

NOTHING TO LOSE

How Brevard's small endowment is a benefit in trying economic times

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Brevard College is not a wealthy school. And during the current economic climate, that fact is its saving grace.

The College has seen its endowment reduced by 32 percent over the last 10 months, but unlike larger, tradition-laden schools with benevolent big money alumni, Brevard's endowment was so small to start with that the recent stock market free fall has hit the College like a jab instead of a haymaker.

"We are not a very rich institution," said Brevard College President Drew Van Horn. "We've never been a school that attracted wealthy people, as most of our students have been middle class or from Appalachia. Because of that, our endowment is not very high and we're not being hit as hard as, say,

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The declining stock market has given serious problems to schools with large endowments, who are now facing budget cuts because their past budgets depended so heavily on their endowment. Below is a list of local schools and their 2008 endowments.

Duke University	\$6.12 billion	UNC-Greensboro	\$184 million
Univ. of North Carolina	\$2.36 billion	Western Carolina University	\$35.2 million
Wake Forest University	\$1.25 billion	Brevard College	\$22.4 million
N.C. State University	\$554.6 million	Lees-McRae College	\$21.6 million

Information from National Association of College and University Business Officers

Berea College."

The endowment is a pool of money that has been donated to the College and put into the stock market. Most of the endowment goes toward scholarships. According to Brevard College policy, five percent of the average earnings from the last three years are withdrawn annually and used for student financial aid.

According to Vice President of Finance Deborah Hall, the Brevard College endowment shrank from \$22.4 million to \$15.3 million between May 31, 2008 and March 31, 2009. While \$7.1 million in losses in nothing to scoff at, when juxtaposed with Princeton University's projected \$4.9 billion in losses for its endowment this year, Brevard's losses seem minute.

At Brevard, only six percent of the operating budget comes from the endowment, but at Princeton the endowment's losses have spurred \$88 million in budget cuts for next school year.

Legislation passed in North Carolina last month is aimed at helping schools through these hard times. Previously, schools were not allowed to spend below the "corpus" of the endowment, or the amount originally given to the school. Endowment spending was fully rooted in the money's gains on Wall Street.

Now, depending on the wording of the documents in which the money was given to the schools, colleges are given carte

blanche to spend all their assets.

"The book value of our endowment is \$19.5 million, so we're a little under that," Hall said. "But I would say that 10 out of 10 schools are under water right now."

To put it simply, while large schools are hemorrhaging from the blows the economy has dealt them, Brevard is putting kiddie sized Band Aids on its nicks and cuts.

But that doesn't mean that the College isn't taking measures to prevent more nicks and cuts.

The Finance and Endowment Committee's 16 members and the eight member Investment Subcommittee have been meeting every month to examine the endowment's holders and performance.

Last fall, the committees discovered that one holder was not performing well and sold that holder's assets, putting them into cash. The school is also now putting all new gifts into cash.

Over the next three months, the Finance and Endowment Committee will determine how much more money to withdraw from the stock market.

"Our goal in this economy is pretty clear, we need to be prudent. With our policies we're not making a lot of money, but we're not losing it either," Hall said.

"The last time the market was down it took three years to recover, so right now we're trying to stabilize losses and figure out when to go back into the market."