

**Mark S. Wrighton**  
*Chancellor*

March 31, 2016

The Honorable Orrin G. Hatch  
Chairman, Senate Committee on Finance

The Honorable Kevin Brady  
Chairman, House Committee on Ways and Means

The Honorable Peter J. Roskam  
Chairman, House Committee on Ways and Means  
Oversight Subcommittee

Congress of the United States  
Washington, DC 20515

Dear Senator Hatch, Congressman Brady and Congressman Roskam:

This letter is in reply to your February 8, 2016, request for information regarding operations of Washington University in St. Louis and the status of the University's endowment. We have made every effort to be responsive and complete in answering your questions. If further explanation would be helpful, we are available to you and your staff anytime.

Washington University's mission is to provide an exceptional educational experience to our students, to create new knowledge and contribute to finding solutions to the world's greatest challenges, and to provide the highest quality health care to our patients. As such, our highest priorities are investments in scholarships, professorships, academic programs, research and patient care.

Before you address the University's detailed response, we encourage you to consider the broader context surrounding the line of questioning in your inquiry. With more than 14,500 students at the undergraduate and graduate levels enrolled in seven academic divisions, and as one of the St. Louis region's largest employers and providers of health care, our operations are complex. The University's endowment, which we understand is your primary area of interest, is just one aspect of a multi-faceted and inter-connected financial structure. To gain a complete understanding of the way in which the university operates, one cannot consider the endowment in isolation.

Consider, for example, the University's operating budget for Fiscal Year 2015 (ending on June 30, 2015). Of \$2.7 billion in total operating revenue, 10% was generated through the endowment, 13% through net tuition and fees, 59% through clinical/patient care and research funding, and the balance through other revenue streams. Therefore, to accomplish any one of the priorities noted above, it often is necessary to utilize multiple sources of revenue.



As we note in response No. 9, this is clear in the context of the University's overall support for student financial aid. In this case, during fiscal years 2013 to 2015, endowment funds represented approximately 13% of total scholarships provided by the university. 79% of scholarships were funded through the University's unrestricted resources, and 8% were funded through other gifts and grants.

To get a complete sense of our strong commitment to making it possible for qualified students to attend Washington University, regardless of family income, it is imperative to consider the broad suite of our offerings. It also is important to consider efforts underway to raise additional funds. For example, through the University's *Leading Together* capital campaign, we are on track for reaching and possibly exceeding our goal of raising \$400 million for student scholarships. And, as part of a commitment to more than double the number of Pell-eligible enrollees in our undergraduate student body by 2020, we have redirected budget to support need-based student financial aid. These efforts, along with the University's no-loan policy for students from families with annual incomes of \$75,000 or less, have helped to keep the average debt per graduating senior below the national average. They also help the University achieve the imperative goals of enhancing socio-economic diversity and improving access.

Regarding the University's endowment more generally, we also want to underscore some important context. Throughout our more than 160-year history, the University has served as a trusted steward of our endowment resources that have been established for the long-term support of the University's activities. The endowment is composed of gifts from donors, funds designated by the Board of Trustees or the University administration, and the accumulated appreciation in excess of the annual endowment spending. We utilize the endowment to support the priorities noted above: scholarships, professorships, academic programs, research and patient care. For many in our community, the endowment makes a critical difference in the opportunity to learn, create and discover new knowledge. To fulfill that opportunity today and provide opportunity well into the future, the University is committed to careful management and spending of the endowment's earnings. We must respect the direction of generous donors who have determined how their gifts to the endowment must be utilized by the University. We also must protect the value of the endowment.

As we explain more thoroughly in our responses that follow, our general approach to management of the University's endowment is to strike an appropriate balance between the competing demands of funding current needs and preserving purchasing power for the long-term. As a result, even during the recent difficult economic downturns, we have been able to maintain a steady spending rate from our endowment, while continuing to re-invest a portion of earnings to compensate for the costs of inflation. This has brought stability to our budgetary planning process. It also has demonstrated financial responsibility to our students, donors, and others we serve.

