

1. What is endowment?

The endowment is the sum of Cornell's permanent invested capital used to generate funds each year for the university. Cornell's endowment is the university's financial foundation—a stable, permanent source of funds. The value of Cornell University's endowment is currently more than \$4 billion.

2. How does the endowment work?

Unlike a personal checking account, the endowment is not a cash reserve that Cornell can draw on at will. Instead, virtually all endowed funds are invested, and a portion of the earnings is released each year to support the university and the purposes specified by donors. In most cases, the university is legally prevented from depleting the original value, or principal, of an endowed gift.

Cornell trustees determine how much of the endowment to spend each year. The average payout rate over the past three years was equal to between four and five percent of the value of the endowment. That means a \$1 million endowment may pay out as much as \$50,000 a year. Earnings in excess of the payout are returned to the endowment to preserve its purchasing power against inflation, to provide a cushion for periods of poor market performance, and to allow for modest growth over time.

3. Does income from the endowment have a significant impact on the university's budget?

Yes. Endowment income contributes about 11 percent of Cornell's budget. Without this stable source of annual income, the university would need to make up the difference by cutting expenses further, raising tuition more, or both. The more the endowment grows, the less Cornell must rely on other sources of revenue.

4. How is a gift to endowment different from an annual gift or another type of gift?

Different gifts help Cornell in different ways. Annual gifts are vital because they meet present needs, but their full value is spent immediately. Endowment gifts provide a source of perpetual support for the university. Ezra Cornell founded the university with an endowment gift of \$500,000. Before his death in 1874, he made total gifts to Cornell that amount to just over \$37 million in today's dollars, and those initial gifts continue to generate income for the university today. Each new gift to the endowment adds to Ezra Cornell's first endowed gift and provides the university with greater financial security and freedom.

5. How much does an endowment gift grow over time?

Based on historical averages, a \$1 million endowment gift made today can be expected to pay out about \$500,000 over the next 10 years. During the same period, its principal will nearly double as a result of reinvested earnings.

6. Can endowment gifts support any type of funding need at the university?

Yes. The total university endowment is made up of many smaller endowments supporting people, programs, and facilities across Cornell and throughout its colleges and units. Many endowments support scholarships for students or provide funding for faculty positions. Scholarship funds help Cornell attract the best students from a wide range of socioeconomic backgrounds, and the university's new financial policy will eliminate or reduce debt for students from low- and middle-income families. Endowed faculty positions make it possible for Cornell to attract the best scholars in the world. They also have extra value because the prestige associated with named professorships can be a powerful aid to recruitment. Other endowment gifts might provide support for a library collection, provide funds for an athletic team, or another university effort designated by the

donor. Some endowment gifts are unrestricted, which allows the university to direct proceeds to the areas of greatest need.

7. We hear a lot about Cornell's endowment per student and how it compares with that of our peers. What does this mean, and why is it important?

The total size of the endowment is important, but it is only part of the picture. You have to look at the number of people who are supported by the endowment to fully understand how well it can support the financial needs of a comprehensive university like Cornell. Endowment per student provides a meaningful way to do this—and also to compare endowments across different-sized institutions. For example, some universities have smaller endowments than Cornell but are much wealthier on a per-student basis. In 2007, Cornell's endowment ranked 18th by total size but fell to 73rd on a per-student basis. In other words, Cornell does more with less money than most of its peers.

8. Annual endowment payout is typically 4 to 5 percent of endowment principal. Why should I make a gift to Cornell's endowment when I could invest it for a higher return and then give you the earnings each year?

There are a couple of important factors to consider. First, the annual payout from the endowment is *not* the same as its return on investments. A significant portion of yearly gains is reinvested to protect against inflation. Cornell's long-term investment pool, where most of the endowment funds are located, has historically outperformed leading market indicators such as the Standard and Poor's 500 Index by a significant margin. Most important, gifts to the endowment provide a stronger and more stable financial base that the university can count on each year, no matter how the market is performing.

