JMUEX,<br>JPIAX and<br>NMULX<br>exceed 5%<br>threshold. |

|                | 0-5% of Unrestricted Funds Invested in Cash/Cash Equivalent | Target US Equity 40-60% | Target Intl Equities 10-20%. | No More than 40% of the International Component in Single Foreign Country | Target Alternative Assets 0%-10% | No More than 3% of Total Market Value of Endowment Invested in Single Private Equity, Buyout or Hedge Fund | Target Real Estate 0-10% | Target Fixed Income 15-35% | No More than 5% of Fixed Income Securities Invested in one issue, other than US Govt. | No Single Investment Can Exceed 5% Threshold                          |
|----------------|---|-------------------------|------------------------------|---|----------------------------------|--|--------------------------|----------------------------|---|---|
| <b>12/2010</b> | 1%  | 41%                     | 20%                          | Compliant   | 5%                               | JPM Multi Strategy Fund exceeds 3% of Total Market Value.  | 1%                       | 32%                        | OGLVX and PGBOX exceed 5% threshold.  | JGASX, JMUEX, JPIAX, and NMULX exceed 5% threshold.                   |
| <b>01/2011</b> | 5%  | 41%                     | 20%                          | Compliant   | 5%                               | JPM Multi Strategy Fund exceeds 3% of Total Market Value.  | 1%                       | 28%                        | OGLVX and PGBOX exceed 5% threshold.  | JGASX, JMUEX, JPIAX, NMULX and TVIFX exceed 5% threshold.             |
| <b>02/2011</b> | 5%  | 43%                     | 19%                          | Compliant   | 5%                               | JPM Multi Strategy Fund exceeds 3% of Total Market Value.  | 1%                       | 27%                        | OGLVX and PGBOX exceed 5% threshold.  | EXWAX, JGASX, JMUEX, JPIAX, NMULX and TVIFX exceed 5% threshold.      |
| <b>03/2011</b> | 5%  | 43%                     | 17%                          | Compliant   | 5%                               | JPM Multi Strategy Fund exceeds 3% of Total Market Value.  | 1%                       | 27%                        | OGLVX and PGBOX exceed 5% threshold.  | JGASX, JMUEX, JPIAX, NMULX and TVIFX exceed 5% threshold.             |
| <b>04/2011</b> | 5%  | 42%                     | 17%                          | Compliant   | 5%                               | JPM Multi Strategy Fund exceeds 3% of Total Market Value.  | 1%                       | 27%                        | OGLVX and PGBOX exceed 5% threshold.  | DODFX, EXWAX, JGASX, JMUEX, JPIAX, NMULX, TVIFX, exceed 5% threshold. |

|                | 0-5% of<br>Unrestricted<br>Funds<br>Invested in<br>Cash/Cash<br>Equivalent | Target US<br>Equity<br>40-60% | Target<br>Intl<br>Equities<br>10-20%. | No More than<br>40% of the<br>International<br>Component in<br>Single Foreign<br>Country | Target<br>Alternative<br>Assets 0%-<br>10% | No More than<br>3% of Total<br>Market Value<br>of Endowment<br>Invested in<br>Single Private<br>Equity, Buyout<br>or Hedge Fund | Target<br>Real<br>Estate<br>0-10% | Target<br>Fixed<br>Income<br>15-35% | No More than<br>5% of Fixed<br>Income<br>Securities<br>Invested in<br>one issue,<br>other than US<br>Govt. | No Single<br>Investment<br>Can Exceed<br>5%<br>Threshold                            |
|----------------|--|-------------------------------|---------------------------------------|--|--|---|-----------------------------------|-------------------------------------|--|---|
| <b>05/2011</b> | 5%   | 43%                           | 17%                                   | Compliant  | 5%   | JPM Multi<br>Strategy Fund<br>exceeds 3% of<br>Total Market<br>Value.   | 1%                                | 27%                                 | OGLVX and<br>PGBOX exceed<br>5% threshold.   | EXWAX,<br>JGASX,<br>JMUEX,<br>JPIAX,<br>NMULX,<br>TVIFX,<br>exceed 5%<br>threshold. |
| <b>06/2011</b> | 4%   | 41%                           | 17%                                   | Compliant  | 5%   | JPM Multi<br>Strategy Fund<br>exceeds 3% of<br>Total Market<br>Value.   | 1%                                | 29%                                 | OGLVX and<br>PGBOX exceed<br>5% threshold.   | EXWAX,<br>JGASX,<br>JMUEX,<br>JPIAX,<br>NMULX,<br>TVIFX,<br>exceed 5%<br>threshold. |
| <b>07/2011</b> | 5%   | 39%                           | 17%                                   | Compliant  | 5%   | JPM Multi<br>Strategy Fund<br>exceeds 3% of<br>Total Market<br>Value.   | 2%                                | 29%                                 | OGLVX and<br>PGBOX exceed<br>5% threshold.   | JGASX,<br>JMUEX,<br>JPIAX,<br>JMUEX and<br>NMULX<br>exceed 5%<br>threshold.         |
| <b>08/2011</b> | 5%   | 39%                           | 16%                                   | Compliant  | 5%   | JPM Multi<br>Strategy Fund<br>exceeds 3% of<br>Total Market<br>Value.   | 2%                                | 30%                                 | OGLVX and<br>PGBOX exceed<br>5% threshold.   | JGASX,<br>JMUEX,<br>JPIAX and<br>NMULX<br>exceed 5%<br>threshold.                   |
| <b>09/2011</b> | 5%   | 38%                           | 15%                                   | Compliant  | 5  | JPM Multi<br>Strategy Fund<br>exceeds 3% of<br>Total Market<br>Value.   | 2                                 | 32%                                 | OGLVX and<br>PGBOX exceed<br>5% threshold.   | JGASX,<br>JMUEX and<br>JPIAX exceed<br>5% threshold.                                |

