
NACUBO-
Commonfund
Study of
Endowments

NCSE

Data customized for
Morehouse School of Medicine

Prepared March 2010

2009

Executive Summary

2009 NACUBO-Commonfund Study of Endowments®

The 842 U.S. endowments and affiliated foundations participating in the 2009 NCSE reported an average return of -18.7 percent (net of fees) for the fiscal year ended June 30, 2009.

Returns were negative for all major asset classes but fixed income, which generated a 3.0 percent gain. International equities produced the weakest return, -27.6 percent. Domestic equities were not far behind, returning -25.5 percent on average. Alternative strategies had a return of -17.8 percent, while short-term securities/cash/other returned -1.5 percent.

The average three-year return for all participating institutions was -2.5 percent (all return figures are net of fees). The corresponding five-year return figure was 2.7 percent, while for 10 years, the average annual return was 4.0 percent.

Participating institutions represented \$306 billion in endowment assets. Of the 842 institutions taking part in this year's Study, 86.4 percent participated in last year's Commonfund Benchmarks® *Educational Endowment Study* and/or the *NACUBO Endowment Study*.

Asset Allocation

At June 30, 2009, participating institutions' dollar-weighted asset allocation was:

- Domestic equities: 18 percent
- Fixed income: 13 percent
- International equities: 14 percent
- Alternative strategies: 51 percent
- Short-term securities/cash/other: 4 percent

Spending

The average effective spending rate for educational endowments participating in this year's Study --- calculated by dividing endowment dollars spent by the beginning endowment value --- was 4.4 percent. The highest average spending rate, 4.9 percent, was found among institutions with assets between \$501 million and \$1 billion, while the lowest, an average of 3.9 percent, occurred among institutions with assets under \$25 million.

Gifts

Sixty percent of Study participants reported a decrease in gifts in FY2009 versus just 26 percent reporting an increase. Only 8 percent of participating institutions include future gifts when establishing a spending policy.

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Executive Summary (continued)

2009 NACUBO-Commonfund Study of Endowments®

Debt

Among the 654 Study respondents reporting that they carry long-term debt at present, average total debt stood at \$167.8 million as of June 30, 2009, while median debt was \$44.3 million. Average debt levels were driven upward by institutions with assets over \$1 billion and by public universities.

Resources, Management and Governance

Viewed by asset class, the average number of investment managers that participating institutions reported using is: domestic equities, 3.9; fixed income, 2.2; international equities, 2.8; alternative strategies (direct), 10.3; and alternative strategies (fund-of-funds), 2.5. Overall, institutions employed an average of 1.6 full-time equivalent (FTE) employees to manage their endowments, but the median number of FTEs, 0.5, may be more indicative of true employment levels.

Socially Responsible Investing

Of the 842 Study participants, 178 reported having some form of social investing policy. Of these 178 institutions, 55 percent screen all of their portfolios, while 34 percent screen part of the portfolio, and 11 percent offered no response or were uncertain.

Endowment Leaders

Endowment Leaders comprise the top decile and top quartile of the Study universe measured by investment return for FY2009. The top decile reported an average one-year return, net of fees, of -8.1 percent, while the top quartile reported an average one-year return of -12.3 percent.

