

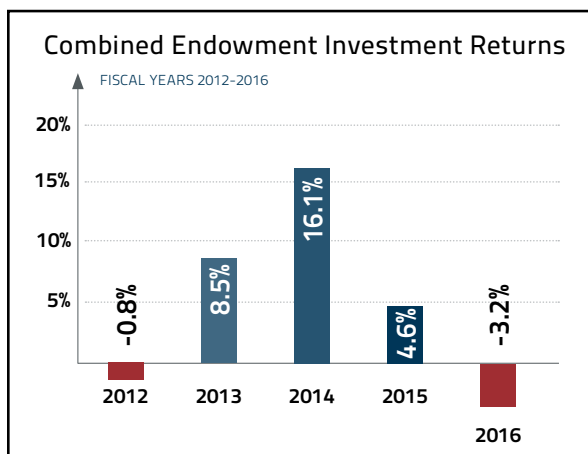


# Endowment Report

JULY 1, 2015 - JUNE 30, 2016

# Combined and Pooled Endowment Funds 2016 Investment Report

The 2016 fiscal year proved challenging for university endowments around the country, and Case Western Reserve was no exception. The investment return on the university's combined endowment—that is, funds the institution manages as well as those held and managed by others—was -3.2 percent.



While this result is similar to the Cambridge Associates' -3.1 percent benchmark median return for peer institutions, it nevertheless is disappointing to university leadership and, it is likely, Case Western Reserve's donors as well.

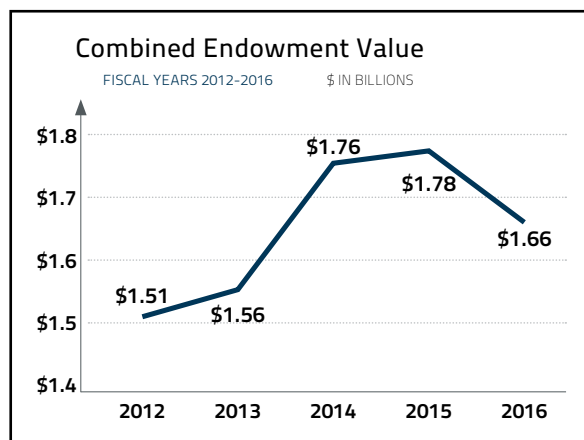
That said, the combined endowment's three-year return of 5.5 percent did slightly exceed Cambridge Associates' 5.2 percent peer median return for peer institutions over the same time period. Cambridge Associates is a global investment consulting firm that provides research and benchmarks across many funds and industries.

The Combined Endowment includes two categories of long-term resources. The first involves dollars the university directly manages, which constitute a significant majority of the total of commitments given to advance the university's mission. This category is known as the "Endowment Pool." The second category consists of contributions designated for Case Western Reserve that foundations or other organizations manage. These dollars are called "Funds Held By Others." When the university adds the funds it manages to those held by others, the overall total is called the "Combined Endowment."

Case Western Reserve deeply appreciates every gift to the university's endowment. These commitments not only help secure the institution's long-term future, but also can support students, faculty

and staff in the present day. Over time, endowment contributions are expected to generate additional resources through investment returns. Each year, a portion of those returns can be spent to support the gift's purpose—for example, to provide a professor dollars needed to conduct preliminary research that could show funders the potential of a proposed study.

The disbursements made from the endowment to support current needs are among the factors that influence its value in a given year. Other elements include investment returns, investment appreciation, and new donor commitments. For Fiscal Year 2016, the value of the Combined Endowment totaled \$1.66 billion. This figure reflects a decline in market value of 6.38 percent over the previous year.



Case Western Reserve takes seriously its obligation to steward carefully all of the contributions the university receives. Meeting this responsibility requires a delicate balance of two priorities that sometimes can be in tension with one another: maximal growth and minimal risk. Commitments to the endowment are meant to advance aspects of the university's work both now and in perpetuity. As a result, its investment approach must preserve the value of the original commitment, and also increase its worth through the accumulation of earned interest amounts that exceed disbursements. To that end, the university's portfolio is allocated across a broad range of areas, among them domestic and foreign public equities, fixed-income funds, private capital and real assets.

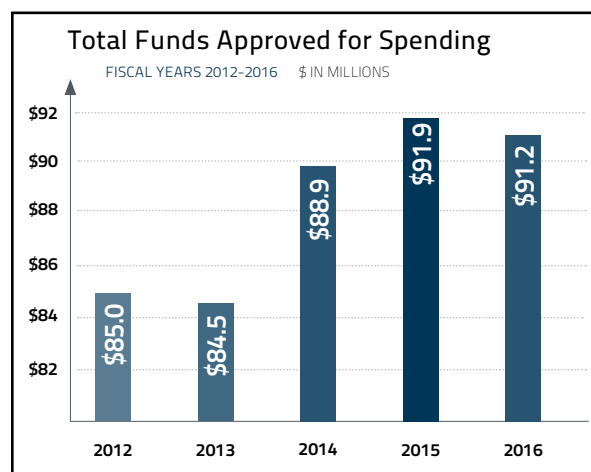


# Endowment Gifts

## Advancing our mission today, and in the future

The generosity of the university's alumni and friends has allowed the creation or completion of **83 endowed professorships** since the start of the Forward Thinking capital campaign. These awards, considered among the highest honors a member of the faculty can receive, allow the university to recruit, recognize and retain truly outstanding scholars.

One of the professorships announced during Fiscal Year 2016, for example, went to Mark Griswold, the university's leader for its collaboration with Cleveland Clinic using the Microsoft HoloLens to create a three-dimensional digital anatomy course for medical students. Another supported the recruitment of Rafick-Pierre Sékaly, a scientist world renowned for his work in AIDS research, human immunology and immunotherapy.



Contributions to scholarships represent another way that donors make an enormous difference to the university today and for generations to come. Since the campaign began, commitments for undergraduate, graduate and professional student **scholarships have totaled nearly \$200 million**. This support not only makes a Case Western Reserve education possible for some admitted students, it also allows the institution to compete effectively to enroll some of the nation's most outstanding young people.

One high-achieving student from Cleveland had family income so low she doubted she could afford to go to any college. Thanks to a university scholarship, she is not only attending Case Western Reserve, but also double-majoring and working as a student assistant in a clinical trials unit. Scholarship support made another admitted student choose CWRU over the Ivy League institution that admitted him; during his time on campus he has been active in undergraduate student government, Greek Life, and volunteering at the local free medical clinic, while also developing nanodiamonds in the a chemical engineering research lab.



*Making nanodiamonds in a chemical engineering lab.*

Those are examples from today. Decades from now, when holographic courses dominate education, AIDS is cured, and nanodiamonds commonplace, still more faculty and students will be able to pursue new knowledge and deepen understanding thanks to endowment commitments made in this generation.

The students, staff, faculty, alumni and friends of Case Western Reserve are profoundly grateful to all who have supported the university's mission by making endowment gifts throughout our history.

# 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. Starting July 1, 2015, new gifts will be invested for twelve months before the spending allocation is applied.

**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](http://case.edu/endowment).*