Finally, we would like to share one last note regarding the general makeup of our endowment and utilization of endowment earnings. In an effort to be responsive to your questions, we have provided breakdowns of total endowed assets and utilization of

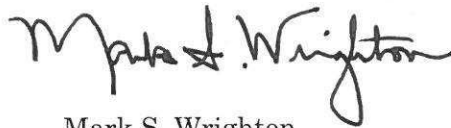
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endowment pay-outs. Here, again, we encourage broad consideration of context and terms. For example, though "temporarily restricted" is a standard accounting term, its application to a portion of the University's endowment could leave the incorrect impression that these funds are more flexible and/or more readily available than "permanently restricted" funds. In fact, they may be restricted even in the long-term. A larger and more significant consideration is that nearly two-thirds of the University's endowment is restricted by donors to specific purpose, regardless of need in any one particular area. This has a direct bearing on the ways in which we can utilize the University's endowment to further our mission.

Again, we hope this letter provides the information you seek. The issues of financing for higher education are part of an important on-going national dialogue. We welcome the opportunity to share some perspective.

Please consider this letter an integral part of the more detailed response that follows below.

Sincerely yours,

A handwritten signature in black ink, reading "Mark S. Wrighton". The signature is fluid and cursive, with the first name "Mark" and last name "Wrighton" clearly legible, and "S." as a small initial between them.

Mark S. Wrighton

MSW:ro

Washington University in St. Louis (the "University") responds to the February 8, 2016 request for information as follows:

Endowment Management

1. *What categories of assets are included in your college or university's endowment? For each category, please indicate the amount of funds that are:*

- a. *unrestricted;*
- b. *permanently restricted by donors;*
- c. *temporarily restricted by donors;*
- d. *permanently restricted by your college or university (quasi-endowments); and*
- e. *temporarily restricted by your college or university.*
- f. *For each restricted asset, please describe the uses for which the funds are restricted and the amount of the fair market value of the endowment apportioned to each use. How and why were the restrictions put into place?*

The University's endowment supports the core university missions of teaching, research, patient care and service. Generous supporters have contributed restricted endowments for student scholarships, professorships, research, libraries, academic centers and capital projects. In addition, unrestricted endowments provide income to supplement funding received in the form of tuition and fees, grants, patient services and gifts in the general operating budget.

The University categorizes endowed assets according to donor or university-designated purpose. In the tables below, endowment assets are grouped into categories as follows:

- (1) Academic support – used to support University operations including professorships, research and general education support including items such as: libraries, career counseling, programs, student health and wellness services and various other areas.
- (2) Buildings and renovations – includes operations and maintenance, as well as reserves for building replacement.
- (3) Student assistance – includes scholarships, fellowships, research and other student support.
- (4) Life income – these are deferred gifts established as charitable gift annuities and irrevocable charitable remainder trusts for which the University is the residual beneficiary.

As requested, the tables below also provide a break-down of the above categories by restriction:

- (A) Unrestricted – although unrestricted, the amounts of these funds are categorized by purpose as indicated by the categories above.
- (B) Temporarily restricted – these funds are restricted by time or purpose based on the donor's wishes and statutory donor requirements.

- (C) Permanently restricted – these funds are permanently restricted by the donor as to their purpose and use.

It is important to note that the market appreciation of a permanently restricted endowment must be accounted for as temporarily restricted. This appreciation portion is the largest component of the temporarily restricted category as many funds have existed for decades, some for more than 100 years. For example, a \$100 million permanent endowment received from a foundation in 1986 had a market value of \$329 million at the end of fiscal 2015. The \$229 million of increased value is reported as temporarily restricted. These additional funds are still restricted by purpose. Finally, in a few instances a donor may request that endowment funds be held for a certain time before they may be used. These funds would also be considered temporarily restricted.

