

TCU's Endowment Fact Sheet

General

What is an endowment?

Generally, an endowment is the accumulation of assets established by donors to support a non-profit institution's mission and vision. For TCU, our endowment provides long-term funding to fuel people, programs and progress.

What is the value of TCU's endowment? How does it compare to other institutions?

Currently the value is \$1.5 billion and is the 66th largest university endowment among public and private universities in the United States.

How does the endowment work?

Assets come from two primary sources: gifts from donors and additions to long-term savings that are set aside each year by the Board of Trustees. These assets are invested, and a small portion of the income generated is used to fund the University's operating expenses each year. An industry best practice and annual goal of TCU is to spend only 5 percent of a three-year rolling average of the endowment's market value.

Doing so allows the university to absorb market fluctuations and protect the endowment's principal so that it may support TCU's mission in perpetuity. Our endowment currently accounts for approximately 11 percent of the university's operating budget.

What does the endowment support?

The endowment fuels people, programs and progress through student scholarships, endowed chairs and professorships, and support of academic programs.

- Nearly 870 student scholarships awarded in 2016
- 10 percent of full-time faculty supported by endowed funds

Who manages the endowment?

The University's chief investment officer is charged with maximizing the return on the endowment. The CIO's responsibilities include developing and implementing investment policy, managing risk, researching new assets, and conducting research/analysis on investment managers and funds, among others.

How is the endowment invested?

The endowment is invested using a broad array of strategies designed to provide a stable stream of income, regardless of fluctuations in the financial markets. Assets include both traditional and alternative assets, including but not limited to, private equity, real estate, minerals and venture capital. Traditional assets include conventional investment types, such as stocks, bonds and cash.

Investment-related

How much of the endowment is invested in alternative assets? (Investment types that fall outside of stocks, bonds and cash)

Sixty percent of TCU's endowment is invested in alternative assets.

- Hedge funds—15 percent
- Private partnerships—37 percent
- Mineral assets—8 percent

Does TCU use blocker corporations as part of its alternative assets investment strategy?

Yes, when doing so represents a sound financial strategy. Blocker corporations are a longstanding and acceptable practice among tax-free institutional investors, like TCU, including larger endowments and pensions. TCU has used this strategy when it has made sense from a total return perspective. Currently, approximately one-third of TCU's endowment uses blocker corporations.

Tax Legislation

Recent legislation has the potential to impact university endowments negatively. Will TCU lobby against these changes?

TCU is monitoring recent legislation proposed by the U.S. House of Representatives Committee on Ways and Means and is engaging with our Texas delegation to express our concerns. In general, TCU opposes legislation that raises costs for students and families.

What about the proposed excise tax on the endowment income of private colleges and universities?

While TCU does not fall under the amended requirements for this provision, we philosophically oppose legislation that may deter donors from giving to the endowment. We also are philosophically against the practice of taxing endowments of non-profit organizations.

The legislation proposes the elimination of a tax deduction for athletic seat licensing. How might this affect TCU?

A loss of revenue from athletic seat licensing would significantly reduce scholarship funds for non-revenue-generating athletic sports at TCU.

The House bill also seeks to exclude private colleges and universities from accessing tax-exempt financing, such as private activity bonds. What does this mean for TCU?

These tax-exempt programs allow TCU to facilitate projects vital to our infrastructure, including athletic facilities, and instructional projects like classrooms and labs, which ultimately generate a multi-billion-dollar economic impact.