

# Memo

**To:** Faculty Senate Members and Ex Officios  
**From:** James F. Cotter, Chair  
**Date:** April 22, 2015  
**Re:** Faculty Senate Resources Committee 2014-2015 Annual Report

The purpose of this memo is present the results from the Faculty Senate's Resources Committee for the academic year 2014 to 2015. The Resources Committee focused on two important areas of the university 1) Finance and Financial Operations and 2) the Endowment. Each area was asked to meet with the committee and focus on a few specific areas which was sent to the leaders of each area.<sup>1</sup> In addition, the Resources Committee is meeting with the IT/computer strategy and the Advancement area (Mark Petersen) in late April.

## **The Finance and Financial Operations area (Lead by Mr. Hof Milam)**

Clearly, there have been a number of changes in the strategy and approach of Wake Forest that have had consequences to the financial results of the university. Increases in the number of students on campus has been an important change at Wake Forest. From an undergraduate population of approximately 4,000 in 2000, Wake Forest current undergraduate population is 4,812 with graduate enrollment of 2,779. With this increase, there have been a number of additions to dormitories and dining facilities. Over the past 10 years, Wake Forest has added South Residence Hall, Dogwood Residence Hall, Magnolia Residence Hall, North Campus Dining as well as renovating "faculty apartments" now called North Campus Apartments. This combined with additions to a number of new buildings and building renovation has resulted in demands on the financial resources of the university. Finally, the existing facilities, both academic and residence halls are contemplated to require renovation in the near future as the faculties around the Quad and Magnolia Quad will need to be addressed. All totaled, the growth at Wake Forest and regular maintenance of the existing facilities have increased the financial leverage of the university.

In 2008, the Reynolda Campus reported interest bearing debt of \$103.1 million, total assets of \$1,078.1 million and cash and equivalents of \$16.4 million. In 2014, the Reynolda Campus reported interest bearing debt of \$283.6 million, total assets of 1,558.3 million and cash and

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<sup>1</sup> The text of the information requests is attached to this document.

equivalents of \$42.1 million. In response to our request, the following document was prepared for the Faculty Senate Resources Committee:

Final Draft

**Wake Forest University | Reynolda Campus**

STUDENTS	FY 2015-14	FY 2012-13	FY 2011-12	FY 2010-11	FY 2009-10	FY 2008-09 Source
: Enrollment (headcount)						
Undergraduate, Including School of Business	4,823	4,815	4,775	4,657	4,569	4,476
Graduate	511	445	434	444	415	456
Diversity	116	112	107	109	109	107
Law	558	515	527	503	491	484
School of Business-Graduate	757	662	640	592	643	499
Total fall enrollment	6,765	6,549	6,468	6,296	6,227	6,022

4 Financial Aid (Graduate and Undergraduate - off awards)  
 Graduate & Undergraduate All Sources (000's) \$ \$ \$ \$ \$ \$ Net Public

FACULTY AND STAFF	FY 2015-14	FY 2012-13	FY 2011-12	FY 2010-11	FY 2009-10	FY 2008-09
Full-time faculty / part-time faculty	550 / 178	534 / 156	516 / 121	505 / 149	476 / 143	471 / 147
Full-time staff / part-time staff	1,575 / 236	1,544 / 259	1,517 / 34	1,387 / 65	1,328 / 61	1,312 / 30

**FINANCIAL (000's)**

Statement of Activities and Cash Flow	FY 2015-14	FY 2012-13	FY 2011-12	FY 2010-11	FY 2009-10	FY 2008-09
1 Operating revenue received	\$ 365,741	\$ 354,697	\$ 338,963	\$ 353,960	\$ 310,848	\$ 298,591
3 Revenue per student	54	56	52	55	50	50
11 Capital expenditures (from Cash Flow)	53,053	82,935	44,920	40,437	42,942	38,911
12 Athletics support						Net Public
Debt						
0 Total outstanding debt	\$ 263,592	\$ 314,413	\$ 195,063	\$ 197,034	\$ 198,798	\$ 203,393
Rate-Example	\$ 152,677	\$ 157,889	\$ 162,776	\$ 167,588	\$ 172,245	\$ 176,752
Taxable	\$ 130,905	\$ 156,604	\$ 32,287	\$ 29,446	\$ 26,553	\$ 26,641
10 Credit rating (S&P / Moody's)	AA/A33	AA/A33	AA/A33	AA/A33	AA/A33	AA/A33

Information labeled "Not Public" should be considered confidential.