As shown by the following tables, nearly two-thirds of the endowment is restricted by the University's donors to specific purposes irrespective of need in a particular area. This limits the availability of resources for any specific purpose such as student financial assistance. Since tuition does not cover the full cost of a student's education, available resources must be used not only for financial aid but also to support other core missions of the University. In addition, operationally, the University's School of Medicine generated approximately 70% of total University revenues during recent fiscal years, and so a large portion of academic support funds are both generated and utilized by the School of Medicine for research, patient care and education.

Endowment assets by major category and restrictions:

Fiscal Year 2015 (\$ in thousands)				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Gross Endowment
Academic support	\$1,375,486	\$2,034,684	\$1,054,839	\$4,465,009
Student assistance	263,661	466,299	319,044	1,049,004
Buildings and renovations	747,030	400,841	147,416	1,295,287
Life income		31,491	48,439	79,930
Total endowed assets	2,386,177	2,933,315	1,569,738	6,889,230
Donor designated funds	0	2,732,129	1,569,738	4,301,867
Donor designated funds %	0.0%	93.1%	100.0%	62.4%

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Fiscal Year 2014 (\$ in thousands)				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Gross Endowment
Academic support	\$1,343,232	\$2,060,662	\$1,034,102	\$4,437,996
Student assistance	183,427	457,063	304,712	945,202
Buildings and renovations	721,569	383,448	146,966	1,251,983
Life income		35,211	49,057	84,268
Total endowed assets	2,248,228	2,936,384	1,534,837	6,719,449
Donor designated funds	0	2,761,150	1,534,837	4,295,987
Donor designated funds %	0.0%	94.0%	100.0%	63.9%

Fiscal Year 2013 (\$ in thousands)				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Gross Endowment
Academic support	\$1,114,120	\$1,741,552	\$955,267	\$3,810,939
Student assistance	156,328	377,071	296,966	830,365
Buildings and renovations	591,022	287,523	146,825	1,025,370
Life income		33,012	49,610	82,622
Total endowed assets	1,861,470	2,439,158	1,448,668	5,749,296
Donor designated funds	0	2,314,701	1,448,668	3,763,369
Donor designated funds %	0.0%	94.9%	100.0%	65.5%

2. *Does your college or university hold any investments that are not included in the endowment? If so, what are they, and what are their fair market values and basis? How are they used to further the educational purpose of the college or university?*

Investments that are not included in the endowment are primarily operating funds that are invested to meet the liquidity needs of the University. The University's liquidity strategy provides for both short-term and longer term needs. The short-term investments can be quickly liquidated to provide for day-to-day operating cash flow requirements. The longer term operating funds are invested in a strategy that parallels that of the endowment. Other non-endowment investments include investments in affiliates, bond proceeds held by bond trustees, and other miscellaneous holdings. It is important to note that endowment funds may have restrictions placed on them while the University's operating funds are primarily unrestricted. These operating funds provide critical resources to support financial aid programs, student support services including housing, dining, counseling, career guidance and health services, research, faculty and staff salaries, operating and maintenance of facilities, and other mission-related purposes.

The fair market value at fiscal year-end of investments not included in the endowment is as follows:

Fiscal Year	Fair Market Value (\$ in thousands)
2013	\$1,160,111
2014	1,154,314
2015	1,218,428
2016 <sup>1</sup>	1,125,219

The basis for investments not included in the endowment is fair market value.

3. *What is your endowment size, as measured by total fair market value of its assets? What has been the net growth and net investment return on your endowment each year?*

Fiscal Year	Endowment Size <sup>2</sup> (\$ in thousands)	Net Growth <sup>3</sup> (\$ in thousands)	Net Investment Return <sup>4</sup>
2013	\$5,749,296	\$446,101	10.5%
2014	6,719,449	970,152	15.9%
2015	6,889,230	169,781	4.4%
2016 <sup>1</sup>	6,325,632	(563,598)	(6.7%)

As shown above, from fiscal year 2013 through fiscal year 2016 to date, the University's endowment net investment return in each period has ranged from a low of negative 6.7% for the current fiscal year through January 2016 to a high of 15.9% in fiscal year 2014, showing the extreme volatility that can be experienced in a short period. The volatility in single-year returns is also evident going back 10 years, during which period the University's one-year endowment net investment return ranged from a low of negative-20.5% in fiscal year 2009 to a high of 20.7% in fiscal year 2011.