# **Bernstein Securities Analysis – Account #xxx60 and Account #xxx61**

|              | No More than 10%<br>of Fixed Income in<br>Securities below "A" | Fixed Income<br>Expense Ratio<br>Not to Exceed 1% | Equity Fund<br>Expense Ratio Not to<br>Exceed 1.5% | International Fund<br>Expense Ratio Not<br>to Exceed 2.5% | Mutual Fund Does<br>not Have a Front<br>Load, Deferred Back-<br>End or Level Load | 3 Star Rating or<br>Greater for Five<br>Year Average |
|--------------|--|---|--|---|---|--|
| <b>ARIIX</b> | N/A  | N/A   | N/A  | Yes   | Yes   | Yes  |
| <b>SIIDX</b> | Yes  | Yes   | N/A  | N/A   | N/A   | Yes  |
| <b>SIMTX</b> | N/A  | N/A   | N/A  | Yes   | N/A   | 1 Star Five Year<br>Rating                           |
| <b>SNEMX</b> | N/A  | N/A   | N/A  | Yes   | N/A   | 2 Star Five Year<br>Rating                           |

# Bernstein Compliance Assessment – Account #xxx60

|                | 0-5% of Unrestricted Funds Invested in Cash/Cash Equivalent | Target US Equity 40-60% | Target Intl Equities 10-20% | No More than 40% of the International Component in Single Foreign Country | Target Alternative Assets 0%-10% | No More than 3% of Total Market Value of Endowment Invested in Single Private Equity, Buyout or Hedge Fund | Target Real Estate 0-10% | Target Fixed Income 15-35% | No More than 5% of Fixed Income Securities Invested in One Issue, other than US Govt. | No Single Investment Can Exceed 5% Threshold |
|----------------|---|-------------------------|-----------------------------|---|----------------------------------|--|--------------------------|----------------------------|---|--|
| <b>12/2009</b> | 2%  | 37%                     | 27%                         | Compliant   | 0%                               | 0%   | 0%                       | 34%                        | SIIDX exceeds 5% threshold.   | SIMTX exceeds 5% threshold.                  |
| <b>03/2010</b> | 2%  | 39%                     | 26%                         | Compliant   | 0%                               | 0%   | 0%                       | 33%                        | SIIDX exceeds 5% threshold.   | SIMTX exceeds 5% threshold.                  |
| <b>06/2010</b> | 1%  | 38%                     | 24%                         | Compliant   | 0%                               | 0%   | 0%                       | 37%                        | SIIDX exceeds 5% threshold.   | SIMTX exceeds 5% threshold.                  |
| <b>09/2010</b> | 0%  | 37%                     | 26%                         | Compliant   | 0%                               | 0%   | 0%                       | 36%                        | SIIDX exceeds 5% threshold.   | SIMTX exceeds 5% threshold.                  |

|                | 0-5% of<br>Unrestricted<br>Funds<br>Invested in<br>Cash/Cash<br>Equivalent | Target US<br>Equity<br>40-60% | Target<br>Intl<br>Equities<br>10-20% | No More than<br>40% of the<br>International<br>Component in<br>Single Foreign<br>Country | Target<br>Alternative<br>Assets 0%-<br>10% | No More than<br>3% of Total<br>Market Value of<br>Endowment<br>Invested in<br>Single Private<br>Equity, Buyout<br>or Hedge Fund | Target<br>Real<br>Estate<br>0-10% | Target<br>Fixed<br>Income<br>15-35% | No More than<br>5% of Fixed<br>Income<br>Securities<br>Invested in<br>One Issue,<br>other than US<br>Govt. | No Single<br>Investment<br>Can Exceed<br>5%<br>Threshold |
|----------------|--|-------------------------------|--------------------------------------|--|--|---|-----------------------------------|-------------------------------------|--|--|
| <b>12/2010</b> | 2%   | 38%                           | 26%                                  | Compliant  | 0%   | 0%  | 0%                                | 34%                                 | SIIDX exceeds<br>5% threshold.   | SIMTX<br>exceeds 5%<br>threshold.                        |
| <b>03/2011</b> | 0%   | 40%                           | 25%                                  | Compliant  | 0%   | 0%  | 0%                                | 33%                                 | SIIDX exceeds<br>5% threshold.   | SIMTX<br>exceeds 5%<br>threshold.                        |
| <b>06/2011</b> | 0%   | 39%                           | 28%                                  | Compliant  | 0%   | 0%  | 0%                                | 33%                                 | SIIDX exceeds<br>5% threshold.   | SIMTX<br>exceeds 5%<br>threshold.                        |
| <b>09/2011</b> | 1%   | 36%                           | 25%                                  | Compliant  | 0%   | 0%  | 0%                                | 39%                                 | SIIDX exceeds<br>5% threshold.   | SIMTX<br>exceeds 5%<br>threshold.                        |

