

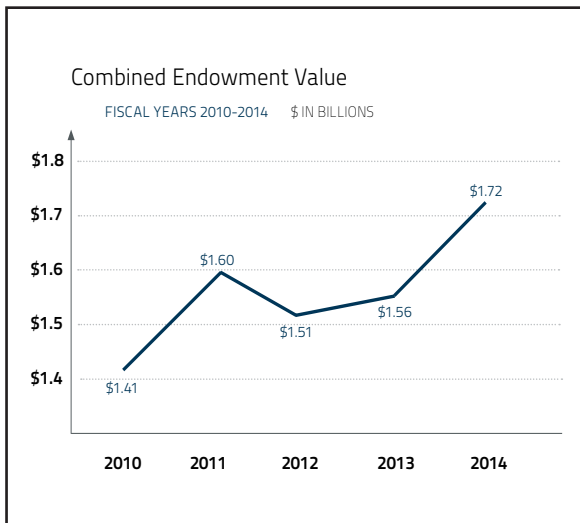


Endowment Report

JULY 1, 2013 - JUNE 30, 2014

Combined and Pooled Endowment Funds 2014 Investment Report

Endowment gifts enable Case Western Reserve to advance its mission of education and research in the present moment, even as they also ensure the institution continues to serve students and society far into the future. When our supporters fund a professorship, scholarship or other ongoing initiative, they demonstrate deep understanding of the university's role as an enduring center of knowledge and discovery.

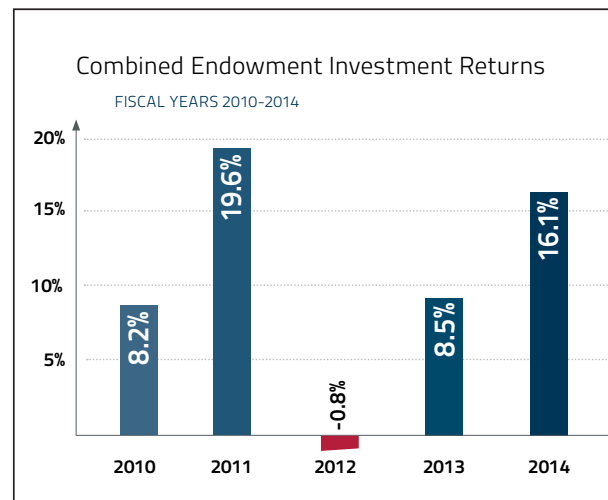


The university's total endowment, also known as the "Combined Endowment," includes both the dollars that Case Western Reserve invests directly—also known as "Pooled Funds" or the "Pooled Endowment"—and those designated for the university but managed by external organizations—formally described as "Funds Held By Others." The bulk of the institution's long-term resources—about four-fifths of the total—consist of monies that Case Western Reserve directly controls.

For the Fiscal Year that ended June 30, 2014, the Combined Endowment was \$1.72 billion, an amount that represents market value growth of 10.3 percent over the previous year. This increase nearly triples the figure from the previous year. Meanwhile, the Pooled Funds—the amount the university itself invests—stood at \$1.38 billion at the end of the 2014 Fiscal Year, up from \$1.26 billion in Fiscal Year 2013. Its market value growth climbed 9.5 percent over the previous year—more than triple the earlier year's gain.

Market value growth is distinct from investment return because market value is influenced by a range of factors beyond investment gains and losses. Specifically, market value can change because of investment decisions; additional donor commitments; endowment management and/or investment fees; and spending from an endowment fund for the designated purpose (for example, spending from a scholarship endowment to provide a student financial assistance in that year).

Investment return excludes all of those additional factors, and instead reflects only investment gains or losses. The investment return on the Combined Endowment—that is, the percentage change based solely on market results, not additional gifts or any spending from the endowment—totaled 16.1 percent for Fiscal Year 2014. This figure bested the Cambridge Associates median by two-tenths of a percent. Cambridge Associates is a global investment consulting firm that provides research and benchmarks across multiple funds and industries.



The university's endowment has a perpetual horizon—that is, the managers of today steward resources for an institution of higher learning that dates back nearly two centuries—and aims to serve students and society for generations to come. Case Western Reserve's investment approach, then, seeks to grow the endowment as aggressively as possible without incurring undue risk. The goals are to sustain the endowment for generations to come and also ensure that the university can spend a small percentage annually to support donor intent and advance its overall mission.

Endowment Gifts

Securing the University's Present—and Future

Endowment gifts provide enduring operational support for their specific academic areas through the allocation of a proportion of the additional dollars raised through investments. At the same time, the principal—typically the original gift amount—is seldom, if ever, drawn upon; its existence ensures annual operational dollars as well as a sustainable long-term future for the realm that the donor wished to support.



