



BROWN UNIVERSITY

OFFICE OF THE PRESIDENT

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Christina H. Paxson

The Honorable Orrin 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

April 1, 2016

Dear Messrs. Hatch, Brady and Roskam:

Brown University takes very seriously its commitment to ensuring that the excellent education the institution provides is both accessible and affordable. I am pleased to respond on behalf of the University to your letter of February 8, 2016, which provides an opportunity to share how Brown's management of its financial resources demonstrates this commitment.

The letter's questions — which focus on restrictions placed on endowed funds, endowment holdings, management, spending and resources devoted to financial aid — reflect the Committees' concerns about the capacity of institutions to address the cost of a college education. Being attentive to these concerns is a top priority for Brown.

For 25 years, undergraduate financial aid has been the fastest growing area of Brown's budget. This year's scholarship budget is \$112.5 million, and the approved budget for financial aid next year (FY17) is \$120.5 million. Brown looks beyond tuition in calculating support for students to finance the true cost of attending college, including tuition and fees, room, board, books and personal expenses. This is articulated in our responses to the Committees' questions, but it's important in this introduction to convey the true scope of the importance Brown places on meeting a student's full need.

Brown's investment in supporting students has steadily increased, even in the years since the economic crisis of 2008, despite the volatility of the economy. Over the past eight years, the undergraduate financial aid budget has increased an average of 8.9 percent per year, and the portion of the undergraduate student body receiving aid has risen from 40 percent to 44 percent in the same timeframe.

Likewise, increases in scholarships have far outpaced increases in the cost of attending Brown. While the cost of attendance has increased 25.6 percent since FY08 for the students whose families can afford to pay this full cost — those from the highest income brackets — the average scholarship for aided students has increased at a more rapid 42.6 percent. This year,

the average grant award is \$41,438, which covers 63 percent of the total cost of attending Brown. In contrast, the average grant award in FY08 was \$23,787, covering just 49 percent of the cost. (If calculated for tuition alone, the average grant this year covers 86 percent of tuition, compared to 67 percent in FY08.)

Furthermore, Brown is committed to meeting the full demonstrated financial need of all families, and the University is need-blind for all U.S. citizens and permanent residents — meaning these students' ability to pay is not considered in the admission process. Among several initiatives that provide generous support, families with a total income below \$60,000, and assets less than \$100,000, do not have to pay a parental contribution, and the loan component of their student's financial aid award is replaced with additional scholarship. Additionally, students from families with an annual income of less than \$100,000 have no loans — only scholarship funds — in their initial aid awards. These combined initiatives result in approximately 65 percent of our aided students beginning each academic year with the opportunity to graduate debt free.

College debt, of course, remains part of the national discussion about higher education affordability, but for Brown University's Class of 2014 (the last year national data were available), less than 35 percent of graduating seniors borrowed while attending, compared to the national average of 71 percent. The average loan debt of Brown students who take out loans also was significantly below average — \$23,967 at graduation for the Class of 2015, compared to the national average of \$33,000.

The generosity of Brown's financial aid contributes to the broad diversity of the University's student body. Currently, 1,635 low-income students comprise approximately 25 percent of the Brown student body. These students are drawn from a wide range of racial, ethnic and socioeconomic groups: 61 percent are from racial or ethnic minority groups, 45 percent are first-generation college students, and 60 percent are Pell Grant recipients.

However, we also know there are families that fall into an unintentional gap in financial aid programs — directly between students who have no need for aid and those who have high need and therefore receive significant aid. Therefore, in 2015-16, we increased the generosity of our aid packages for families with annual incomes between \$100,000 and \$200,000. We have decreased the parental contribution for these families and provided them an additional \$3,000 to \$5,000 in scholarship support.

To support the aid we provide to students, Brown draws significantly on its own funding sources. As noted in the responses on the following pages, distributions from Brown's endowment contributed \$38 million to fund financial aid in FY16, which is 34 percent of the aid budget. This support is made possible by policies focused on preserving and prudently growing the endowment and its income distribution in perpetuity.

Yet it's critical to speak beyond the Committees' questions pertaining to the financial capacity of colleges, in the context of reducing costs for families, to assert also the importance of the other vital priorities that an endowment supports. Brown's endowment distributed a total of \$155 million to the University's operating budget last year, not only for aid, but also for professorships, academic programs, research resources and other essential activities of a leading research institution. The endowment contributed 16 percent of the annual operating budget through more than 2,600 named accounts.

