

ENDOWMENT STEWARDSHIP REPORT 2022-2023





Office of Donor Relations

Division of Development and Alumni Relations

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**THE GEORGE
WASHINGTON
UNIVERSITY**

WASHINGTON, DC



LETTER FROM THE VICE PRESIDENT

The George Washington University is among the nation's leading institutions of higher education with a remarkable legacy of transformative education, pioneering research, exemplary healthcare, and a proud tradition of public, military and community service. GW's preeminence grows from the strong foundation provided by our Endowment.

GW's Endowment enables us to support the world-class talent of our students and our faculty as they discover, imagine, create, serve and invent in a global center of leadership. Your investments enable enduring support for scholarships, facilities, programming, staff and other building blocks of the innovation for which GW is known internationally.

I am deeply grateful for the meaningful ways you have supported GW. The enduring belief of trusted partners like you makes possible GW's relentless pursuit of impact.

For GW,

A handwritten signature in black ink that reads 'Donna Arbide'.

Donna Arbide
Vice President for Development & Alumni Relations

REPORT ON PHILANTHROPY

Fiscal year 2023 was among the strongest fundraising years in GW's history, and we are so grateful to every individual, every family, every foundation and every organization that contributed to our work for a better world.

A major priority has been increasing access to the transformative power of a GW degree. *Open Doors: The Centuries Initiative for Scholarships & Fellowships* has brought attention to the need for greater financial support for students, and in 2022-2023 individual donors contributed \$27 million – GW's strongest year for scholarship contributions in a decade.

GW created a matching program to grow endowed scholarship funds, devoting \$12 million to launch the *Third Century Scholarship Endowment Match* to increase endowed, need-based scholarships for undergraduate students.

We've seen dramatic increases in philanthropy over the last year compared to the previous year, and we are thrilled by this momentum. The GW community has meaningfully increased philanthropy in priority areas including:

- 58% increase in annual contributions to GW's Endowment
- 23% increase in contributions for student scholarships and fellowships
- 82% increase in Endowment gifts for undergraduate, need-based scholarships

And we know that every gift of every size matters. More than 3,200 donors came together on GW's 2023 Giving Day to celebrate and support the GW people, places and programs that matter most to them. Giving Day donors have increased nearly 50% since 2021.

