PRINCETON UNIVERSITY

President's Room
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To: The Honorable Orrin Hatch, Chair, Senate Committee on Finance
The Honorable Kevin Brady, Chair, House Committee on Ways and Means
The Honorable Peter J. Roskam, Chair, House Committee on Ways and Means Oversight Subcommittee

From: Christopher L. Eisgruber

Date: March 31, 2016

Subject: Response to Your Letter of February 8, 2016

I am pleased to have this opportunity to respond on behalf of Princeton University to the questions you asked in your letter of February 8, 2016. The questions focused on how our University uses its endowment to fulfill its charitable and educational purposes. I appreciate the interest of your committees in understanding more fully the nature and uses of these funds. Our endowment enables us to pursue our missions of teaching and research at a high level of quality and it allows us to ensure that Princeton is and remains affordable for students from all socioeconomic backgrounds.

Princeton's endowment is made up of thousands of accounts, some of which date back literally hundreds of years. Many of these funds came to the University as gifts, some with restrictions on how the earnings on the funds can be used, but all with the understanding that they would be used to support the University's educational mission. One of our earliest endowed funds, established by a schoolteacher in the Class of 1759, was for financial aid. Today, Princeton's endowment is made up of more than 4,300 separate accounts, and the purpose supported by the largest number of accounts is financial aid. Other accounts support faculty positions, research and teaching programs, library resources, and many other purposes.

Endowments are frequently mischaracterized as "rainy day funds" or "nest eggs," as if they are accumulations of resources to be used at some point in the future. To the contrary, we depend on our endowment year-by-year to cover half the cost of our operating budget and to meet high priority capital needs. Because of our endowment, we are able to offer world-class programs of scholarship and research in well-established as well as emerging fields, despite declining levels of federal support for these purposes, and we are able to provide exceptional educational opportunities at both the undergraduate and graduate levels while charging only a fraction of the cost even to those students who pay full tuition.

As we indicate in our answers, at the graduate level we guarantee funding for all of our regularly enrolled degree-seeking Ph.D. candidates for all years of regular program enrollment—this funding covers the full cost of tuition as well as a stipend. At the undergraduate level, approximately 60 percent of our students receive financial aid, and since 2001 we have provided that aid with no reliance on loans, so all of our undergraduates can graduate debt-free, and in recent classes 83 percent of them have. Some students chose to borrow to cover such expenses as unpaid internships and laptops, and their total average debt at graduation is $6,600.

In determining financial need, we exclude equity in the family's residence and retirement savings and we take full account of the family's other financial obligations. For families earning up to $65,000, our financial aid package typically covers the full cost of tuition plus room and board. For families with incomes up to $100,000, our grant covers full tuition plus half the cost of room and board. For families with incomes of $140,000, our grant fully covers tuition and some room and board. For families with incomes up to $180,000, our package covers more than half of tuition, and we provide some aid for families with incomes up to about $250,000. With this level of need-based aid, we have been able to increase the percentage of our students receiving Pell grants from 7.2 percent in the Class of 2008 to 18.0 percent in the Class of 2018.

We believe a Princeton education is both a private good and a public good. Each student benefits from the educational opportunities we provide, and thus we believe it is appropriate to ask them and their families to contribute to the costs of their educations to the extent they are capable of doing so. But we believe there is a public good in ensuring that the opportunity for a Princeton education is available to students from a broad range of backgrounds and in the commitment to a lifetime of service that we seek to instill in our graduates. We also serve the public good through the training of graduate students who will become the leading scholars and teachers of future generations, and through the research that produces the discoveries, insights, and new ideas that lead to advances in fields ranging from medicine and the environment to technology and public policy and to innovations that meet human and societal needs.

We invest our endowment with an eye toward the long term, and our trustees make decisions about spending from the endowment with the same goal in mind. We work hard to find the right balance in our investment policies between risk and return, with the goal of maximizing our support of this generation of students and faculty, while also ensuring that we can continue to provide appropriate levels of support for future generations. On a number of occasions over recent decades, and again this year, our trustees have authorized increases in spending to keep us in the middle of a band that achieves that critical balance between the present and the future. Princeton recently released a strategic planning document that identifies a number of priorities, including a 10 percent expansion of our undergraduate student body and continuing efforts to increase socioeconomic diversity on our campus, and this additional spending from our endowment will help us move forward with these important priorities. I cite this only as a recent example of the degree to which our endowment increases our capacity to achieve our charitable and educational mission.

Endowment Management

Question 1: What categories of assets are included in your college or university's endowment?

Princeton University takes a comprehensive view when reporting its endowment, which totaled $22.7 billion as of June 30, 2015, the date of the last audited valuation. Earnings from the endowment are used every year to support essential functions of the University: they support its teaching and research mission; they help to build and sustain an excellent faculty and the libraries, laboratories, technological infrastructure, and other resources that faculty and students need to do their work; they fund scholarships, fellowships, and other forms of financial aid that make Princeton affordable for students from all socioeconomic backgrounds; and they allow the University to launch new programmatic and research efforts as important new fields emerge (including, in recent years, such fields as genomics, neuroscience, bioengineering, machine learning, and others).

Princeton's endowment is made up of more than 4,300 separate accounts, and the purpose supported by the largest number of accounts is financial aid. The University's first endowed scholarship fund was created in 1792, and today 80% of its $138.2 million undergraduate scholarship budget comes from student aid endowments. Another 13% comes from other University funds, including payout from general University endowments that are not specifically restricted to student aid. Overall, payout from the endowment provides about half of the University's annual operating budget and it also helps to support critical University capital projects.