At Brown, the core of the endowment's mission is to provide budgetary stability to ensure that we don't deny future students the opportunities that students have today. This includes opportunities to engage in the learning, research and discovery of an institution that is addressing some of the world's most pressing challenges. Recent endowments established at Brown include funds to support clinical practice, research and public education to confront the urgent health needs of children; to expand research and teaching on such national and international issues as economic uncertainty, new global security threats, environmental degradation and poverty; and to support teaching and real-world applications of entrepreneurship and innovation.

The generosity of donors who designate their gifts to these purposes — and the careful stewardship of these funds over many years — helps to ensure that Brown students and faculty can help make a transformative impact on the nation and the world.

In addition, with its home in Rhode Island, Brown is uniquely positioned compared to other leading research universities to make a significant impact in our city, state and region. Well above the voluntary payments and property taxes detailed in the responses to the Committees' letter, Brown is engaged in public-private partnerships to boost economic development in our state. The University has invested more than \$200 million in helping to revitalize Providence's Jewelry District (a historic, once-thriving manufacturing area) and is the founding partner in a \$215-million redevelopment project to be completed in 2017, which represents a further catalyst for growth in the region.

Careful stewardship of the endowment enables Brown to meet its obligations to financially support the University's faculty, student body and academic infrastructure for all of these initiatives over the long term. And long-term viability is critical. The financial crisis of 2008 reinforced how vulnerable nonprofit institutions are to economic volatility. A year after the crisis, Brown saw the value of its endowment reduced by 31 percent (from \$2.9 billion in 2007, down to \$2.1 billion in 2009), and the University continues to work to eliminate a structural budget deficit over the next five years.

Brown takes very seriously its responsibility to manage the University's endowment to meet the highest standards of excellence for the current generation of students, while simultaneously safeguarding our financial capacity to sustain and build those standards for generations of students to come.

I appreciate the opportunity to provide you with information on the purpose and the operations of the Brown endowment, and you will find detailed answers to your questions on the pages that follow.

Sincerely,

Christina H. Paxson

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);
- 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 they restrictions put into place?

Brown University's endowment is primarily a collection of donations given since the founding of the University (in 1764) by alumni, parents, students and friends. These donations are "true" endowment — permanently restricted by the donor to be a part of the endowment — and the earnings or payout on these funds must be used in accordance with the restrictions imposed by the donors. Brown must manage and maintain these gifts in perpetuity. By law, the University cannot invade the principal of each original gift adjusted for inflation. This true endowment (labeled 1b in the table below) is considered "permanently restricted" by donors. The earnings on each permanently restricted endowment must be used in accordance with the donors' stipulations — for undergraduate financial aid or faculty salaries, for example — and may not be used for a purpose different than the one stipulated by the donor(s).

The endowment also includes some gifts that have been temporarily restricted by a donor (labeled 1c below). These gifts include donor-imposed stipulations as to the timing of their availability and use for a particular purpose. Again, the University is obligated to honor these stipulations and cannot use the funds for a purpose other than the donor-imposed restriction.

Finally, the endowment also includes some funds, also known as "quasi-endowment," that are board-designated as endowment. These funds have been temporarily designated by the University's governing board to function as endowment. They may be unrestricted (1a below) or temporarily restricted (1e below) as to use. The board must vote to establish a quasi-endowment; members can also vote to spend the principal of these funds. For the purposes of the following charts, the University's fiscal year is July 1 to June 30.

| Fair Market Value of the Endowment Funds (in thousands) | | | | | |
|--|--------------------------------------|------------------------------|--------------------|--------------------|--------------------|
| Fiscal Year | | 2016 (as of 01/31/16) | 2015 | 2014 | 2013 |
| 1a. | Unrestricted | \$440,698 | \$475,524 | \$473,111 | \$416,779 |
| 1b. | Permanently restricted by donors | \$1,279,424 | \$1,250,406 | \$1,190,547 | \$1,126,878 |
| 1c. | Temporarily restricted by donors | \$1,111,554 | \$1,288,076 | \$1,278,188 | \$1,067,832 |
| 1d. | Temporarily restricted by University | \$59,960 | \$59,343 | \$57,903 | \$58,459 |
| Total | | \$2,891,636 | \$3,073,349 | \$2,999,749 | \$2,669,948 |

In response to your question labeled 1d, no board-designated quasi-endowment funds at Brown have been permanently restricted by the University, because these funds cannot be permanently restricted.