HIGHLIGHTS

\$132.3 Million

total gifts and commitments

16,735

total donors

\$27 Million

raised for scholarships and fellowships

\$77 Million

in funds raised for the Endowment

65

new Endowment funds established

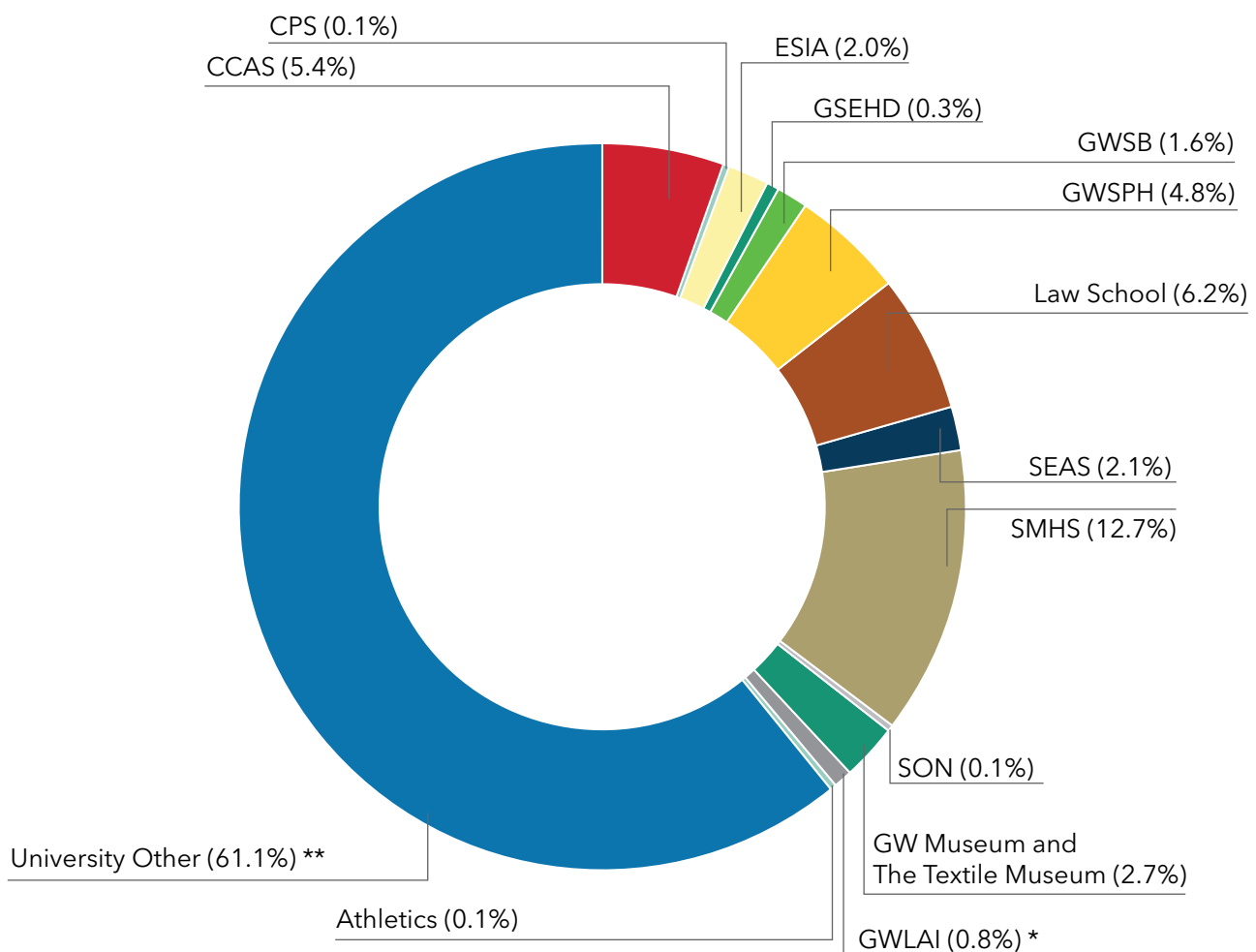


OVERVIEW OF THE ENDOWMENT

Endowed gifts create a permanent legacy and play a critical role in enabling the university to achieve its mission by providing stable financial support now and in the future. The Endowment comprises both donor-restricted endowment funds and funds designated to function as endowments, sometimes referred to as quasi endowments. The majority of donor-restricted endowment gifts are invested in the Pooled Endowment, together with some of the university's quasi endowments. The remainder of the Endowment is composed of separately managed funds and a portfolio of real estate investment properties.