# Bernstein Compliance Assessment – Account #xxx61

|                | 0%-5% of<br>Unrestricted<br>Funds<br>Invested in<br>Cash/Cash<br>Equivalent | Target US<br>Equity<br>40%-60% | Target<br>Intl<br>Equities<br>10%-20% | No More than<br>40% of the<br>International<br>Component in<br>Single Foreign<br>Country | Target<br>Alternative<br>Assets 0%-<br>10% | No More than<br>3% of Total<br>Market Value<br>of Endowment<br>Invested in<br>Single Private<br>Equity, Buyout<br>or Hedge Fund | Target<br>Real<br>Estate<br>0-10% | Target<br>Fixed<br>Income<br>15%-35% | No More than<br>5% of Fixed<br>Income<br>Securities<br>Invested in<br>One Issue,<br>other than US<br>Govt. | No Single<br>Investment<br>Can Exceed<br>5%<br>Threshold |
|----------------|---|--------------------------------|---------------------------------------|--|--|---|-----------------------------------|--------------------------------------|--|--|
| <b>12/2009</b> | 2%  | 37%                            | 27%                                   | Compliant  | 0%   | 0%  | 0%                                | 34%                                  | SIIDX exceeds<br>5% threshold.   | SIMTX<br>exceeds 5%<br>threshold.                        |
| <b>03/2010</b> | 2%  | 39%                            | 26%                                   | Compliant  | 0%   | 0%  | 0%                                | 33%                                  | SIIDX exceeds<br>5% threshold.   | SIMTX<br>exceeds 5%<br>threshold.                        |
| <b>06/2010</b> | 1%  | 38%                            | 24%                                   | Compliant  | 0%   | 0%  | 0%                                | 37%                                  | SIIDX exceeds<br>5% threshold.   | SIMTX<br>exceeds 5%<br>threshold.                        |
| <b>09/2010</b> | 0%  | 37%                            | 26%                                   | Compliant  | 0%   | 0%  | 0%                                | 36%                                  | SIIDX exceeds<br>5% threshold.   | SIMTX<br>exceeds 5%<br>threshold.                        |
| <b>12/2010</b> | 2%  | 38%                            | 26%                                   | Compliant  | 0%   | 0%  | 0%                                | 34%                                  | SIIDX exceeds<br>5% threshold.   | SIMTX<br>exceeds 5%<br>threshold.                        |



|                | 0%-5% of<br>Unrestricted<br>Funds<br>Invested in<br>Cash/Cash<br>Equivalent | Target US<br>Equity<br>40%-60% | Target<br>Intl<br>Equities<br>10%-20% | No More than<br>40% of the<br>International<br>Component in<br>Single Foreign<br>Country | Target<br>Alternative<br>Assets 0%-<br>10% | No More than<br>3% of Total<br>Market Value<br>of Endowment<br>Invested in<br>Single Private<br>Equity, Buyout<br>or Hedge Fund | Target<br>Real<br>Estate<br>0-10% | Target<br>Fixed<br>Income<br>15%-35% | No More than<br>5% of Fixed<br>Income<br>Securities<br>Invested in<br>One Issue,<br>other than US<br>Govt. | No Single<br>Investment<br>Can Exceed<br>5%<br>Threshold |
|----------------|---|--------------------------------|---------------------------------------|--|--|---|-----------------------------------|--------------------------------------|--|--|
| <b>03/2011</b> | 0%  | 40%                            | 25%                                   | Compliant  | 0%   | 0%  | 0%                                | 33%                                  | SIIDX exceeds<br>5% threshold.   | SIMTX<br>exceeds 5%<br>threshold.                        |
| <b>06/2011</b> | 0%  | 39%                            | 28%                                   | Compliant  | 0%   | 0%  | 0%                                | 33%                                  | SIIDX exceeds<br>5% threshold.   | SIMTX<br>exceeds 5%<br>threshold.                        |
| <b>09/2011</b> | 1%  | 36%                            | 25%                                   | Compliant  | 0%   | 0%  | 0%                                | 39%                                  | SIIDX exceeds<br>5% threshold.   | SIMTX<br>exceeds 5%<br>threshold.                        |