

# Endowment Management Solutions for a Higher Education Institution

A community college foundation collaborated with Cherry Bekaert for support with fragmented records and data, endowment compliance, and the transition to a new ERP.

For decades, a community college (the College) foundation (the Foundation) stewarded hundreds of endowment funds intended to support scholarships and academic programs.

But over time, record-keeping practices became fragmented and ownership shifted across multiple offices, leaving the Foundation unsure of how much they had in funds and how those funds could be allocated to support students and faculty at the College. This uncertainty posed an operational inconvenience and compliance risks under the Uniform Prudent Management of Institutional Funds Act (UPMIFA), while also threatening the Foundation's ability to honor donor intent. The leadership team knew they needed a solution that would untangle years of complexity and set the stage for sustainable fund management.

## The Challenge: Inconsistent Data Posed Risks

The Foundation's primary investment pool contained over 300 individual endowment funds. But historical data was incomplete and spreadsheets revealed inconsistencies in gift amounts, restrictions and program designations. Some funds were tied to programs that no longer existed, raising questions about whether those dollars could be repurposed. Without clarity, the Foundation faced:

- ▶ **Compliance risks** and uncertainty around UPMIFA requirements for obsolete programs.
- ▶ **Operational barriers**, including difficulty determining available scholarship funds and allocating earnings.
- ▶ **Technology limitations**, such as inaccurate data that threatened the upcoming transition to an enterprise resource planning (ERP) solution.



### CLIENT

Community College



### OUR ROLE

Endowment and UPMIFA Compliance



### INDUSTRY

Not-for-Profit



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Your Guide Forward

## Our Approach: Organized Data and Allocation Modeling Tools

To address these challenges, Cherry Bekaert's CFO Advisory team aimed to bring order to decades of fragmented records and restore the Foundation's confidence in managing endowment funds. Our professionals also utilized their higher education experience to better understand the critical role the Foundation plays in supporting the College's mission to its faculty, staff and students. Our solutions spanned across four areas, including data cleanup, allocation modeling, policy and compliance guidance, and additional support.

### 1. Data Cleanup and Analysis

We began by reviewing spreadsheets and source documents to reconcile gift amounts and restrictions. This deep dive uncovered discrepancies such as multiple contributions recorded incorrectly and highlighted outdated program designations. In some cases, it revealed instances in which gifts historically tagged as endowments were, in fact, just purpose restricted contributions rather than permanently restricted endowment gifts.

These kinds of misclassification are common and risky, but our team of advisors were able to organize data to provide a clear financial picture. Other situations revealed the need for the Foundation to conduct further research to provide adequate documentation to ensure that endowment funds were properly restricted and classified.

### 2. Allocation Modeling

With incomplete historical investment data as well as limited fund spending records, we developed a tool to approximate fund balances using reasonable assumptions to bring decades of records up to date. This model required experienced attention to support the Foundation in adhering to UPMIFA and Generally Accepted Accounting Principles (GAAP) principles, as well as the Foundation's own policies.

In the end, our model allowed the Foundation to estimate balances as of 2018 and roll forward to current values, creating a reliable baseline for decision-making and to understand what resources were available for the Foundation as of the present date. This provided greater clarity for how the Foundation could support the College's students and faculty through scholarships and additional funding.

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### 3. Policy and Compliance Guidance

To address governance concerns and prevent the situation from recurring, we prepared a memorandum interpreting state-specific UPMIFA provisions. This guidance outlined steps for reallocating funds tied to discontinued programs. We also identified the absence of an investment policy statement and provided recommendations for creating one to govern risk and return strategies to be in line with industry standards of similarly sized college foundations.

### 4. Additional Support

Having become a trusted advisor, the Foundation also worked with Cherry Bekaert for its nonprofit tax filings and to understand reporting obligations and risks associated with different designations. This collaboration provided leadership with greater confidence around the stability and strategic positioning of the Foundation, and how to develop a plan for the future.

## The Outcome: Endowment Roadmaps and Actionable Insights

By the end of the project, the Foundation achieved what once seemed impossible: clarity on its endowment funds, and a roadmap for future funds, built on a complete, well-documented inventory of endowments funds. With accurate historical data in place, the Foundation was ready to transition to an ERP, confident that its allocation tools would function as intended.

Beyond technical fixes, the Foundation gained actionable guidance for compliance, governance and future fund management. This effort strengthened its ability to honor donor intent and support students effectively both today and for many years to come.

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