ENDOWMENT MARKET VALUE BY SCHOOL AND UNIT

As of June 30, 2023



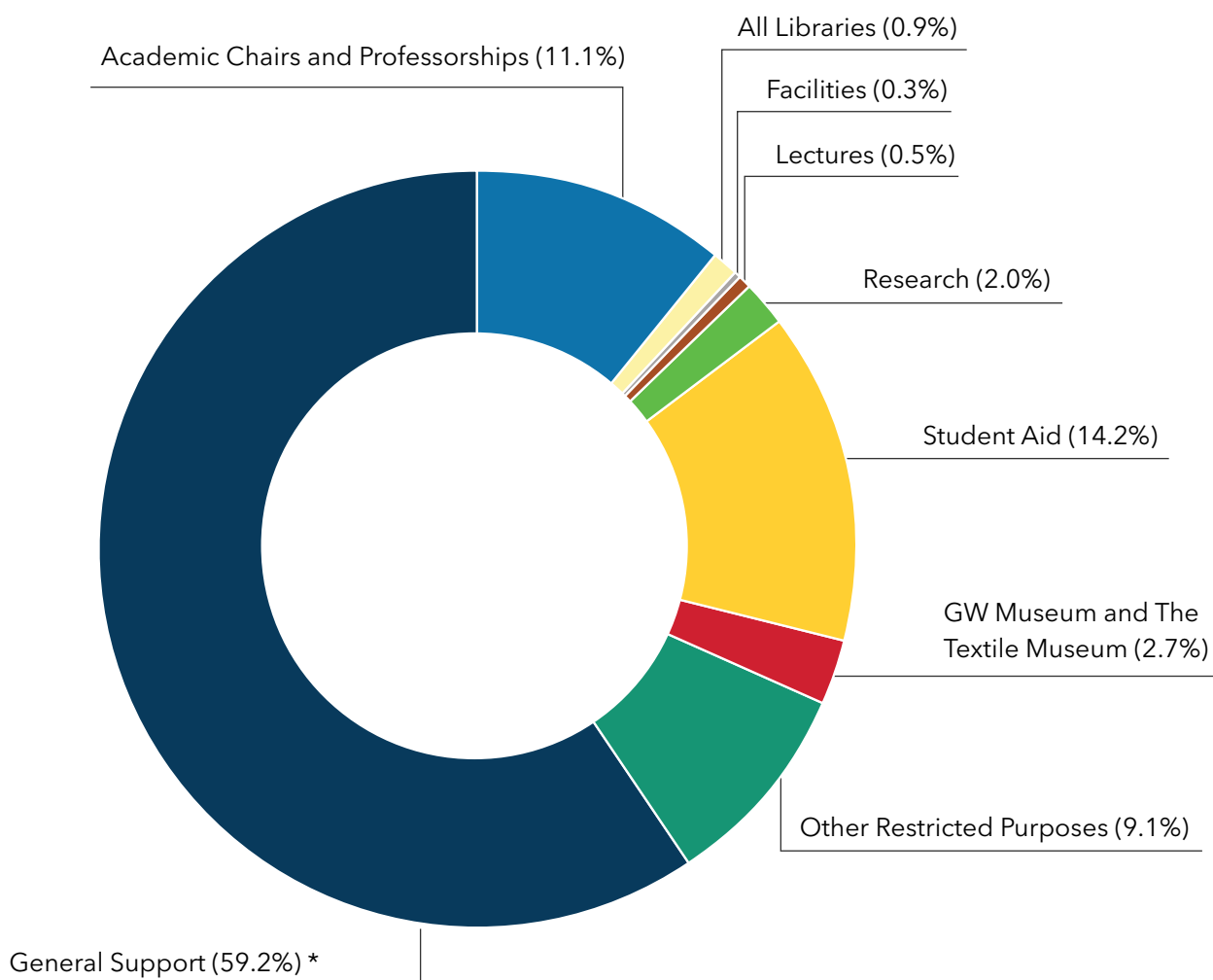
Total endowment market value at June 30, 2023 was \$2.522 billion.

* GW Libraries and Academic Innovation (GWLAI) excludes Himmelfarb Health Sciences Library and Jacob Burns Law Library, which are housed under SMHS and Law School, respectively, on the above chart.

** University Other comprises the university's unrestricted quasi endowment (including the portfolio of real estate investment properties) plus other endowment funds that support the university as a whole.

The Pooled Endowment is made up of 1,636 individual endowment funds that provide perpetual financial support for an array of programs benefiting students across the university. The annual Endowment payout, which is calculated according to the spending policy approved by the Board of Trustees, supports scholarships and fellowships, professorships, academic and research programs, libraries, facilities, and many other programs.

ENDOWMENT MARKET VALUE BY PURPOSE As of June 30, 2023



Total endowment market value at June 30, 2023 was \$2.522 billion.

* General Support comprises the university's unrestricted quasi endowment (including the portfolio of real estate investment properties) plus other endowment funds where the university may use its discretion to determine the specific use.

