

Cornell Athletics' Financial Security Hinged to Endowment Growth

By Judith Pratt

It is often said that a university's endowment represents financial security. What does that actually mean?

For those who barely understand their mutual funds, the nuts and bolts of endowment can be mind-boggling. On the other hand, experienced investment analysts sometimes find that endowment doesn't quite work the way they expect it to. With those thoughts in mind, let's look at what endowment does for Cornell—and for the Department of Athletics and Physical Education.

■ **Endowment is forever.** Cornell's first endowment came from Ezra Cornell, with a gift of \$500,000 that continues to support the University today. The present market value of this gift is nearly \$5 million—even though universities did not reinvest endowment income until the 1960s. Like Ezra's, your gift to endowment will be invested, and will support your chosen area—a coach, a sport, a program—indeinitely. And it can be named as a permanent tribute to you, your family, or to honor someone special.

■ **Endowment is the gift that keeps on giving.** In 1980, George Heekin '29 endowed the first coaching position at Cornell, and what is believed to be the first in the country. Over the last 20 years, Heekin's original gift of \$500,198 has generated more than \$861,000 in income to support Cornell men's and women's track. The fund itself has grown in value to over \$2 million.

Since the Heekin endowment was established, generous alumni and friends have endowed 18 additional coaching and administrative positions — nine of them since October 2000 — for the Department of Athletics and Physical Education.

■ **Endowment means financial security.** Endowment income provides a hedge against the federal and state budget cuts, political fluctuations, or economic downturns that may impact the University's general budget. Endowment insulates programs from such swings in funding. In other words, the

sport you endow today will be there for tomorrow's students.

Most of Cornell's endowment is invested in the Long Term Investment Pool, a balanced fund consisting primarily of high-quality, readily marketable stocks, bonds, and other assets. It works like a mutual fund, except that neither you nor Cornell can access the principal. Some income is reinvested, to insure that the market value will increase over time. The rest, the "payout," is available to support the area you choose.

Like most colleges and universities, Cornell has set up its endowment such that the payout is insulated from fluctuations in the financial markets. The Board of Trustees has committed to increasing the payout on Cornell endowments by at least 5 percent annually. In real numbers, for the last 10 years the average annual increase in payout has been over 11 percent.

On the other hand, Cornell can only guarantee a 2 percent annual increase in its general allocations to departments campus-wide. Clearly, programs with large endowments benefit enormously, both in the short and long run.

At present, income from endowments constitutes only six percent of Cornell athletics' budget. Although that came to nearly \$1 million for fiscal year 2000-01, the Department of Athletics and Physical Education, like the rest of Cornell, is under-endowed. While Cornell ranks 14th among all colleges and universities in the United States in the market value of its endowment assets, it ranks much lower in endowment per student.

That being said, increasing endowment is a priority for Cornell. Over the next few years, the Department of Athletics and Physical Education hopes to increase its endowment by at least \$70 million. These endowment funds will provide a strong foundation for the department, both now and in the future. An endowment gift ensures that the areas at Cornell that you care most about will receive support forever.