Given the volatility of annual returns, smoothing performance over a longer time period helps to put returns into a clearer perspective. For the 10-year period through fiscal year 2015, the annualized average endowment investment return was 7.1% versus an average spending rate of 4.4%. The difference needs to be sufficient to at least cover inflation in order to maintain the purchasing power of the endowment over time. For this period, the difference of 2.7% on an annualized basis tracked the 2.7% annualized increase in the Higher Education Price Index, meaning that the endowment did not experience any growth after spending on an inflation-adjusted basis. Even over a 10-year period, the measurement period matters. For example, over the 10 years ended Jan. 31, 2016, the annualized

<sup>1</sup> Fiscal year to date as of January 31, 2016.

<sup>2</sup> The University's endowment includes pooled investments, split interest agreements, externally administered trusts, and other separately invested funds. Endowment spending distribution, as discussed in response No. 8 below, applies only to the pooled endowment. In the years presented, only 2% of the total endowment falls outside the pooled endowment.

<sup>3</sup> Net growth includes the change in market value plus new donor gifts and quasi-endowed funds invested in the endowment less endowment spending distribution.

<sup>4</sup> Total return net of fees for the endowment fund investments that are administered by the University.

performance of the endowment dropped to 5.2%, meaning that purchasing power was not maintained after netting out the spending distribution.

4. *How much has your college or university spent each year to manage the endowment, and how many staff and contractors are employed to manage the endowment? For any fees paid to nonemployees for investment advice, asset management, or otherwise, please provide detail on the amounts paid, to whom, and the fee arrangement.*

The University's investment office is an operating division within the legal framework of the University, and is known as "Washington University Investment Management Company" or "WUIMC." Guided by a separate oversight board appointed by the Board of Trustees of the University, WUIMC is responsible for recommending the long-term investment strategy and for the day-to-day management of the endowment, including sourcing, conducting due diligence, selecting and overseeing investments and managers for the endowment. WUIMC currently employs approximately 20 full time employees to support the investment management activities of the endowment, including 13 investment professionals, five operations professionals and two administrative staff.

There are two kinds of costs associated with managing the University's endowment: internal costs associated with staff activities, and external costs paid to various service providers. Internal costs associated with the management of the endowment include staff compensation, research subscription services, travel, and overhead for expenses such as rent, utilities and computing costs. During fiscal years 2013 to 2015, these costs have ranged from 8 to 9 basis points of total endowment assets managed.

External costs represent the clear majority of endowment-related expenses and include professional fees (audit, consulting and legal), custodial fees (for safekeeping assets and transaction processing), and management fees paid to outside investment managers. Over the same three-year period, total external costs ranged from 115 to 123 basis points of assets managed.

Fiscal Year	Internal Cost (% of endowment assets)	External Cost (% of endowment assets)	Total Cost (% of endowment assets)
2013	0.09%	1.15%	1.24%
2014	0.08%	1.18%	1.26%
2015	0.09%	1.23%	1.32%

Fees paid to external managers include management fees which are typically related to the market value of the assets under management. Incentive payments are not included above as they represent a sharing of the profits generated by the managers, rather than an expense. Note that investment returns shown in response No. 3 above are presented net of (i.e., after the deduction of) all external fees and incentive payments.



5. *If your endowment is required to file a Form 990 separately from your college or university's Form 990, please provide the endowment entity name(s) and Employment Identification Number.*

Not applicable.