### **The Endowment (Lead by Mr. Jim Dunn)**

Over the past year, the management of the endowment has been the responsibility of Verger Capital Management, an investment firm that is owned by Wake Forest University and led by Mr. Jim Dunn. With his arrival to Wake Forest in 2009, Mr. Dunn is the second “Chief Investment Officer” at Wake Forest. Verger was created to serve as a potential vehicle to manage investment dollars from Wake Forest as well as other organizations, especially small university endowments in the region. With more than \$1.2 billion under management, Verger offers the opportunity to reduce the cost per invested dollar by Wake Forest by attracting outside investments. Verger’s strategy is guided by their mantra “Protect – Perform – Provide”. In short, this suggests that the endowment’s unique position requires the protection of capital with a high degree of certainty, modest returns to provide annual contributions to the university.

The endowment’s challenge arises from the need to 1) deliver 5.3% of the endowment to the university each year, 2) pay the expenses to keep Verger operating and 3) keep up with inflation. With those three, the endowment has a strategy to avoid losses when markets decline and participate to a great extent when markets increase. The endowment management believes that controlling what can be controlled is the proper strategy. They believe that they can control risk by investing in a balance of stocks, bonds and real assets. Likewise, the endowment has control over the fees paid for investing. The current approach has led to a decline in fees relative to the past. In the past, the endowment has followed a more active management philosophy leading to higher highs and lower lows. Currently, the fund has enjoyed an 8.75% return with a relatively low standard deviation of 4%. Past returns and standard deviation of returns was significantly higher.

With 5.3% of the endowment allocated to the university, Wake Forest received \$28.2 million for its operating budget whose “revenues” (top line inflow of cash) of \$317.6 million (\$224.7 net of financial aid) which represents approximately 12.6% of the operating budget.

It is important to acknowledge that the endowment is not focused on “beating the market” but rather attempts to deliver resources to the school and maintain the value of the endowment. It appears that the change from the prior administration of the endowment to Mr. Dunn’s leadership focuses on reasonable returns with modest risk while supporting the university.

Hof,

I hope all is well in CFO land. I trust you heard the news on the MBA program. Not many happy campers in the program that is being eliminated.

I am going to fine tune my approach this year and ask you for some analysis and data that can be shared with the faculty. If I recall correctly the data from last year could not be emailed to me, so I had a hard time summarizing the financial side of things from memory. As a result, I am going to prepare a 2 pager with you (if you are among the willing) that summarizes the past and looks out into the future. I am trying to ask you for data that you already have so it shouldn't be too much trouble.

That said, would it be possible to give me the following data: A one paragraph summary of the financial state of the union we call Wake Forest University.

Six years of historical data on:

1. The revenue from the Reynolda Campus each year.
2. The number of students at the UG and graduate levels each year.
3. Revenue per student from the Reynolda Campus each year.
4. Total money "spent" for financial aid to students each year.
5. Total expense for faculty each year.
6. Total number of faculty each year.
7. Total expense for staff each year.
8. Total number of staff each year.
9. The total interest bearing debt broken out by taxable and non-taxable each year.
10. Credit rating each year.
11. Money spent on capital expenditures each year.
12. Money given to athletics to fund their deficit each year.
13. As for the future, would it be possible lay out what projects are on the horizon and the projected expenditures for the next five years or so.

Can I get the pdfs of the 990s for the past six years?

Email Content to Mr. Jim Dunn:

Specifically, I would like request the following information:

1. Can you produce a document that outlines your history (I am taking this from the document you gave us last year, so copy and paste freely), vision and a description of your office team. I gather that you have formed the new entity so maybe a few words about Verger Capital would be great as well. Can you summarize your asset manager strategy?
2. Can you create a graph that lists the history of assets under management by WFU segment. Last year you split it by Reynolda Campus, Reynolda Campus, WFUBMC, Reynolda Campus Separate Accounts, Trusts with a total of \$1.2 Bil. Can you show the data for the past several years so we can see the values for say 10 years (or whatever you think makes sense if 10 years is too many). I was thinking that pre-Dunn and pre-crisis would put us in a good light.
3. Can you give a 10 year summary of monies given to the school from the endowment?
4. Can you include a chart of the endowment relative to various benchmarks?
5. Can you include a summary of the asset allocation over the past few years and the current asset allocation?
6. Finally, can you include the "Introducing Jim Dunn" text?