9. With so much criticism of large university endowments these days, how can Cornell justify the need to grow its endowment now?

There is no question that some universities have amassed large endowments. Cornell's remains comparatively modest in relation to its peers, especially when its annual income is considered against the university's budget needs. Right now, endowment provides almost one dollar out of every 10 that Cornell spends each year. Ideally, it would do much more. The cost of delivering a Cornell education and performing world-leading research will continue to grow faster than inflation, and we must find dependable sources of new funding to keep pace. It is unrealistic to expect substantial increases in state and federal dollars during lean budget times. Raising tuition hurts those who can afford it least and, in turn, increases the demand for university-provided financial aid. The best way to guarantee Cornell's long-term financial health, to sustain its academic and cultural excellence, and to honor its historic commitment to "any person...any study" is to grow the endowment.

10. Donors want to know that Cornell is managing the endowment effectively and investing wisely. What is the endowment investment strategy, and how has it changed in recent years?

Because the endowment must last as long as Cornell itself, investments are chosen with long-term growth and stability in mind. Cornell adjusted its policies in 2000 to increase the number of asset classes in which funds can be invested, and it dropped some poor performers in favor of better ones. As a result, Cornell's portfolio is more diversified with less exposure to risk, yet it has more flexibility to take advantage of changing market conditions and to capitalize on growth areas.

11. Who manages Cornell's endowment investments? What is the decision-making process?

Cornell employs a staff of 15 professionals with expertise in the management of large endowments who closely monitor the investments from day to day. Their work is overseen by the Investment Committee of the Board of Trustees and three subcommittees composed of experts in the most challenging types of investments: real estate, private equity, and hedge funds.

12. How has the endowment performed recently?

Like all of its peer institutions, Cornell reported losses in its FY08 endowment returns. Cornell's investment managers and advisors continue to closely monitor endowment performance during this economic climate and adjust its investment strategy for long-term growth.

13. How did endowment gifts generated from the last university-wide capital campaign strengthen Cornell in the past decade?

The last campaign added \$631 million to the endowment, and its effects have been far-reaching. New funds committed in that campaign nearly doubled the endowment per student and provided permanent support for 118 endowed faculty positions and 1,175 endowed scholarships. Much more endowment support will be required, however, to meet current demand and future needs.

14. How important are endowment gifts to the success of Cornell's capital campaign?

Increasing the endowment is critical to the campaign. This new money will allow Cornell not only to preserve its signature strengths but also to move with confidence into new interdisciplinary areas of discovery. A larger endowment will help control tuition increases while helping Cornell to attract—and keep—the very best faculty and students. Today's endowment is simply not large enough to accomplish these many important goals.

15. How do I learn more about Cornell's endowment and endowed gifts to the university?

To find out more about the direct impact endowed gifts have on students, go to *campaign.cornell* and the "Cornell Stories" multimedia archive. If you have specific questions about the endowment or would like to know how you can help, feel free to contact our staff.

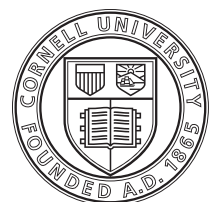
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Far Above...
THE CAMPAIGN FOR CORNELL

ENDOWMENT
frequently asked questions

www.campaign.cornell.edu

The image is a promotional graphic for Cornell University's endowment campaign. It features a background photograph of the Cornell University campus, including the iconic clock tower and various academic buildings. The text is overlaid on the image. At the top, it says "Far Above..." in a large, serif font, followed by "THE CAMPAIGN FOR CORNELL" in a smaller, sans-serif font. Below this, the word "ENDOWMENT" is written in large, bold, blue, sans-serif capital letters. Underneath "ENDOWMENT", the words "frequently asked questions" are written in a smaller, white, sans-serif font. At the bottom of the graphic, the website address "www.campaign.cornell.edu" is displayed in a white, sans-serif font. The background of the bottom half of the graphic is a solid blue color with a large, faint, white graphic of a question mark and an ampersand.