Endowment Spending and Use

6. *How does your college or university determine what percentage of the endowment will be paid out each year? If any, what has been the target endowment payout as a percentage of the endowment's beginning balance each year? If that answer differs from the percentage paid out, please explain why. Please attach any payout policies or guidance.*

The University's endowment spending is managed so as to strike a balance between the competing demands of funding current operations and preserving purchasing power to fund future needs. The Board of Directors of WUIMC has responsibility for application of the endowment spending policy and the establishment of the annual endowment spending rate. It considers factors set forth in the Uniform Prudent Management of Institutional Funds Act as enacted in the state of Missouri (UPMIFA) in the review and approval of the annual endowment spending rate for the following fiscal year. The spending policy is stated as follows: (i) the goal for endowment payout is to increase it every year by at least the rate of inflation, calculated as the three-year average Higher Education Price Index, and (ii) the computed spending rate must fall within a range of 3.0% and 5.5% of the five-year average market value per unit of endowment. This range is designed to maintain intergenerational equity, meaning that spending balances the needs of current versus future beneficiaries over time. If spending is too high relative to investment returns, then the endowment risks being depleted, in contravention of donor directives to maintain the gift in perpetuity. This principle is illustrated by the actual return and spending history for the 10-year period through fiscal year 2015.

For the 10-year period through fiscal year 2015	
Annualized Investment Return	7.1%
Less: Average Spending Rate based on % of prior year endowment market value	4.4% <sup>5</sup>
Less: Annualized Inflation	2.7% <sup>6</sup>
Difference	0.0%

The University has always met the target range of 3.0% and 5.5%. Over the past 10 years, the actual five-year average spending rate has ranged from 4.4% to 4.8%, allowing the University to sustain its vital educational and research programs even in periods of market volatility. In the following table, the actual payout is presented as a percentage of the five-year average endowment market value and as a percentage of the prior year ending market value.

<sup>5</sup> See footnote 7 below.

<sup>6</sup> Inflation represented by the Higher Education Price Index or HEPI.

Fiscal Year	Target Range (of five-year average)	Actual (of five-year average)	Actual (of prior year) <sup>7</sup>
2013	3.0% to 5.5%	4.6%	4.5%
2014	3.0% to 5.5%	4.7%	4.3%
2015	3.0% to 5.5%	4.6%	4.0%
2016	3.0% to 5.5%	4.5%	4.2%

7. *Does your college or university have policies regarding spending the endowment principal? Has your college or university ever spent endowment principal? If so, under what circumstances?*

The University's policy regarding spending of endowment principal reflects the guidance under UPMIFA. The factors from UPMIFA considered when establishing the policy were:

- (1) the duration and preservation of the endowment funds of the University;
- (2) the purposes of the University and of the endowment funds of the University;
- (3) general economic conditions;
- (4) the possible effect of inflation or deflation;
- (5) the expected total return from income and the appreciation of investments;
- (6) other resources of the University; and
- (7) the investment policy of the University.

Under UPMIFA, an institution must give priority to the donor's general intent that a fund be maintained permanently. No specific amount is required to be set aside as "principal," but the institution must act to preserve "principal," that is, to maintain the purchasing power of the gift.

Based upon consideration of the guidance under UPMIFA, the University's policy concentrates on the projected time required to restore a diminished fund to its original value, assuming investment returns going forward over a number of years are generally consistent with long term historic trends. A diminished fund may be "underwater," that is, the market value has fallen to below the historic or original dollar value of the fund. For underwater funds, other than any in which the donor in the applicable gift instrument has authorized spending on some other basis, the University permits endowment spending other than for a fund so underwater that the projected time required to restore the fund to its original value exceeds a projected recovery period of more than 10 years. This is based on historical average return levels and a fund with a value that is at 70% or more of its original value.

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<sup>7</sup> For further clarity, the average of the figures that would be in this column over the 10-year period through fiscal year 2015 is 4.4%.