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NCSE Leaders

Top Decile and Top Quartile Performers

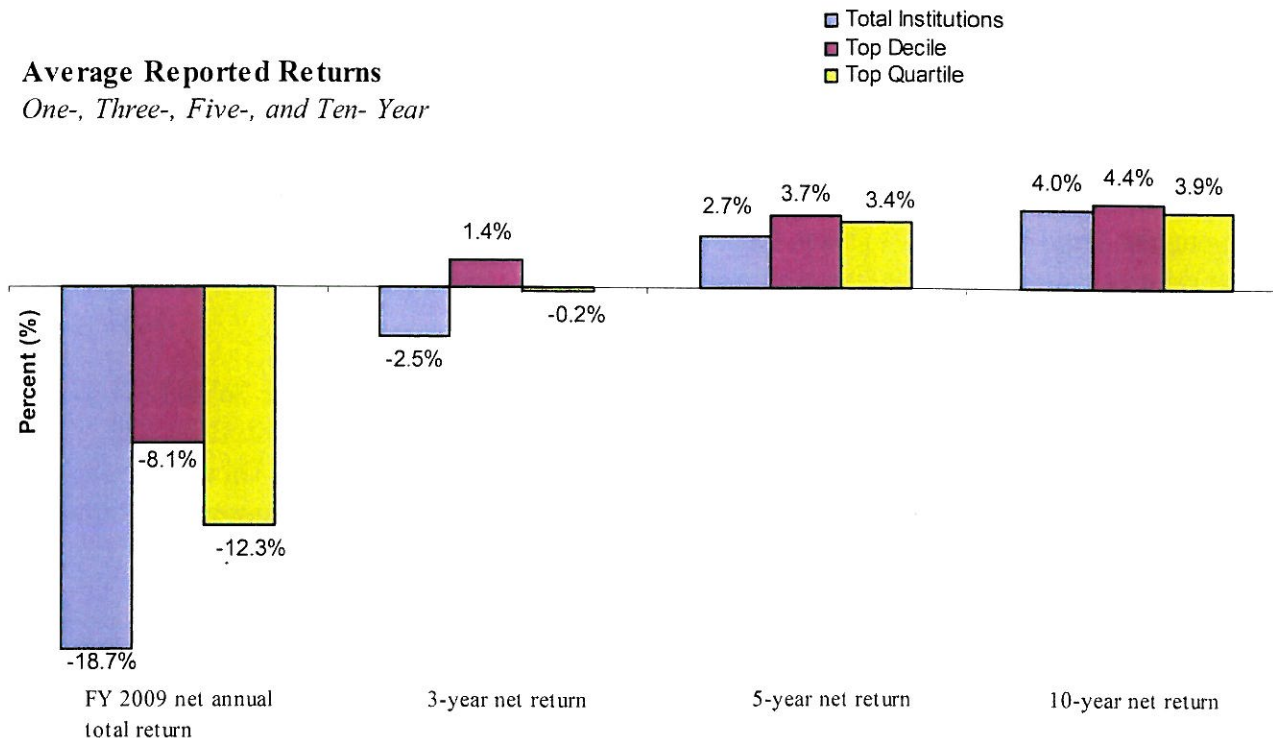
Demographics | Fiscal Year 2009

	Total Institutions	Top Decile	Top Quartile
	(842)	(80)	(203)
Private	536	43	114
All publics	306	37	89

Note: Top decile and top quartile are defined as the top 10 percent and 25 percent of 794 institutions that provided return data.

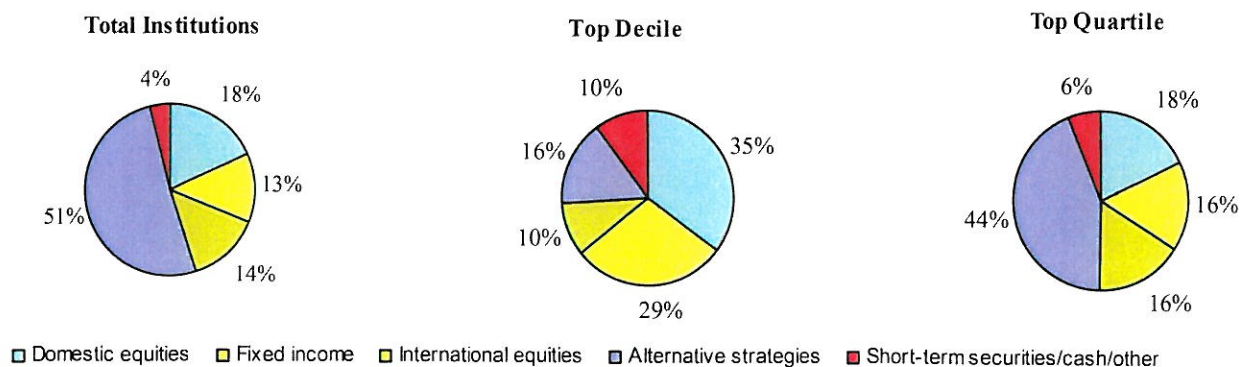
Average Reported Returns

One-, Three-, Five-, and Ten- Year



Asset Allocation Comparison[†]

Fiscal Year 2009



[†] Dollar-weighted

Unless otherwise indicated, all performance information reflects net total returns.

