

ENDOWMENT

FREQUENTLY ASKED QUESTIONS

WHAT IS AN ENDOWMENT?

An endowment is comprised 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 allowed 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 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 realize proportional returns.

ABOUT THE 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 Foundation is committed to retaining a both public and private trust. It openly discloses details about financial statements, fundraising priorities and other information that helps further an understanding of the mission and goals. Each year, the Foundation financial statements and business records are fully audited by Eide Bailly LLP.

ABOUT THE BOARD OF DIRECTORS

The Foundation Board of Directors, determines the goals and objectives of specific fundraising initiatives, sets policy with regard to investments and spending and ensures that proper attention is paid to the stewardship of gifts already received. Directors are elected to serve a three-year term of office and can serve up to three consecutive three-year terms. The full board meets four times per fiscal year.

QUESTIONS ABOUT THE ENDOWMENT?

Contact: Barb Richey | Vice President of University Advancement | 509.359.7022 | brichey@ewu.edu

ewu.edu/give

EWU FOUNDATION ENDOWMENT ASSET ALLOCATION*

The Foundation manages the investment of endowed funds, with direct oversight by the Investment Committee. The Investment Committee works with Northern Trust Institutional Investment Services to select asset allocations to create a well-diversified portfolio 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.

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

This annual distribution amount is currently 6% of each endowment's rolling average market value over the past three years.

This 6% is designated as follows:

- 4% disbursed for the selected designation
- 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.

*as of January 1, 2022

	Asset Class	Target Weight	Low Range	High Range	Benchmark
75% Risk Assets	Global Equity	60%	50%	70%	MSCI All Country World Investable Market index
	U.S. Equity	45%	35%	65%	Russell 3000 Index
	International Developed	10%	5%	25%	MSCI World ex-USA Investable Market Index
	Emerging Market	5%	0%	15%	MSCI Emerging Market Investable Market Index
	Real Assets / Alternatives	10%	0%	20%	Real Asset Custom Blended Benchmark*
	Global Real Estate	3%	0%	10%	FTSE EPRA/NAREIT Global REIT Index
	Global Infrastructure	3%	0%	10%	S&P Global Infrastructure Index
	Natural Resources & Commodities	4%	0%	10%	Morningstar Global Upstream Natural Resources Index
	Private Equity	0%	0%	10%	Russell 2000 Index + 2%
	Hedge Funds	0%	0%	10%	HFRI Hedge Fund of Fund Index
25% Risk Control	Fixed Income	30%	20%	50%	Bloomberg Barclays US Aggregate Bond Index
	High Yield Bonds	5%	0%	10%	Bloomberg Barclays US Corporate High Yield Bond Index
	Investment Grade Fixed Income	20%	10%	40%	Bloomberg Barclays US Aggregate Bond Index
	Inflation Protection Securities	5%	0%	10%	iBoxx 3-Year Target Duration TIPS Index
	Cash	<1%	0%	5%	BofA Merrill Lynch 91-Day Treasury Bill Index

* Real Asset Custom Blended Benchmark = 30% FTSE EPRA/Nareit Global REIT Index, 30% S&P Global Infrastructure Index, and 40% Morningstar Global Upstream Natural Resources Index

ABOUT NORTHERN TRUST INSTITUTIONAL INVESTMENT SERVICES

The investments in the EWU Foundation are managed by Northern Trust Corporation, a financial services company headquartered in Chicago, that is one of the largest banking institutions in the United States.

Northern Trust at a Glance:

- 132+ years of continuous operation
- \$1.4 trillion assets under management*
- 19,000+ full-time equivalent employees worldwide
- \$240 million net income*

*as of, and for the quarter ended, December 31, 2020