In relation to the designated uses for restricted funds (in question 1f), the University's endowment consists of approximately 2,900 individual funds established for a wide variety of purposes, including both donor-restricted endowment funds and funds designated by the University's governing board to function as endowments. Net assets associated with the endowment are classified and reported based upon the existence or absence of donor-imposed restrictions.

| Market Value by Restriction (in thousands) | | | | |
|---|------------------------------|--------------------|--------------------|--------------------|
| Fiscal Year | 2016 (as of 01/31/16) | 2015 | 2014 | 2013 |
| Financial Aid | \$787,637 | \$840,139 | \$824,408 | \$737,562 |
| Professorships | \$571,465 | \$603,636 | \$580,229 | \$498,054 |
| Instruction and Academic Purposes | \$485,213 | \$508,968 | \$497,863 | \$453,027 |
| University Unrestricted Purposes | \$470,376 | \$504,746 | \$502,434 | \$456,238 |
| Academic Centers | \$126,712 | \$135,383 | \$133,818 | \$121,382 |
| Graduate Student Support | \$130,547 | \$135,367 | \$126,639 | \$105,961 |
| Libraries | \$111,747 | \$120,470 | \$120,316 | \$108,491 |
| Other Special Restricted Purposes | \$98,304 | \$109,774 | \$105,188 | \$94,078 |
| Athletics | \$81,603 | \$84,343 | \$79,698 | \$69,334 |
| Lectureships | \$13,901 | \$15,372 | \$14,393 | \$12,728 |
| Academic Prizes and Premiums | \$14,131 | \$15,151 | \$14,763 | \$13,093 |
| Total | \$2,891,636 | \$3,073,349 | \$2,999,749 | \$2,669,948 |

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?

The University does indeed hold investments that are not included in the endowment. These investments include a portion of the University's working capital and gifts (non-endowment) from donors made for a variety of specified academic and educational purposes. Brown honors the purpose of all accepted designated gifts, which allow the University to provide support for priorities such as financial aid, faculty research and academic departmental initiatives.

| Investments Not Included in the Endowment (in thousands) | | | | |
|---|------------------------------|-------------|-------------|-------------|
| Fiscal Year | 2016 (as of 01/31/16) | 2015 | 2014 | 2013 |
| | \$576,051 | \$501,812 | \$481,864 | \$392,204 |

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?

| Fair Market Value of the Endowment (in thousands) | | | | |
|--|------------------------------|-------------|-------------|-------------|
| Fiscal Year | 2016 (as of 01/31/16) | 2015 | 2014 | 2013 |
| | \$2,891,636 | \$3,073,349 | \$2,999,749 | \$2,669,948 |

The table below provides a historical view of the net growth in the endowment and its net investment return over the past 10 fiscal years. This overview captures a full economic cycle of investment including the 2008 financial crisis.

To preserve the endowment’s ability to support the University’s mission in perpetuity, the University targets an 8 percent return, which encompasses the 5 percent payout (on average) for the operating budget and accounts for inflation (approximately 3 percent on average as measured by the Higher Education Price Index). In the table below, the highlighted results illustrate the impact of market volatility, when the endowment performance did not achieve the target return. In these years, even though the University did not achieve the target return, nevertheless the endowment distributed funds to the operating budget to fund essential operations, including support for students through financial aid.

| Endowment Increase/Decrease and Net Investment Return | | |
|--|----------------------------------|------------------------------|
| Fiscal Year | Net Growth (in thousands) | Net Investment Return |
| 2016 (as of 01/31/16) | (\$181,713) | TBD |
| 2015 | \$73,600 | 5.7% |
| 2014 | \$329,801 | 15.9% |
| 2013 | \$207,410 | 12.6% |
| 2012 | (\$36,391) | 1.0% |
| 2011 | \$351,512 | 18.5% |
| 2010 | \$137,739 | 10.2% |
| 2009 | (\$725,120) | -23.1% |
| 2008 | \$119,894 | 6.3% |
| 2007 | \$447,666 | 21.7% |
| 2006 | \$328,769 | 14.4% |