ENDOWMENT MANAGEMENT

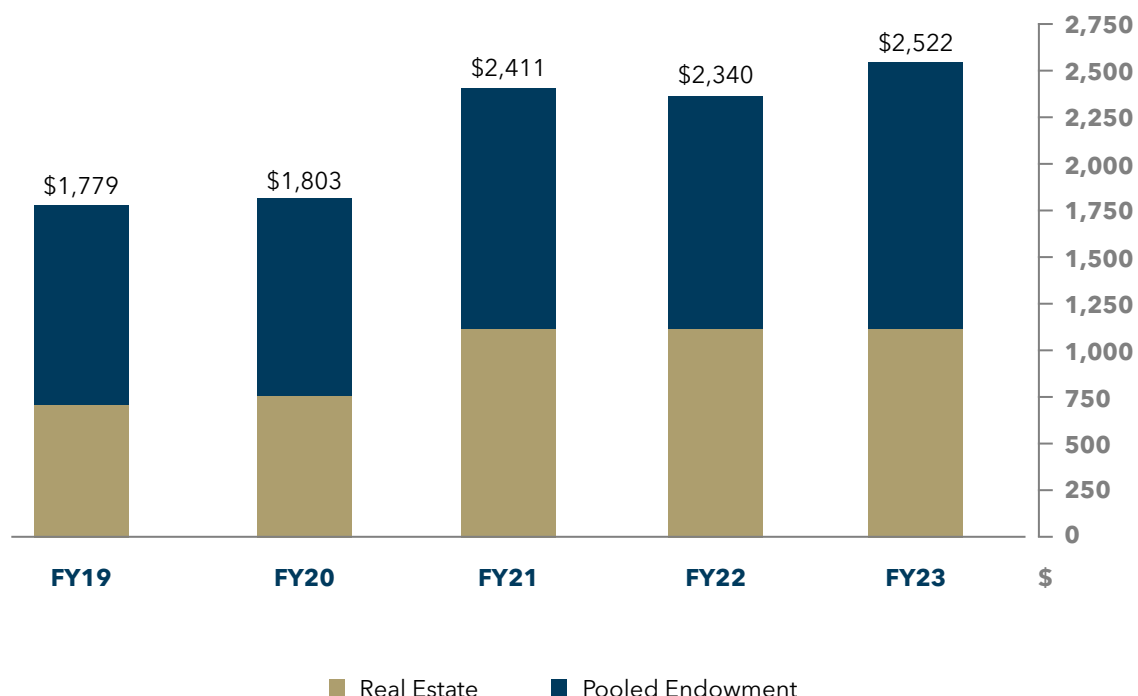
In managing the Endowment, the university seeks to balance the dual objectives of enhancing the future purchasing power of Endowment funds and meeting current spending needs. The Endowment is invested on a long-term horizon, with the goal of growing at a rate above inflation while providing a stable stream of income to support the purposes for which its individual funds were created.

Achieving these objectives requires appropriate asset allocation, careful implementation of investment strategies, and vigilant risk management. The Committee on Finance and Investments of the GW Board of Trustees is the governing body for Endowment management. This committee performs oversight of our Outsourced Chief Investment Office (OCIO) and approves the asset allocation policy.

In October 2019, the Board of Trustees approved a new Pooled Endowment spending policy effective July 1, 2020. The new spending policy calculates payout as 4.5% of the rolling 12-quarter average market value of the Pooled Endowment. Using a multi-period average market value reduces potential volatility in the payout resulting from short-term market swings. Lowering the target payout rate from 5.0% to 4.5% allows for retention of more investment earnings, thereby increasing the ability of Endowment gifts to support future generations.

To ease the transition to the lower payout rate, during fiscal year 2022-2023 the University provided supplemental funding to those endowments which existed as of June 30, 2020, and had previously received the higher payout rate. Fiscal year 2022-2023 was the final year of supplemental funding.

END OF YEAR TOTAL ENDOWMENT MARKET VALUE (IN MILLIONS)