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Average One-, Three-, Five- and Ten-year Net Returns

Numbers in Percent (%)

	Total Institutions	Morehouse School of Medicine	HBCUs	\$51-100 Million
	842	1	12	164
FY2009 net annual total return	-18.7	-13.7	-11.9	-18.6
3-year net return	-2.5	-3.4	0.9	-2.7
5-year net return	2.7	0.4	4.2	2.7
10-year net return	4.0	N/R	7.0	3.7

- Among the Total Institutions group, negative FY2009 returns averaged -18.7%, while three-year returns averaged -2.5%, five-year returns averaged 2.7% and ten-year returns averaged 4.0%.
- The average negative FY2009 total annual return reported by the Morehouse School of Medicine (-13.7%) significantly outperformed the Total Institutions and Institutions with assets between \$51-100 Million cohorts (-18.7% and -18.6% respectively). Though the average reported three- and five-year returns (-3.4% and 0.4%) performed poorest among all constituencies.
- Average returns for all time periods reported by the HBCUs group notably outperformed all other constituencies.

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Asset Allocations[†] for Fiscal Year 2009

Numbers in Percent (%)

	Total Institutions	Morehouse School of Medicine	HBCUs	\$51-100 Million
	842	1	12	164
Domestic equities	18	36	27	34
Fixed income	13	39	22	21
International equities	14	12	15	17
Alternative strategies	51	2	32	22
Short-term securities/cash/other	4	11	4	6

[†] Dollar-weighted

- Average FY2009 asset allocation among the Total Institutions group was 51% to alternative strategies, 18% to domestic equities, 14% to international equities, 13% to fixed income and 4% to short-term securities/cash/other.
- The Morehouse School of Medicine reports average FY2009 asset allocations predominantly to fixed income (39%), notably higher than all other constituencies, and domestic equities (36%), also highest among constituencies. Allocation to alternative strategies (2%) was significantly lower than all other constituencies, while allocation to short-term securities/cash/other was considerably higher (11%).
- The HBCUs group reported the highest allocation to alternative strategies (32%) among the selected cohorts, yet the lowest allocation to domestic equities (27%).
- Institutions with assets between \$51-100 Million reported a modestly higher allocation to international equities (17%) than all other constituencies.

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Alternative Strategies Asset Mix† for Fiscal Year 2009

Numbers in Percent (%)

	Total Institutions	Morehouse School of Medicine	HBCUs	\$51-100 Million
Responding institutions	701	1	8	142
Private equity (LBO's, mezzanine, M&A funds and international private equity)	21	0	34	11
Marketable alternative strategies (hedge funds, absolute return, market neutral, long/short, 130/30, event-driven and derivatives)	43	100	32	59
Venture capital	7	0	7	2
Private equity real estate (non-campus)	12	0	10	13
Energy and natural resources (oil, gas, timber, commodities and managed futures)	12	0	11	10
Distressed debt	5	0	6	5

† Dollar-weighted

- The Morehouse School of Medicine reported average FY2009 alternative strategies allocations entirely (100%) to marketable alternative strategies, significantly higher than all other constituencies.
- Among their average FY2009 alternative strategies allocations, the HBCUs group reported a more diversified portfolio, with notably higher allocation to private equity (34%) than all other constituencies, though their allocation to marketable alternative strategies (32%) was considerably lower.
- Institutions with assets between \$51-100 Million reported the second highest average allocation to marketable alternative strategies (59%) among all constituencies, though their allocation to private equity (11%) was much lower than that of HBCUs and Total Institutions.
- Average allocations to private equity real estate (non-campus) and energy and natural resources remained fairly consistent across the Total Institutions, HBCUs and Institutions with assets between \$51-100 Million cohorts.

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Average Annual Spending Rates for Fiscal Years 2008 and 2009

Numbers in Percent (%)

	Total Institutions	Morehouse School of Medicine	HBCUs	\$51-100 Million
	842	1	12	164
2009 effective spending rate	4.4	3.5	3.2	4.7
2008 effective spending rate	4.3	5.0	2.9	4.6

- The average FY2009 effective spending rate reported among the Total Institutions group was 4.4%, up modestly from FY2008 (4.3%).
- The Morehouse School of Medicine reported an average FY2009 effective spending rate of 3.5%, notably lower than both the Total Institutions and Institutions with assets between \$51-100 Million cohorts, and down significantly from their average reported FY2008 effective spending rate (5.0%).
- The HBCUs group reported the lowest average FY2009 effective spending rate (3.2%) as well as FY2008 (2.9%) among all constituencies.
- Institutions with assets between \$51-100 Million reported the highest average FY2009 effective spending rate (4.7%).