**Highlighted results = endowment did not achieve target return*

- 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 established a professional investment office in 2000 to manage the endowment and provide oversight of other financial investments of the University. The chart below shows staffing levels, cost to manage the investment office (including salary, overhead, custodian, advisory, account and processing expenses) and the investment office cost as a percentage of the total market value of the managed financial assets over the past three years. This cost is the expense of running the office and does not include external management or incentive fees that are typically embedded in the net asset value of the investments. Investment managers provide the University with valuations that are net of management and incentive fees.

| Investment Office Staff and Costs (in thousands) | | | |
|---|-------------|-------------|-------------|
| Fiscal Year | 2015 | 2014 | 2013 |
| Number of staff | 19 | 21 | 21 |
| Cost (in thousands) | \$10,255 | \$10,004 | \$10,936 |
| Cost as a % of managed assets | 0.28% | 0.28% | 0.35% |

- 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.**

Brown is not required to file a separate Form 990 for the endowment.

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.**

Brown's payout policy is based on the principle that spending from endowment funds should not depend solely on market returns. It should be governed by a well-designed and disciplined policy that considers both the long-term and short-term needs of the University.

The University is incorporated in and subject to the laws of the State of Rhode Island, including the provisions outlined in Rhode Island's Uniform Prudent Management of Institutional Funds Act (UPMIFA). Under UPMIFA the University is required over time to maintain the purchasing power of each initial gift to the endowment. UPMIFA also dictates that the University must set a prudent payout each year.

The University's payout policy is as follows:

- Ordinarily, Brown will set the payout between 4.5 and 5.5 percent of the 12-quarter average of the total endowment market value for the three prior calendar years.
- Over time, the payout should average 5 percent of the total endowment's market value at the start of each fiscal year.
- In order to set a prudent payout rate each year, Brown will consider seven factors:
 1. The preservation of each endowed fund over the long term
 2. Brown's mission and how each endowment fund helps promote that mission
 3. Current general economic conditions
 4. The impact of inflation or deflation
 5. Brown's expected long-term total return on the endowment
 6. Other resources available to Brown
 7. Brown's current investment policy and its impact on expected total return

The University does not set a target endowment payout as a percentage of the endowment's beginning balance each year. As noted, it sets the payout as a percentage of a rolling 12-quarter average market value.

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 does not allow the spending of endowment principal for any permanently restricted donor endowment or donor endowments that are classified as unrestricted with regards to the use of the payout. If a donor specifies that the principal of temporarily restricted endowment may be used, the University allows it. With regard to board-designated endowments, only in exceptional circumstances has the University used the principal from these quasi-endowments to support the institution's mission. This was last done in the late 1970s, when the University faced a financial crisis and financial exigency.

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?

The Brown endowment payout provides current income to support the University's educational and research mission. Our goals are two-fold. First, the endowment must provide a steady and increasing income stream to support current programs and students. Second, we must preserve the purchasing power of the endowment in perpetuity to allow us to support and expand our educational and research mission for future students and scholars.

Each February, the Brown University governing board establishes the endowment payout rate that will apply during the upcoming fiscal year, applying the payout policy detailed in the

answer to Question 6. The use of a 12-quarter average market value to determine the payout smooths the effect of market performance, which is critically important in providing a stable source of income to the operating budget each year. The endowment payout in any single year is not dramatically affected by sudden, unsustained drops or surges in the financial markets. In recent years, the University has kept its payout toward the upper end of its policy range in order to enhance undergraduate and graduate education and financial aid for students.

During periods of growth in the endowment market value, Brown’s payout as a percentage of the beginning market value typically will be lower than the rate applied to the 12-quarter average. The opposite is true during financial market declines.