Each endowment fund is examined annually to determine whether its value falls below the 70% test described above. If so, spending from such a fund is suspended. The University has funds that are underwater but not to the extent that value has fallen below 70% of original value; for these, consistent with the above policy, spending is permitted and continues.

8. *How much and what percentage of the endowment's beginning balance has your college or university spent each year? How much and what percentage of the endowment's return on investment has your college or university spent each year?*

Fiscal Year	Endowment Spending Distribution (\$ in thousands)	Distributions as a Percentage of Beginning Endowment Market Value <sup>8</sup>	Investment Return <sup>9</sup> (\$ in thousands)	Percentage of Endowment Return Distributed
2013	\$235,697	4.5%	\$600,243	39.3%
2014	247,509	4.3%	876,147	28.2%
2015	266,217	4.0%	283,131	94.0%

As indicated above and in response No. 6 above, distributions as a percentage of the beginning endowment market value have ranged from 4.0% in fiscal year 2015 to 4.5% in fiscal year 2013.

The percentage of the investment return distributed over the most recent three years ranged from about 28% to 94%, reflecting the application of our spending policy across very different investment environments. As noted earlier, for the 10-year period through fiscal year 2015, the endowment's annualized investment return was 7.1% vs. an average spending rate of 4.4%. In percentage terms, this represents a distribution percentage of approximately 62%, with the difference of 38% equal to the amount needed to cover inflation. Also as noted in response No. 3, from fiscal year 2013 through fiscal year 2016 to-date, the endowment's annual dollar net growth has ranged from a low of negative-\$564 million for the first seven months of fiscal year 2016, to a high of \$970 million in fiscal year 2014, showing the extreme volatility that can be experienced in a short period. Going back 10 years, which includes the 2008 financial crisis, the University's endowment net growth has ranged from a low of negative-\$1.3 billion to a high of \$970 million. Furthermore, despite investment returns of negative-1.5% and negative-20.5% in fiscal years 2008 and 2009, year-to-year annual spending experienced minimal declines (approximately negative-\$4 million in each of two consecutive years) and increases in all other years.

<sup>8</sup> See footnote 2 above.

<sup>9</sup> Endowment spending distribution is funded from current year investment returns. In years where current investment returns are insufficient, prior accumulated investment returns are used to subsidize the current year distribution.

9. *What percentage of your endowment does your college or university devote to financial aid for student tuition? How much for other forms of student financial aid? Please specify the types of non-tuition financial aid provided.*

The University is committed to providing significant financial assistance so that talented students from all economic backgrounds have access to the education and experiences the University provides. More than one-half of undergraduate students receive some form of financial assistance, including University scholarships, federal work study, third-party grants and student loans. The University's Student Financial Services department works individually with students and families to create financial aid awards tailored to families' individual needs. The components of financial assistance vary with each family's circumstances.

The University awards financial aid based on meeting the full demonstrated need for our undergraduate students. In fiscal year 2009, the University implemented a no-loan program for undergraduates from families with incomes less than \$60,000. The income level was increased to \$75,000 in fiscal year 2013. Under this program, students receive a financial aid award that does not include loans and meets a student's full need. The program's impact on the net price to undergraduates who receive need-based aid is significant. In fiscal year 2008, the net price for those students was 39% of tuition (or \$13,523). In fiscal year 2016, the net price was 24% of tuition (or \$11,271, a decrease of \$2,252 compared to fiscal year 2008).

The table below provides the percentage of endowment that supports only the scholarship component of financial assistance:

Fiscal Year	2013		2014		2015		2016
Percent of endowment that supports scholarships	11%		11%		12%		12%

The portion of endowment supporting scholarships does not tell the full story as the largest source of student financial aid comes from University funded sources. The table below shows the total scholarships awarded for the last three fiscal years and the funding sources of that aid. In fiscal years 2013 to 2015, total scholarship funds administered by the University exceeded one-third of the total amount of tuition and fees, and the percentage of total tuition and fees covered by total scholarships has increased.

