KEAN UNIVERSITY
FOUNDATION

Kean University's endowment is a perpetual source of support for Kean University students, faculty, research initiatives, and facilities. The endowment is made up of more than 141 funds; the largest, The Centennial Fund, awards qualified students who have a household income of $80,000 or less with scholarship support to cover their remaining tuition after state and federal funding is exhausted.

What is Kean University Foundation's endowment?

The Kean University Foundation's endowment is a dedicated and permanent source of funding that supports the mission of the University. Made up of more than 141 individual funds, the investment returns have directly influenced the excellence of the institution's teaching and curriculum development.

Each year, a portion of the endowment is paid out as an annual distribution to support Kean's mission, while any appreciation in excess of this annual distribution is retained in the endowment so it can grow and support future generations. As a result, the endowment can provide the financial foundation for the University for generations to come.

Distributions from the endowment provide a critical source of funding. The endowment distributed $319,120 in the fiscal year ending June 30, 2019. The overwhelming majority of the funds that make up the endowment are restricted to specific scholarships, programs, or purposes and must be spent in accordance with terms set forth by the donor(s).

Each of Kean's colleges is supported by the endowment. School revenue profiles vary widely, and each draws a different proportion of support from the endowment.

What does the Foundation's endowment support?

Endowment funds support many different aspects of the University's mission. The primary areas of focus are student scholarships, faculty, research, and facilities. The Kean University Foundation also has endowments that support academic programs as well as a wide variety of other activities. Even with endowment support, Kean University must fund nearly all of its operating expenses from other sources, such as student tuition, government support, and research grants.

Who manages the Foundation's endowment?

J.P. Morgan Chase, in concert with the Kean University Foundation's Board of Directors, manages the Foundation's endowment portfolio.

How does the Foundation determine its endowment payout?

The Foundation's spending practice has to balance two (2) competing goals: the need to fund our mission with a stable and predictable distribution, and the obligation to maintain the long-term value of endowment assets after accounting for inflation.

The Foundation determines the annual endowment distribution after considering a variety of factors, including guidance from a payout formula that provides a steady stream of income to support current needs while preserving the endowment's future purchasing power. This process is similar to those of many other colleges and universities.

As a general rule, the Kean University Foundation targets an endowment payout rate of five percent (5%) of market value. The Foundation's actual payout rate has fluctuated over the years, from a low of four percent (4%) to a high of five percent (5%). This variation exists because the dollar amount of the distribution for the next fiscal year is determined well in advance of the start of the fiscal year and prior to knowing the market value at the end of it. This practice is followed to allow adequate time for financial planning.

The utilization of a formula means that the payout rate is generally lower following years of relatively high investment returns and higher following years of lower investment returns. Adjustments can be made in succeeding years, keeping in mind the long-term payout goals of balancing budgetary stability with the preservation of the endowment's purchasing power. Each year the Kean University Foundation's Investment Committee approves the final distribution amount.

Why can't the Foundation use more of its endowment in order to cover additional expenses or reduce tuition costs?

There is a common misconception that endowments can be accessed like bank accounts, used for anything at any time as long as funds are available. In reality, our flexibility in spending from the endowment is limited by the fact that it must be maintained in perpetuity and that it is largely restricted.

Endowment gifts are intended by their donors to benefit both current and future generations of students and scholars. As a result, the Kean University Foundation is obligated to preserve the purchasing power of these gifts by spending only a small fraction of their value each year. Spending significantly more than that over time, for whatever reason, would privilege the present over the future in a manner inconsistent with an endowment's fundamental purpose of maintaining intergenerational equity.

In addition, many donors also designate a specific purpose for which their fund can be spent. For Kean, nearly every endowed fund is subject to these restrictions. Contributions may be given in support of a specific school, program, or activity, and can only be used for those purposes.

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