The table below shows the total endowment payout, the payout as a percentage of the 12-quarter average market value and as a percentage of the endowment’s beginning market value, and the payout as a percentage of the annual investment return. Over the last four years, Brown has increased its payout 6.5 percent per year, on average. The payout as a percentage of investment return has fluctuated from a low of 32 percent to a high of 93 percent. For the current year (FY16), the Brown endowment has lost \$125.3 million year-to-date, but still paid out \$153.6 million to support our academic enterprise. We are able to do so because in earlier years, such as FY13 and FY14, the payout was a lower percentage of the total return.

| Endowment Payout (in thousands) | | | | |
|--|-------------|-------------|-------------|-------------|
| Fiscal Year | 2016 | 2015 | 2014 | 2013 |
| Total payout | \$153,626 | \$143,026 | \$134,453 | \$127,739 |
| Percent increase from prior year | 7.4% | 6.4% | 5.3% | 7.0% |
| Payout as % of 12-quarter average market value | 5.40% | 5.40% | 5.47% | 5.57% |
| Payout as % of beginning market value | 5.0% | 4.8% | 5.1% | 5.1% |
| Endowment return in dollars | (\$125,321) | \$154,165 | \$420,108 | \$301,214 |
| Payout as a % of investment return | | 93% | 32% | 42% |

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.

Generous donors to Brown have given to endowed funds specifically to support student financial aid, and one of the University’s highest fundraising priorities has been to raise more endowment for this purpose. Today, approximately 27 percent of the University’s endowment is restricted to financial aid for undergraduate and medical students. The University provides only need-based financial aid to students to cover the cost of attendance (tuition, room and board), and Brown does not provide any merit scholarships.

Brown is attentive to the reality that the cost of attending college exceeds tuition, and many students need support for the true cost of attendance. The University’s financial aid awards, therefore, do not separate amounts for tuition and room and board; students receive a comprehensive award that is applied in total to cover tuition, room and board.

In FY16, the University provided an average annual scholarship of \$41,438 to undergraduates receiving financial aid. In FY16, payout from endowments for undergraduate scholarships contributed about \$38 million (or 34 percent) to Brown's financial aid budget. The balance of the undergraduate financial aid budget, approximately \$75 million, is covered from other University revenue sources, including tuition, fees and fundraising.

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.

Brown does not have a written policy regarding the acceptance of funds restricted to a specific purpose, but our practice is to accept gifts that advance our institutional mission and priorities. Brown's practice is to align the priorities of the University with the philanthropic interests of donors as part of its effort to cultivate strong relationships, and this takes place far in advance of the point at which a donor may offer a gift to Brown. This helps avoid situations in which a donor would propose a donation restricted to a purpose that is not aligned with the University's priorities. Brown reserves the right to reject gifts that do not address its institutional mission and priorities, and all gifts of \$1 million or more require the approval of the University's governing board.

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.

The University's endowment holds no direct investments in real property. However, the endowment does have exposure to real estate investments through limited partnership interests in private equity funds focused upon real estate.

The University owns and maintains 236 buildings, totaling approximately 6,800,000 gross square feet. Brown has a wholly owned real estate subsidiary – Farview, Inc. – which owns properties near the campus that are not in current use for educational or institutional purposes. These properties, and other properties that are not currently being used exclusively for educational or institutional purposes, are listed in the chart below. On those properties that are not used exclusively for educational or institutional purposes, the University pays taxes.

| Real Estate Holdings Not Used Exclusively for University Operations | |
|--|-----------------------------------|
| Location | Description |
| 164-170 Angell Street | Brown Office Building - bookstore |
| 83 Benevolent Street | Rental |
| 250 Brook Street | Rental – mixed business |
| 37 Cooke Street | Residential |
| 300 Thayer Street | Rental |
| 271 Thayer Street | Rental |
| 272 Thayer Street | Rental |
| 450 Brook Street properties | Vacant |
| 26 Ship Street | Vacant |
| 349 Eddy Street | Rental |
| One Davol Square | Rental |
| Ten Davol Square | Rental |
| 196 Richmond Street | Rental |
| 60 Clifford Street | Rental |
| 37 Charlesfield Street | Vacant |
| 233 Richmond Street | Rental |
| 121 South Main Street | Rental, parking |
| 198 Dyer Street | Parking |

| Municipal Property Taxes Paid to City of Providence, R.I. | | | |
|--|-------------|-------------|-------------|
| Fiscal Year | 2015 | 2014 | 2013 |
| | \$1,317,000 | \$1,342,000 | \$1,800,686 |

In 2003 Brown joined with Providence’s private colleges and universities to sign a Memorandum of Understanding (MOU) with the City to establish a substantial and long-term financial contribution to Providence’s budget, totaling nearly \$50 million in voluntary contributions over 20 years. The MOU also provides for a 15-year schedule of declining payments to the City for properties removed from the tax rolls by the private colleges and universities.

