

GENERAL ASSEMBLY OF NORTH CAROLINA
1985 SESSION

CHAPTER 98
SENATE BILL 56

AN ACT TO ENACT THE UNIFORM MANAGEMENT OF INSTITUTIONAL
FUNDS ACT AS RECOMMENDED BY THE GENERAL STATUTES
COMMISSION.

The General Assembly of North Carolina enacts:

Section 1. The General Statutes of North Carolina are amended by adding a new Chapter, 36B, to read as follows:

"Chapter 36B.

"Uniform Management of Institutional Funds Act.

"§ 36B-1. **Definitions.** – As used in this Chapter, the following terms have the meanings specified:

- (1) 'institution' means an incorporated or unincorporated organization organized and operated exclusively for educational, religious, charitable, or other eleemosynary purposes, or a governmental organization to the extent that it holds funds exclusively for any of these purposes;
- (2) 'institutional fund' means a fund held by an institution for its exclusive use, benefit, or purposes, but does not include (i) a fund held for an institution by a trustee that is not an institution or (ii) a fund in which a beneficiary that is not an institution has an interest, other than possible rights that could arise upon violation or failure of the purposes of the fund or (iii) funds other than endowment funds held by a governmental organization;
- (3) 'endowment fund' means an institutional fund, or any part thereof, not wholly expendable by the institution on a current basis under the terms of the applicable gift instrument;
- (4) 'governing board' means the body responsible for the management of an institution or of an institutional fund;
- (5) 'historic dollar value' means the aggregate fair value in dollars of (i) an endowment fund at the time it became an endowment fund, (ii) each subsequent donation to the fund at the time it is made, and (iii) each accumulation made pursuant to a direction in the applicable gift instrument at the time the accumulation is added to the fund. The determination of historic dollar value made in good faith by the institution is conclusive.

- (6) 'gift instrument' means a will, deed, trust, grant, conveyance, agreement, memorandum, writing, or other governing document (including the terms of any institutional solicitations from which an institutional fund resulted) under which property is transferred to or held by an institution as an institutional fund.

"§ 36B-2. Appropriation of appreciation. – The governing board may appropriate for expenditure for the uses and purposes for which an endowment fund is established so much of the net appreciation, realized and unrealized, in the fair value of the assets of an endowment fund over the historic dollar value of the fund as is prudent under the standard established by G.S. 36B-6. This section does not limit the authority of the governing board to expend funds as permitted under other law, the terms of the applicable gift instrument, or the charter of the institution.

"§ 36B-3. Rule of construction. – G.S. 36B-2 does not apply if the applicable gift instrument indicates the donor's intention that net appreciation shall not be expended. A restriction upon the expenditure of net appreciation may not be implied from a designation of a gift as an endowment, or from a direction or authorization in the applicable gift instrument to use only 'income', 'interest', 'dividends', or 'rents, issues or profits', or 'to preserve the principal intact', or a direction which contains other words of similar import. This rule of construction applies to gift instruments executed or in effect before or after the effective date of this act.

"§ 36B-4. Investment authority. – In addition to an investment otherwise authorized by law or by the applicable gift instrument, and without restriction to investments a fiduciary may make, the governing board, subject to any specific limitations set forth in the applicable gift instrument or in the applicable law other than law relating to investments by a fiduciary, may, subject to G.S. 36B-6:

- (1) invest and reinvest an institutional fund in any real or personal property deemed advisable by the governing board, whether or not it produces a current return, including mortgages, stocks, bonds, debentures, and other securities of profit or nonprofit corporations, shares in or obligations of associations, partnerships, or secured obligation of individuals, and obligations of any government or subdivision or instrumentality thereof;
- (2) retain property contributed by a donor to an institutional fund for as long as the governing board deems advisable;
- (3) include all or any part of an institutional fund in any pooled or common fund maintained by the institution; and
- (4) invest all or any part of an institutional fund in any other pooled or common fund available for investment, including shares or interests in regulated investment companies, mutual funds, common trust funds, investment partnerships, real estate investment trusts, or similar organizations in which funds are commingled and investment determinations are made by persons other than the governing board.

"§ 36B-5. Delegation of investment management. – Except as otherwise provided by the applicable gift instrument or by applicable law relating to governmental institutions or funds, the governing board may:

- (1) delegate to its committees, officers or employees of the institution or the fund, or agents, including investment counsel, the authority to act in place of the board in investment and reinvestment of institutional funds;
- (2) contract with independent investment advisors, investment counsel or managers, banks, or trust companies, so to act; and
- (3) authorize the payment of reasonable compensation for investment advisory or management services.

"§ 36B-6. Standard of conduct. – In the administration of the powers to appropriate net appreciation, to make and retain investments, and to delegate investment management of institutional funds, members of a governing board shall exercise ordinary business care and prudence under the facts and circumstances prevailing at the time of the action or decision. In so doing they shall consider long and short term needs of the institution in carrying out its educational, religious, charitable, or other eleemosynary purposes, its present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions.

"§ 36B-7. Release of restrictions on use or investment. – (a) With the written consent of the donor, the governing board may release, in whole or in part, a restriction imposed by the applicable gift instrument on the use or investment of an institutional fund.

(b) If written consent of the donor cannot be obtained by reason of his death, disability, unavailability, or impossibility of identification, the governing board may apply in the name of the institution to the Superior Court for release of a restriction imposed by the applicable gift instrument on the use or investment of an institutional fund. The Attorney General shall be notified of the application and shall be given an opportunity to be heard. If the court finds that the restriction is obsolete, inappropriate, or impracticable, it may by order release the restriction in whole or in part. A release under this subsection may not change an endowment fund to a fund that is not an endowment fund.

(c) A release under this section may not allow a fund to be used for purposes other than the educational, religious, charitable, or other eleemosynary purposes of the institution affected.

(d) This section does not limit the application of G.S. 36A-53 or of the doctrine of cy-pres.

"§ 36B-8. Conflict with other law. – To the extent that the provisions of this Chapter are inconsistent with the provisions of either Chapter 36A or Chapter 55A, the provisions of this Chapter shall control. The provisions of this Chapter shall not apply to The University of North Carolina.

"§ 36B-9. Uniformity of application and construction. – This act shall be so applied and construed as to effectuate its general purpose to make uniform the law with respect to the subject of this act among those states which enact it.

"§ 36B-10. **Short title.** – This act may be cited as the 'Uniform Management of Institutional Funds Act'."

Sec. 2. The Revisor of Statutes shall cause the commentary to each section of Chapter 36B to be printed in the General Statutes. The commentary shall contain the comments of the National Conference of Commissioners on Uniform State Laws, the comments of the General Statutes Commission, and shall reflect amendments made during legislative consideration of this act.

Sec. 3. This act is effective on July 1, 1985.

In the General Assembly read three times and ratified, this the 16th day of April, 1985.