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Spending Policy** for Fiscal Year 2009

Numbers in Percent (%)

	Total Institutions	Morehouse School of Medicine	HBCUs	\$51-100 Million
	842	1	12	164
Spend all current income	4	0	17	4
Percentage of a moving average	74	100	75	82
<i>Average percentage</i>	4.8	5.0	4.6	4.8
Decide on appropriate rate each year	9	0	0	7
Grow distribution at predetermined inflation rate	1	0	0	0
Spend a pre-specified percentage of beginning market value	4	0	0	5
<i>Average pre-specified percentage spent</i>	4.9	N/A	N/A	4.9
Last year's spending plus inflation with upper and lower bands	3	0	8	1
Weighted average or hybrid method (Yale/Stanford Rule)	6	0	0	7
Meet IRS minimum of 5 percent	***	0	0	0
Other	9	0	0	7

** multiple responses allowed

*** less than 1 percent, results not meaningful

- The predominant FY2009 spending policy among all constituencies was to spend a percentage of a moving average, with the average percentage ranging from 4.6%-5.0%.
- Seventeen percent of the HBCUs group reported spending all current income, highest among constituencies.

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New Gifts to Endowment for Fiscal Year 2009

	Total Institutions	Morehouse School of Medicine	HBCUs	\$51-100 Million
	842	1	12	164
Median gifts (\$ millions)	2.2	6.7	1.1	1.9
Average gifts (\$ millions)	8.4	6.7	2.5	2.9
Average percentage (%) of operating budget funded by annual giving	6.9	0	3.8	5.2

- Among the Total Institutions group, total amount of new gifts to endowment averaged \$8.4 million for FY2009, while the median for new gifts to endowment was \$2.2 million. The average percentage of operating budget funded by annual giving was 6.9%.
- The Morehouse School of Medicine reports an average \$6.7 million in new gifts to endowment during FY2009, significantly higher than both other selected cohorts.
- The HBCUs group reported the lowest average and median for new gifts to endowment during FY2009 (\$2.5 and \$1.1 million respectively) among all constituencies.
- Institutions with assets between \$51-100 Million reported an average 5.2% of operating budget being funded by annual giving during FY2009, highest among the selected cohorts.

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Number of Managers Used by Asset Class in Fiscal Year 2009

Average Number

	Total Institutions	Morehouse School of Medicine	HBCUs	\$51-100 Million
	842	1	12	164
Domestic equities	3.9	12.0	4.8	4.0
Fixed income	2.2	5.0	2.6	2.3
International equities	2.8	5.0	2.6	2.4
Alternative strategies (direct)	10.3	10.0	11.0	2.3
Alternative strategies (fund-of-funds)	2.5	0.0	0.6	2.5

- The Morehouse School of Medicine reports utilizing 12.0 separate individual managers for domestic equities, 5.0 for fixed income and 5.0 for international equities, all notably higher than all other constituencies. They also report using 10.0 managers for direct investments in alternative strategies, consistent with that of Total Institutions and only modestly lower than that of the HBCUs group.
- The HBCUs group reported utilizing an average 11.0 separate individual managers for direct investments in alternative strategies, highest among constituencies.
- Institutions with assets between \$51-100 Million reported using an average 2.3 separate individual managers for direct investments in alternative strategies, significantly lower than all other constituencies. They also report utilizing an average 2.5 managers for fund-of-funds investments in alternative strategies, consistent with that of Total Institutions, and notably higher than both other selected cohorts.