In 2011, the newly elected mayor was faced with a severe budget deficit and asked the University for additional contributions. Under the terms of a 2012 Memorandum of Agreement (MOA) with the city, Brown is providing an additional \$31.5 million over 11 years (\$3.9 million per year for five years, and then an additional \$2 million per year for six years). The agreement provides for the acquisition of certain sections of streets that are abutted on both sides by Brown-owned property and the lease of 250 on-street parking spaces from the city for 20 years beginning July 1, 2013.

| Voluntary Payments to City of Providence, R.I. | | | |
|---|--------------------|--------------------|--------------------|
| Fiscal Year | 2015 | 2014 | 2013 |
| 2003 MOU (20-year schedule) | \$1,254,000 | \$1,236,000 | \$1,217,894 |
| 2003 MOU (15-year schedule) | \$1,296,005 | \$1,588,722 | \$756,127 |
| 2012 MOA | \$3,900,000 | \$3,900,000 | \$3,900,000 |
| Total voluntary payments | \$6,450,005 | \$6,724,722 | \$5,874,021 |

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.

Brown has a naming policy for gifts of endowment or current use that meet a minimum of \$100,000, with two exceptions: University Library and Undergraduate Teaching Assistant endowments, each with a minimum of \$50,000.

Included in the policy are the following elements:

- Any gift that includes the establishment and naming of an endowment or the naming of a physical space requires a fully executed gift agreement.
- An endowment cannot be established to support a specific person.
- Proposed names must have internal approval to ensure that the name exemplifies the attributes of integrity, character and leadership consistent with the highest values of Brown.
- In all instances, a specific amount of the gift commitment must be received prior to the actual naming of the building, program or space, and the specific amount must be consistent with current policies and outlined in the gift agreement.
- Permanent signage will be installed once the gift is paid in full. Temporary signage may be used until the gift is paid in full.
- In all cases when a pledge to name a building, program or space is not paid in full, the University's governing board may renounce the proposed name of the building, program or space.

- Named buildings and spaces will, in most cases, retain their names until the building or space is demolished or altered in a manner that changes the nature of the building or space within. Options to maintain the intent to recognize a gift include moving signage and naming a comparable location with input from the donor or their family, if possible.

| Named Donations (in thousands) | | | |
|---|-------------|-------------|-------------|
| Fiscal Year | 2015 | 2014 | 2013 |
| Total named donations | \$66,830 | \$70,971 | \$62,011 |
| Total named financial aid | \$20,034 | \$20,086 | \$28,470 |
| Named financial aid as % of total named donations | 30% | 28% | 46% |

Conflict 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?

Brown is committed to maintaining the highest legal and ethical standards and seeks to avoid both actual conflict of interest as well as the appearance of conflict of interest. All members of the Corporation (the University's governing board), all members of the Corporation's Standing Committees, all Officers of Instruction, all senior officers and selected staff submit an annual disclosure form. Senior administrators are responsible for promoting the understanding of and compliance with the University's Conflict of Interest and Commitment Policy.

The Chancellor has responsibility for oversight of the University's Conflict of Interest and Commitment Policy for members of the Corporation and its Standing Committees. The Vice President and General Counsel reviews all forms submitted by Corporation and Standing Committee members. Conflicts or potential conflicts and resolutions are discussed with the Chancellor.

The President has responsibility for oversight of the Conflict of Interest policy for members of the Cabinet. The Provost has responsibility for oversight of the policy for Officers of Instruction and/or Research. The Executive Vice President for Finance and Administration has responsibility for oversight of the policy for all other employees.

Specific policies govern members of the Investment Committee and the Investment Office. Together, these documents detail what investments are allowable, the disclosure requirements and process for disclosure.

Investment Committee members must disclose all private investments on an annual basis. The endowment cannot invest with a fund that is sponsored by a member of the Investment

Committee. Members of the Investment Committee, their family and associates cannot have a financial interest that impairs the member's objectivity.

Investment Office staff are permitted to invest in public securities; however, each investment must be approved by the Chief Operating Officer, who compares the requested trade against the Restricted List. The Restricted List is distributed monthly and upon the addition of any new security. If a member of the Investment staff receives material, non-public information on a security, that security is immediately added to the Restricted List. The Investment Staff discloses on a quarterly basis all investments, any change in investments, and all conflicts of interest.