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Fiscal Year (\$ in thousands)	2013		2014		2015	
Scholarship Sources:		% of Total		% of Total		% of Total
University Funded	\$137,049	78.3%	\$146,740	77.3%	\$162,617	78.6%
Endowment	25,388	14.3%	24,961	13.1%	26,644	12.9%
Other Gifts / Grants	<u>14,777</u>	<u>8.3%</u>	<u>18,234</u>	<u>9.6%</u>	<u>17,521</u>	<u>8.5%</u>
Total Scholarships	177,214	100.0%	189,935	100.0%	206,782	100.0%
% of Gross Tuition	35%		36%		37%	

The University offers competitive financial aid awards based on demonstrated need or academic promise with funding provided by various sources. Endowment payout from donor-restricted accounts has provided 13% to 14% of the scholarships. Almost 80% of scholarships are University funded (funds that are not part of the endowment). Also, in the two most recent fiscal years, scholarships have increased at a higher rate than tuition.

Stipends are another form of financial aid for graduate students in certain programs. The stipends provide funds for living expenses while the students are in school. The table below shows the stipends awarded and the funding source.

Fiscal Year (\$ in thousands)	2013		2014		2015	
Stipends provided to students (not included in above figures)	\$53,877		\$54,002		\$54,612	
Stipend Sources:		Percent of Total		Percent of Total		Percent of Total
University Funded	\$27,098	50.3%	\$27,577	51.1%	\$27,894	51.1%
Endowment	4,594	8.5%	4,662	8.6%	4,935	9.0%
Other Gifts / Grants	22,185	41.2%	21,763	40.3%	21,783	39.9%

10. Does your college or university have policies regarding whether it is allowed to accept funds restricted to a specific purpose? Has your college or university ever declined a donation because it was restricted to a certain purpose? If so, please describe those specific scenarios in which your school rejected a donation.

While there is no formal policy, the University has declined gifts restricted to a certain purpose in scenarios where the purpose would require the University to act in a manner inconsistent with its charitable mission or contrary to law, including requirements applicable to organizations exempt from federal income tax. A gift for the purpose of providing scholarships only to students of a particular race is one example.



11. *How much and what percentage of your college or university's endowment is invested in real property (not including REITs or other publicly-traded securities)? Please list and describe your college or university's real estate holdings, including real estate held by the college or university, the endowment, and all related entities. If the college or university has made any Payments in Lieu of Taxes, please provide the date and amount of the payment.*

None of the University's endowment is directly invested in real property. A small amount (below 5%) of the endowment is invested in private equity funds which in turn invest in real estate.

The University's Danforth Campus consists of approximately 169 acres situated on the western edge of the City of St. Louis and extending into the adjoining suburban communities of Clayton and University City. Approximately 2.5 miles to the east, the University's School of Medicine and the affiliated hospitals and institutes of Washington University Medical Center are situated on approximately 20 city blocks. The University's West Campus, situated approximately 1.5 miles to the west of the Danforth Campus and adjacent to the Clayton central business district, includes an administrative services center and a variety of academic support functions. The University's North Campus, situated approximately 1 mile north of the Danforth Campus, provides space for administrative services. The four campuses and other land, including off-campus housing in proximity to the Danforth Campus and a 1,905-acre field research facility 15 miles away, cover a total of more than 2,370 acres and contain in excess of 250 buildings on or near the campuses.

Quadrangle Management Company is an IRC 501(c)(25) title holding company for the University, subject to real estate tax, formed for the purpose of holding title to real property not immediately used for University purposes. It owns or master leases from the University approximately 30 parcels of real estate in proximity to the Danforth Campus of the University. Many of these are leased or subleased to commercial tenants. Others are vacant, awaiting future development.

The University has formed special purpose entities, also subject to real estate tax, to renovate, own and master lease approximately three dozen apartment buildings (mostly 4- or 6-unit structures) in proximity to the Danforth Campus of the University.