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Professional Staffing of Investment Function for Fiscal Year 2009

Average Number

	Total Institutions	Morehouse School of Medicine	HBCUs	\$51-100 Million
	842	1	12	164
Average number of full-time equivalents (FTEs)	1.6	1.0	1.5	0.4
Median number of full-time equivalents (FTEs)	0.5	1.0	1.0	0.3

- The Morehouse School of Medicine reports having an average 1.0 full-time equivalent (FTE) staffing the investment function, slightly lower than both Total Institutions and the HBCUs group.
- Institutions with assets between \$51-100 Million reported having an average 0.4 FTEs staffing the investment function, notably lower than all other constituencies.
- Looking at the median number of FTEs across all cohorts might be more indicative of true staffing levels, with the HBCUs group leading the way (1.0), followed by Total Institutions (0.5) and Institutions with assets between \$51-100 Million (0.3).

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Investment Committee Members and Credentials for Fiscal Year 2009

Average Number

	Total Institutions	Morehouse School of Medicine	HBCUs	\$51-100 Million
	842	1	12	164
Voting investment committee members	8.1	8.0	6.3	8.2
Investment committee members who are investment professionals	4.0	2.0	2.1	3.7
Investment committee members with alternative strategies experience	2.5	0.0	0.5	2.2

- The Morehouse School of Medicine reports having an average FY2009 investment committee size of 8.0 voting members, consistent with that of Total Institutions and Institutions with assets between \$51-100 Million, though only 2.0 are reported being investment professionals and none are reported having experience in alternative strategies (both lowest among constituencies).
- Among the HBCUs group the average FY2009 investment committee size is 6.3 voting members, lowest among constituencies.

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Endowment \$51-100 Million

Adelphi University, NY
Alfred University, NY
Alma College, MI
The Arch Foundation for the University of Georgia, GA
Augustana College, IL
Austin Presbyterian Theological Seminary, TX
Baldwin-Wallace College, OH
Belmont University, TN
Biola University, CA
Birmingham-Southern College, AL
Boise State University Foundation, ID
Brite Divinity School, TX
Buena Vista University, IA
California Institute of the Arts, CA
California State University, Fresno, CA
Calvin College, MI
Canisius College, NY
Centenary College of Louisiana, LA
Central College, IA
Central Michigan University, MI
Chatham University, PA
Christian Theological Seminary, IN
Coc College, IA
College of Idaho, ID
Columbia College Chicago, IL
Concordia College, MN
Converse College, SC
Cornell College, IA
The Corporation of Saint Mary's College, IN
Cottey College, MO
The Culinary Institute of America, NY
Doane College, NE
Drury University, MO
East Carolina University, NC
East Tennessee State University Foundation, TN
Elmhurst College, IL
Elon University, NC
Embry-Riddle Aeronautical University, FL
Emmanuel College, MA
Emory & Henry College, VA
Emporia State University Foundation, KS
Florida A&M University Foundation, FL
Florida International University Foundation, FL
The Foundation of the State University of New York at Binghamton, NY
Franklin College of Indiana, IN
Georgia State University Foundation, GA
Goshen College, IN
Grand Valley State University, MI
Grove City College, PA
Guilford College, NC
Gustavus Adolphus College, MN
Hamline University, MN
Harding University, AR
Hardin-Simmons University, TX
Hiram College, OH
Illinois College, IL
Illinois State University Foundation, IL
John Brown University, AR
Juniata College, PA
Knox College, IL
La Salle University, PA
Lake Forest College, IL
Lamar University, TX
Le Moyne College, NY
Lenoir-Rhyne University, NC
Lindenwood University, MO
Linfield College, OR
Long Island University, NY
Louisville Presbyterian Theological Seminary, KY
Luther College, IA
Luther Seminary, MN
Lynchburg College, VA
Marietta College, OH
Marshall University Foundation, WV
McCormick Theological Seminary, IL
McDaniel College, MD
McMurry University, TX
Medical College of Georgia Foundation, GA
Meharry Medical College, TN
Meredith College, NC
Messiah College, PA
Michigan Technological University, MI
Millikin University, IL
Millsaps College, MS
Monmouth College, IL
Montana State University Foundation, MT
Moravian College, PA
Morehouse School of Medicine, GA
Mount St. Mary's College, CA
Mount Union College, OH
New England Conservatory of Music, MA
New Jersey Institute of Technology, NJ
Niagara University, NY
North Central College, IL
North Dakota State University Development Foundation, ND
Northwood University, MI
Oklahoma Christian University, OK
Oklahoma City University, OK
Oregon University System, OR
Ouachita Baptist University, AR

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