STATEMENT ON POOLED ENDOWMENT PERFORMANCE

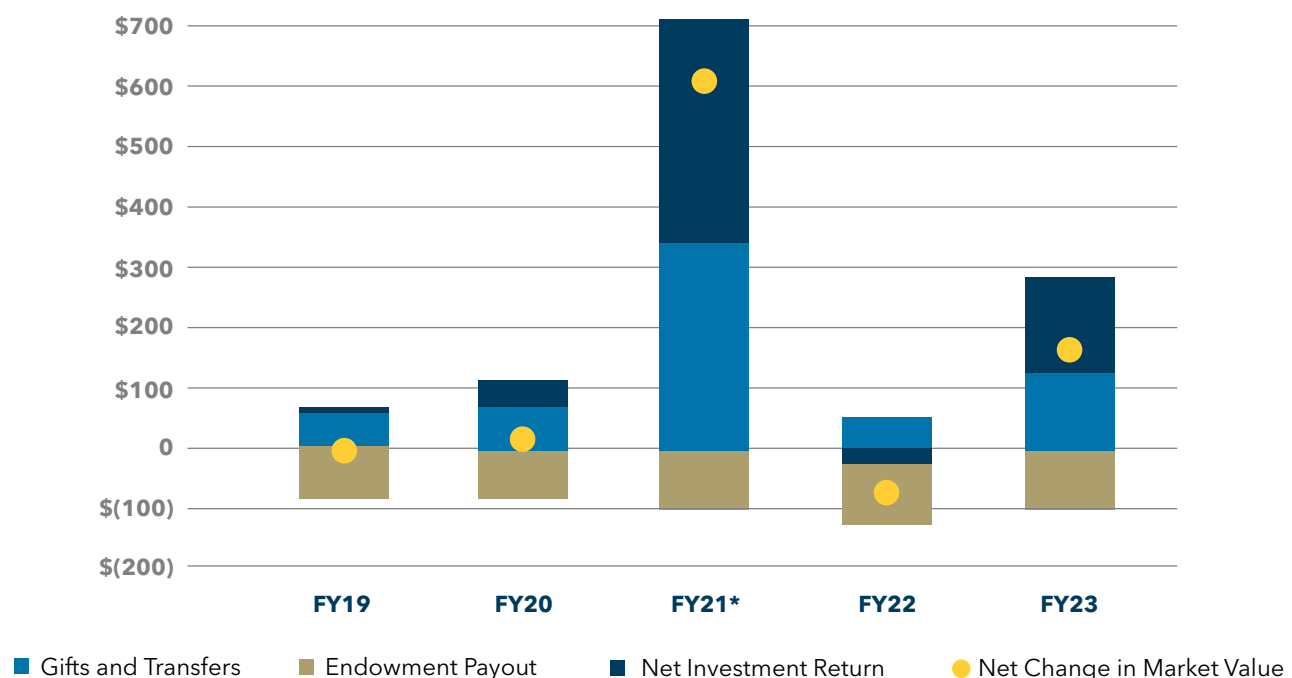
Market Overview

Fears of recession driven by persistent high inflation, tightening monetary policy, and slowing economic growth contributed to dramatic swings in the market environment during the fiscal year. After a historic selloff for both equities and bonds in 2022, markets responded with a rally in the first half of 2023 when the Federal Reserve signaled they may slow the pace of interest rate hikes. Against this backdrop, U.S. equities rose nearly 20%, and non-U.S. developed market equities gained 19% during the fiscal year. Bond markets also recovered ground in 2023 and ended the fiscal year with the benchmark return only slightly negative, while U.S. Treasury values were eroded by rising interest rates and a shrinking Federal Reserve balance sheet.

Portfolio Overview

The Pooled Endowment gained 9.9% for the fiscal year, bringing its total value to \$1.4 billion as of June 30, 2023. The portfolio outperformed its policy benchmark by 1.1%, driven by top-down active positioning and strong manager performance. A healthy allocation to global public equities drove the portfolio's gains, as these markets rallied. The hedge fund portion of the portfolio leveraged a diverse set of strategies to achieve positive returns, well ahead of its benchmark. Fixed income structuring that balanced high-yielding debt instruments with U.S. Treasuries prevailed through risk-on and risk-off periods to generate positive returns for the fiscal year, while the benchmark return was negative. The private equity portfolio earned modestly positive returns, driven by buyout strategies, in a year when venture strategies generally saw reduced valuations. The Pooled Endowment portfolio closed the fiscal year with 58% of assets invested in global equities, 31% held in alternative assets such as hedge funds and private equity, and 11% in bonds and cash.

COMPONENTS OF CHANGE IN ENDOWMENT MARKET VALUE (IN MILLIONS)



This graph depicts components of the change in the total Endowment's market value, including both the Pooled Endowment and the portion of the university's quasi endowment invested in a portfolio of real estate investment properties. When disaggregated, the Pooled Endowment's 2022-2023 net investment return was 9.9%, whereas the portfolio of real estate investment properties earned a net investment return of 3.1%, resulting in a blended total Endowment return of 6.9%.

*Effective June 30, 2021, the University reclassified internal debt previously allocated to the portfolio of real estate investment properties. The resulting increase in value is reflected as part of FY21 Gifts and Transfers.

2022-2023 FISCAL YEAR ENDOWMENT HIGHLIGHTS

Endowment payout provided
\$103 MILLION
in support of university activities

Endowment assets in aggregate
generated a five-year annualized
investment return of **5.6%**
and a 10-year annualized
investment return of **7.0%**

The total Endowment
value of **\$2.522 billion**
as of June 30, 2023,
equates to approximately

\$116,000
**PER FULL-TIME
EQUIVALENT STUDENT**

Endowment assets in aggregate generated a fiscal-year investment return of **6.9%**

IMPACT



1,106

Number of
students who
received an
endowed
scholarship



98

Number of
professorships
that were
funded (either
fully or in
part) by the
Endowment



199

Number of
students who
received an
endowed
award/prize



257

Number of
students who
received
a stipend
funded by the
Endowment

FREQUENTLY ASKED QUESTIONS

How is GW's Endowment currently managed?

