

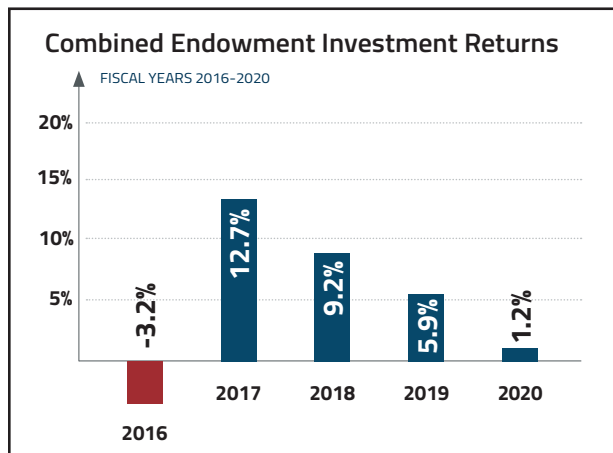


Endowment Report

JULY 1, 2019 - JUNE 30, 2020

Combined and Pooled Endowment Funds 2020 Investment Report

In a year of challenges and uncertainty, Case Western Reserve University, like peer institutions across the country, had to navigate a market full of fluctuations. Ultimately, 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 1.2 percent for the period from July 1, 2019 through June 30, 2020.



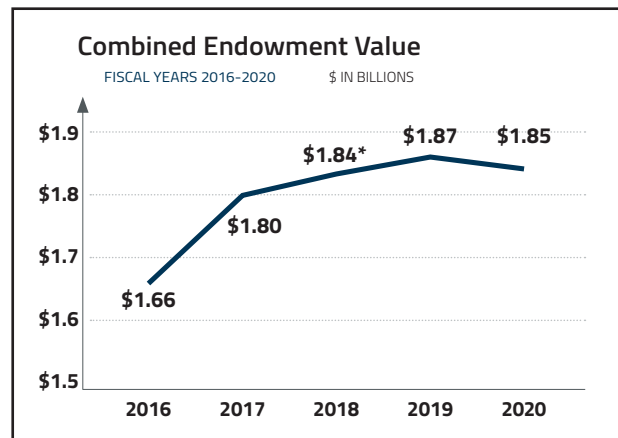
The university's one-year performance was consistent with Cambridge Associates' 1.1 percent benchmark median return for higher education institutions by 9 basis points. Cambridge Associates is a global investment-consulting firm that provides research and benchmarks across many funds and industries.

The Combined Endowment includes two categories of long-term resources. The first—known as "Pooled Investment Funds," or the "Endowment Pool"—involves dollars the university manages directly. This pool constitutes a significant majority of the university's total endowment. 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 amount is called the "Combined Endowment."

Endowment gifts not only help secure the institution's long-term future, but also can support students, faculty and staff in the present day. Over time, these contributions typically generate additional resources

through the investment returns they earn. Each year, a small portion of those returns can be spent to support original gift purposes—for example, to provide financial support tied to scholarships, fellowships, professorships, as well as research and programs. These annual disbursements make it possible for the donors' funds to achieve immediate positive impact while ensuring the gifts' benefits can continue in perpetuity.

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 2020, the value of the Combined Endowment totaled \$1.85 billion.



Case Western Reserve deeply appreciates every contribution the university receives to advance its mission of education and research. Endowment gifts represent an enduring commitment to the institution and its work, and it is the university's obligation to steward those funds to ensure lasting impact. Meeting this responsibility requires a delicate balance of two priorities that sometimes can be in tension with one another: maximal growth and minimal risk.

The investment approach to endowment funds aims to preserve the value of the original commitment, and also increase its worth through the accumulation of investment returns that exceed disbursements. For this reason, the university has a broadly diversified portfolio that includes domestic and foreign public equities, fixed-income funds, private capital and real assets.

**During 2019 it was determined that the community foundation holding certain trusts has ultimate control. The Combined Endowment Value for 2018 and 2019 was revised accordingly.*

Endowment Gifts

Advancing our mission today, and in the future



Aarti and Asheem Chandna

Endowments make it possible for generous donors to have the impact of their gifts continue for generations. For university trustee Aarti Chandna (GRS '88, computer science) and her husband, Asheem Chandna (CIT '86;

GRS '88, computer engineering), this form of giving is already providing high-achieving students with opportunities they might not have otherwise had.

Established in 2018 with a gift of \$1.15 million, the Chandna Scholarship provides half-tuition support to undergraduate students pursuing degrees in computer science, computer engineering, electrical engineering or systems engineering at Case School of Engineering. Two scholarships are awarded annually—one each to a rising junior and rising senior—with financial need and leadership outside of the classroom serving as important pillars for consideration.

Now in its third year, the scholarship is helping ease the financial burden of two exceptional students, Zane Varner and Caroline Zhu. Varner, a senior, has started graduate-level coursework to complete his BS/MS while a student at Case Western Reserve. Though he said he originally was “rushing” to complete his engineering degree because of the financial burden he felt, becoming a Chandna Scholar allowed him to slow down and reflect upon what field he truly wanted to pursue.



Caroline Zhu

“Since then, I have changed my major and refocused my studies in Artificial Intelligence. Now I am pursuing a graduate degree in the field,” Varner said. “The scholarship program has dramatically changed the trajectory of my life and career.”

For Caroline Zhu, the role of student leader has come naturally. A junior who, like Varner, is studying computer science, Zhu arrived at Case Western Reserve from Southern California and immediately made an impact on campus. In addition to writing for *The Observer*, the university’s student-run newspaper, she advanced a growing Girls Who Code chapter at CWRU. She knows her path to success is smoother because of the generosity of Aarti and Asheem Chandna.



Zane Varner

“The Chandna Scholarship has really offered me the freedom to consider new paths for my future,” Zhu said. “Since I’ve received the scholarship, I’ve been able to seriously consider pursuing further education in the form of a graduate or a PhD program. I’ve been very inspired by the Chandnas’ generosity to volunteer more of my time to Girls Who Code and to make an impact by helping others with their education—just as the Chandnas have helped me with mine.”

The sustained, life-changing support endowed scholarships provide to our students isn’t the only benefit. Donors, too, are able to experience the continued impact of their generosity. “The Case Western Reserve University education and experience has had a huge positive impact on our lives,” said Aarti and Asheem Chandna. “Through the Chandna Scholars program, we are privileged to be able to give back and help exceptional CWRU students with financial need receive the education they desire.”

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.