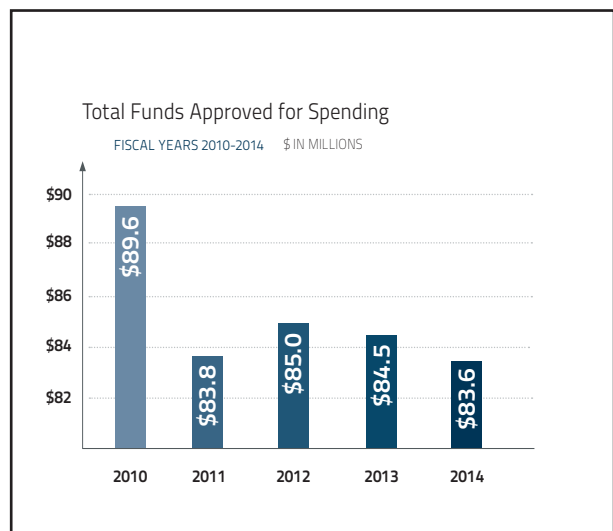
An endowed chair, for example, can assist enormously in attracting and keeping top-notch scholars. Appointment to an endowed chair designates the recipient as one of the university's most accomplished and promising professors. In addition to providing annual resources, an endowed faculty position also represents an exceptionally significant achievement in the life of an academic, an occasion marked with formal ceremony and celebration among colleagues, family and friends.

In the same manner, when Case Western Reserve competes for some of the nation's most talented students, the university's ability to provide significant financial assistance can play a prominent role in the choices families make. When this assistance also comes in the form of a named scholarship, it sends a compelling signal that the institution so values the student that it has allocated a named award to recognize the academic promise it sees in that young person.

Like the endowed professorship, then, an endowed scholarship also carries significance well beyond the financial resources involved.

As important as this emotional impact is, the amount of assistance provided absolutely matters—both to the individuals and disciplines or programs involved, and also to the university as a whole. In this 2014 fiscal year, for example, the university's endowment funds and those held by other organizations together provided \$83.6 million to support Case Western Reserve's operating expenses.

In one sense, one could say these dollars allowed Case Western Reserve the ability to invest additional funds in critical priorities. In another, they represent investments in teaching, research and other initiatives that might otherwise never have happened. Both perspectives are true, and each is incredibly important to the university, its faculty and students.



Support from alumni and friends strengthens the endowment and helps safeguard the university's financial condition. It also means that Case Western Reserve can continue to provide transformative education and research for future generations.

We will continue to steward these gifts carefully, and feel profound gratitude to all who have provided such remarkable support.

Endowment Report

Glossary of Financial Terms and Phrases

Allocated spending: The amount authorized annually for spending on designated purposes, as determined by the spending policy and board resolution.

Annual attainment: Yearly total of cash gifts, pledges, estate commitments and other designations guaranteed by a legally binding document.

Asset allocation: Investment diversification designed to achieve consistent, sustainable long-term returns; limit volatility; maintain necessary liquidity; and protect against inflation.

Beginning balance: The corpus, plus accumulated investment returns and minus allocated spending, as of the start of the fiscal year (July 1).

Board-designated fund: Unrestricted funds that the Board of Trustees designates for a particular purpose. The board may change or lift these designations at any time. These restrictions are not imposed by a donor.

Combined endowment: Includes those funds managed by the university's Office of Investments as well as funds held by others—that is, dollars held and invested by entities such as foundations or private financial institutions. These funds are considered part of the university's long-term investments.

Corpus: Gifts made to establish or increase a fund, not including investment returns. Also known as "principal."

Distribution: The amount—often expressed as a percentage—that the Board of Trustees approves spending from a fund or funds in a fiscal year.

Ending balance: The corpus plus accumulated investment returns and minus allocated spending at the end of the fiscal year (June 30).

Endowment fund: A fund that is created by donors requiring the restriction of the gift(s) in perpetuity with only investment return available for allocated spending.

Endowment pool: Funds managed by the university; includes endowment funds, funds functioning as endowment funds, and board-designated funds.

Fiscal year: Case Western Reserve University's fiscal year is from July 1 through June 30.

Gifts: Donated assets within a fiscal year (July 1 through June 30). Gifts received late in one fiscal year may be reported in the subsequent fiscal year due to processing.

Investment pool: A group of funds—including endowment funds, funds functioning as endowment and board-designated funds—that are invested in a broadly diversified portfolio.

Investment returns: Overall returns, including realized and unrealized gains and losses, within a fiscal year (July 1 through June 30).

Market value: The actual value of the endowment pool—those funds directly managed by the university—as of June 30 of a designated year. This value includes growth through additional income provided through cash gifts, payments on existing gifts, and growth through investment returns. It also includes decreases in the total value that arise from spending—including withdrawals from the endowment to fulfill donor intentions (such as supporting faculty through endowed professorships). Decreases also arise from spending on administrative fees and endowment management. Decreases in value also can arise from negative investment returns.

Permanently restricted net assets: Include gifts, trusts and pledges on which donors have imposed the restriction that the amount invested is maintained in perpetuity and the investment returns be made available only to support designated program operations. In the case of trusts, gains and losses are added to the gift amount. Gifts restricted by donors to provide loans to students are also included in permanently restricted net assets.

Spending allocation: The distribution of endowment funds toward designated purposes, based on the spending policy.

Spending policy: Determines the annual allocated spending, based on a board resolution, with the objective to preserve the intergenerational equity and provide support for operations.

Temporarily restricted net assets: Investment returns from endowments and gifts for which donor-imposed restrictions have not been met.

Unrestricted net assets: Funds available for any purpose consistent with the university's mission. Unrestricted funds functioning as endowment and related investment returns are included in unrestricted net assets.

For more definitions and other endowment information, please visit case.edu/endowment.