Strategic Investment Group, our Outsourced Chief Investment Office (OCIO) since 2015, is responsible for day to day management of most assets in the Endowment. Certain separately managed funds and the portfolio of real estate investment properties are managed by the university rather than the OCIO. Strategic Investment Group works together with the Committee on Finance and Investments of the Board of Trustees to establish asset class targets and ranges consistent with the specific financial needs and objectives of our Endowment.

Does GW charge any administrative fees to manage my endowment gift?

The only fees charged to the Endowment are the expenses directly related to the management of the Endowment, such as costs related to the OCIO, investment managers, and custodian fees. The university does not charge additional overhead or administrative fees to the Endowment. Costs of managing the Endowment are netted from investment return and are comparable to the institutional expenses of investment company funds.

How is the amount of annual payout determined and then distributed?

The spending policy calculates payout as 4.5% of the rolling 12-quarter average market value of the Endowment. Payout is allocated from market value monthly.

When will an endowment begin generating payout that can be spent?

Endowments are established once the initial gift is received and all required paperwork has been completed. Beginning with the second month after establishment, the endowment will generate payout. If the initial gift is below the minimum required funding level for the type of endowment established, endowment payout will be automatically reinvested into corpus until the sum of reinvested payout plus additional gifts brings the corpus to the minimum required funding level. Once the corpus reaches the minimum required funding level, payout generated from that point forward is available to be spent.

What is an "underwater" endowment? Is there a policy for spending from underwater funds?

An endowment fund is "underwater" when its market value falls below the value of the original gift(s). The university's policies permit spending from underwater endowment funds unless precluded by relevant laws and regulations. The university follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the Council of the District of Columbia. The prudent spending from underwater endowments allows for consistent support for the scholarships and fellowships, professorships, academic and research programs, libraries, facilities, and many other programs supported by the Endowment.

What are the minimum endowment levels to establish a new, named endowed fund?

A named endowed award or prize fund may be established with a minimum gift of \$25,000, and the minimum gift for a named endowed scholarship or fellowship is \$100,000. Endowment gifts may be pledged and paid over a period of up to five years. For more information about establishing an endowed fund at GW (such as internships, financial aid, research funds, capital funds, and faculty or staff positions), please contact Jennifer Riordan, Executive Director of Donor Relations, at jriordan@gwu.edu or (202) 994-9432.

DEFINITIONS OF TERMS IN YOUR ENDOWMENT REPORT

Book value – Cumulative sum of all gifts and transfers (see definition below) since the inception of the fund. Sometimes referred to as principal or corpus.

Endowment payout – Board-approved amount that is withdrawn from market value and made available for spending.

Full-time equivalent student – Undergraduate students are considered full-time if the student is enrolled for 12 or more semester credits. Many of the university's students are enrolled full-time, but there are also students enrolled part-time. The full-time equivalent student calculation uses credit hours to convert part-time student counts into the equivalent count that the credits would represent if the students were enrolled at a full-time credit load.

Gifts and transfers – For donor endowments, this includes gifts and pledge payments plus reinvestment of unused payout. For quasi endowments, this includes additions of university funds, reinvestment of unused payout, and purchases or sales of Endowment real estate investment properties.

Net investment return – Interest, dividends, realized gains/losses, and unrealized gains/losses, net of expenses directly related to the management of the Endowment, such as costs related to the Outsourced Chief Investment Office, investment managers, and custodian fees.

Market value – Current value of the fund in today's market. This includes the book value and all accumulated net investment return, minus payout over the life of the fund.



The new **GW Philanthropy Impact Report** captures the astonishing results of investments from individuals, families, foundations and government agencies in the transformative power of GW. Working together we are developing extraordinary talent in a city that leads the world.

GW's strength was recently validated by our invitation to join the Association of American Universities (AAU), an elite group of the top 71 higher education research institutions. That designation was made possible through the hard work of our staff and faculty and through the trust you have placed in GW's capacity to lead.

We look forward to your feedback at donorrelations@gwu.edu or 202-994-8719. Raise High!

➡ impactreport.gwu.edu



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