The University does not make payments in lieu of taxes to any of the four local governmental jurisdictions in which it resides: the City of St. Louis, St. Louis County, the City of Clayton, and the City of University City. The University's unique footprint enables it to contribute to each area in specific and distinct ways. Investment by the University in the St. Louis region is substantial, longstanding, and ties closely to the University's core mission of teaching, research, patient care and service. Additionally, as noted above, Quadrangle Management Company and the special purpose entities for off-campus housing pay real estate taxes on properties they own or master lease.

## Donations

12. *Does your college or university grant naming rights to donors based on certain donation levels? If so, please describe the naming rights program, including how much and what percentage of any naming rights donations your college or university has used for tuition assistance.*

Yes. The University has required donation levels for named gifts for scholarships, fellowships, internships, professorships, visiting and teaching scholars, lectureships, a limited number of administrative positions, research funds, academic programs, library collections, physical spaces (such as buildings, classrooms, laboratories, etc.), facilities renovation funds, and campus improvement funds. The amount and percentage of naming rights donations the University has used for tuition assistance is as follows:

Fiscal year	Naming rights donations – dollar amount used for tuition assistance (\$ in thousands)	Naming rights donations – percentage used for tuition assistance
2015	\$36,899	21.1%
2014	35,742	22.6%
2013	32,350	20.7%

As reflected in the table above, the amount of named scholarship funding has increased by 14.1% from fiscal year 2013 to 2015. Over the last ten years, support for scholarships from named gifts has increased from \$22.9 million to \$36.9 million, an increase of 61.1%.

## Conflicts of Interest

13. *What conflict of interest policies does your college or university have in place to address financial interest in endowment investments (including potential conflicts of interest among and between governing boards, trustees, executives, internal employees tasked with overseeing the endowment, and external asset managers of endowment assets)? How do you vet board members' potential conflicts of interest? What are your policies if a conflict arises with a member of the board of trustees?*

The Board of Directors of WUIMC has adopted a conflict of interest policy applicable to its members. A member is considered to have a conflict of interest if he or she, or a member of his or her family, has existing or prospective business transactions with the University that impairs, or might reasonably appear to impair, his or her independent, unbiased judgment in the discharge of his or her fiduciary responsibility to the University. The policy obligates members annually to disclose existing or prospective business transactions that create an actual or potential conflict of interest involving the endowment. These disclosures are made to the Chair of the Board of Directors of WUIMC (or, if the conflict involves the Chair of the WUIMC Board, to the Chancellor of the University) and to the Chair of the Audit Committee of the University Board of Trustees. In the interim between annual disclosures, a member has an ongoing, affirmative duty to notify the Secretary to the Board of Trustees of the University of any existing or prospective business transactions that first come to the attention of the member following his or her most recent annual disclosure and that

reasonably create an actual or potential conflict of interest involving the University. Under the policy, no member shall participate in the consideration of a vote on any matter at a board meeting if such member has a conflict of interest with respect thereto any matter, nor shall he or she seek to influence other members or the investment staff in the discharge of their responsibilities with respect to such matter. A member with such a conflict may not be counted in determining whether a quorum exists for the consideration of or vote on such matter, and shall be excused from the meeting for the consideration of or any vote on such matter.

Members of the WUIMC investment staff are subject to a comprehensive code of conduct. The WUIMC code of conduct supplements a separate code of conduct applicable to all employees of the University. In general, under the WUIMC code of conduct, individuals subject thereto owe a fiduciary duty to the University, which includes ensuring that one's personal affairs, including personal securities transactions, are conducted in a manner which avoids (a) serving one's own personal interests ahead of the University, (b) taking inappropriate advantage of one's position, and (c) any actual or potential conflicts of interest or any abuse of one's position of trust and responsibility. The code sets forth specific requirements on, among other topics, confidentiality, conflicts of interest, outside business activities, personal trading, integrity of capital markets, gifts and entertainment, travel, social media, and recordkeeping.

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