Endowment 101

What is an endowment?

An endowment is composed of donations made to the EWU Foundation with the understanding that the original value of the gift (the principal) will be invested and a portion of the investment earnings (the distribution) will be used to fund the philanthropic intent of the donor. An endowment fund provides program support every year, in perpetuity. The Foundation Board of Directors annually reviews and approves the distribution rate with the dual goal of providing as much scholarship support as possible while allowing for perseveration and growth of the endowment.

What is the difference between a restricted and an unrestricted fund? How can an endowment be used?

The overwhelming majority of endowment funds are restricted to a specific purpose by the donor, such as student scholarships, an endowed professorship for a specific field, or to further an academic or recreational program. Other funds are unrestricted and can be used for the best use as determined by the Foundation. The Foundation honors restrictions on the use of the fund forever, and has a legal requirement to do so.

How does an endowment fund and the endowment pool work?

An endowment fund's value can change in one of four ways:

- Gifts to a fund will increase the principal,
- Gifts to a fund will initially increase the market value,
- Investment returns can increase or decrease market value,
- Endowment distributions can decrease the market value.
When the EWU Foundation receives an individual gift to an endowment, it is combined with other gifts/funds and managed by the Foundation as a single pooled investment. The endowment pool is similar to a mutual fund where each individual fund is treated like an investor whose funds are combined with those of other investors. Income and appreciation is credited to each fund depending on the investment performance for the entire endowment. For example, if the return for the whole endowment is 8% in a year, then each individual fund also experiences a return of 8%. Of course, endowments started after the beginning of the year experience proportional returns.

The EWU Foundation manages the investment, with direct oversight by the EWU Foundation Investment Committee. The Investment Committee works with Northern Trust Institutional Investment Services to select asset allocations to create a well-diversified mix of assets that offers the best opportunity for maximum return with acceptable risk over time. Asset allocations (noted below) and actual returns are formally reviewed throughout each fiscal year.

### EWU Foundation Endowment Asset Allocation (as of 8/1/12)

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Long Term Target</th>
<th>Long Term Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Cap Core US Equity</td>
<td>45%</td>
<td>40% – 55%</td>
</tr>
<tr>
<td>Small &amp; Mid Cap US Equity</td>
<td>10%</td>
<td>5% - 10%</td>
</tr>
<tr>
<td>Large Cap International</td>
<td>10%</td>
<td>5% - 15%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>30%</td>
<td>20% - 40%</td>
</tr>
<tr>
<td>Cash</td>
<td>Less than 5%</td>
<td>0% - 5%</td>
</tr>
</tbody>
</table>

The EWU Foundation annually reviews the distribution which provides annual financial support for both the donor designation and the EWU Foundation.

This annual distribution amount is currently 6% of each endowment’s rolling average market value over the past three (3) years. This 6% is designated as follows: 4% disbursed for the selected designation and 2% toward the Foundation management fee. Any earnings above 6% are reinvested into the respective account. This practice and percentage allocation is consistent with peer institutions across the country.
About Northern Trust Institutional Investment Services

Northern Trust Corporation is a leading provider of investment management, asset and fund administration, fiduciary and banking solutions for corporations, institutions and affluent individuals worldwide. A financial holding company based in Chicago, Illinois, Northern Trust has a network of over 80 offices in 18 U.S. states and has international offices in North America, Europe, the Middle East and the Asia-Pacific region.

Northern Trust was founded in 1889 and has earned distinction as an industry leader in combining exceptional service and expertise with innovative capabilities and technology. As of June 30, 2013, Northern Trust Corporation had:

- $97 billion in banking assets
- $5.0 trillion in assets under custody
- $803.0 billion in assets under management

About the EWU Foundation

The EWU Foundation is dedicated to maximizing support from the private sector on behalf of Eastern Washington University through the cultivation and maintenance of lifelong relationships. It conducts fundraising campaigns and engagement programs, invests the endowment to increase the value of existing gifts, and provides a centralized infrastructure that supports these efforts.

The EWU Foundation is committed to retaining both public and private trust. The EWU Foundation openly discloses information about financial statements, fundraising priorities and other information that helps further an understanding of the mission and goals. Each year, The EWU Foundation financial statements and business records are fully audited by CliftonLarsonAllen LLP. This audit is annually included in the Eastern Washington University audit and can be found on-line at ewu.edu and on page 16 and 17 of the university’s audit.

The 20-member plus EWU Foundation Board of Directors governs the EWU Foundation. Its directors, each a leader in business, the professions or civic affairs, contribute their time, wisdom and resources to EWU. These volunteers serve without compensation. The full board meets four times per year with eight individual committees (audit, finance, investment, grant, directors, executive, campaign, and real estate) meeting three to five times per year each for a total meeting count in the range of 32 – 40 meetings per year regarding Foundation activity.

The directors provide external oversight of the Foundation’s operations, and the executive director of the Foundation reports to them. The bylaws stipulate that one member of the University’s Board of Trustees (BOT) can serve as a director on the Foundation. In addition, membership includes current and retired faculty members. The directors recognize a responsibility to reflect in their membership the geographic, ethnic and gender diversity of Eastern Washington University’s alumni and friends.

Additional Questions & Clarification

Additional questions or comments can be shared directly with Michael Westfall, 102 Hargreaves Hall, 359-7430, mwestfall@ewu.edu. We always welcome continued feedback and support.