The core of the endowment, designated as the *primary invested pool*, utilizes a "unitized" or share-based structure. The primary invested pool is composed of approximately two million units across the more than 4,300 distinct accounts. The Princeton University Investment Company (PRINCO), a department of the University, actively manages the primary invested pool. As of June 30, 2015, the primary invested pool had a market value of $22.3 billion. A small fraction of the primary invested pool (less than 1 percent of market value) consists of funds that support closely affiliated but legally separate entities, such as the Princeton University Press, that further the University's teaching and research mission. "Endowment net assets" (as reported in the Consolidated Financial Statements in the amount of $22.1 billion as of June 30, 2015) exclude such endowment funds held in custody for others. In our responses below we focus on "endowment net assets," although we indicate the amounts of funds held in custody for others and funds invested outside the primary pool.

1. **a-d.** The following table presents endowment asset values according to Generally Accepted Accounting Principles (GAAP) net asset class for the past three fiscal years, as requested.

Net Asset Class ($'s = M)	**FY2013**	**FY2014**	**FY2015**
(A) Permanently Restricted	$ 1,633	$ 1,697	$ 1,650
(B) Temporarily Restricted – Quasi-Restricted	$ 487	$ 503	$ 512
(B) Temporarily Restricted – Appreciation on Permanently Restricted	$ 8,722	$ 10,219	$ 10,708
(C) Unrestricted Net Assets	$ 6,838	$ 8,023	$ 9,278
Total Endowment Net Assets	**$ 17,680**	**$ 20,442**	**$ 22,148**
(D) Endowment Funds in Custody for Others	$ 113	$ 134	$ 143
Total Primary Invested Pool	**$ 17,793**	**$ 20,576**	**$ 22,291**
(E) Loans and Other	$ 407	$ 420	$ 432
Total Endowment	**$ 18,200**	**$ 20,996**	**$ 22,723**

(A) "Permanently Restricted Net Assets" represent the original dollar value of donor gifts. The corpus of these gifts must be invested in the endowment and not spent. Most, but not all, permanent endowments have purpose restrictions that govern the use of their payout.

(B) "Temporarily Restricted Net Assets" describe two kinds of funds. This category includes the value of gifts or bequests to the University that are not restricted by the donor as permanent endowment, but for which the donor restricts the uses. In many cases, the University chooses to invest these gifts in the endowment rather than expend them on a current basis so the earnings from these funds can be used long-term to support the donor-restricted purpose. The second category includes the appreciation on permanently restricted gifts or bequests until those amounts are appropriated for expenditure by the University, in a manner consistent with the standard of prudence prescribed under state law by the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

(C) "Unrestricted Net Assets" includes the value of gifts and bequests made to the University with no restrictions as to endowment or purpose, which the University has placed in the primary investment pool to preserve the purchasing power of the donor's gift. Many of these funds function as quasi- endowments – they are designated by the University to provide ongoing support for mission-related priorities.

(D) As noted above, a small fraction of the primary invested pool consists of endowment funds that support closely affiliated but legally separate entities, such as the Princeton University Press, that further the University's teaching and research mission. As prescribed by accounting standards, Endowment Net Assets exclude such endowment funds held in custody for others.

(E) In addition to the primary invested pool, the overall endowment includes University loan programs; a small number of funds that must be separately invested due to donor or legal restrictions; and strategic landholdings. These three categories totaled approximately $0.4 billion as of June 30, 2015 (1.9% of the total endowment).

The table below shows the fair market value of the primary invested pool endowment apportioned by major purpose categories, excluding the small portion held for closely affiliated organizations. Funds that are not restricted by donors, but which have been allocated to specified purposes by the University, are included in the categories to which they have been allocated.

Purpose Category ($'s = M)	**FY2013**	**FY2014**	**FY2015**
Teaching and Research	$ 4,783	$ 5,504	$ 5,966
Student Aid, Prizes, and Other Student Support	$ 3,244	$ 3,735	$ 4,053
Departmental Programs and Support	$ 4,231	$ 4,893	$ 5,257
Unrestricted – Designated for Operations	$ 3,434	$ 3,921	$ 4,244
Unrestricted – Designated for Capital	$ 1,988	$ 2,389	$ 2,628
Total Endowment Net Assets	**$ 17,680**	**$ 20,442**	**$ 22,148**

Question 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?

Princeton holds a small number of investments that are not included in the endowment. This includes working capital that provides necessary liquidity in support of the institution's core educational purposes and daily expenditures. This liquidity is used to meet important institutional expenses such as payroll, and other operating and capital expenditures.

In addition to working capital, the University has a fund invested for a relatively short time horizon for the purpose of assuring that liquidity needs can be met. This fund is referred to as an Intermediate Term Investment Pool (ITIP) and is largely invested in treasury bills.

The University's planned giving assets are donor gifts invested in formalized deferred giving programs that generally provide the donors and their named beneficiaries (if any) with a stream of income during their lifetimes. For most planned gifts, following the death of the last individual beneficiary the University is able to use all remaining proceeds for the purposes designated by the donor when the gift was originally established.

As indicated below, the sum total of all of these investments is a small fraction of the overall endowment, but they all help the University to carry out its educational and research mission.

Investments not Included in Endowment ($'s = M)	**FY2013**		**FY2014**		**FY2015**	
	FMV	**Basis**	**FMV**	**Basis**	**FMV**	**Basis**
Working Capital	$ 178	$ 178	$ 167	$ 167	$ 128	$ 128
Intermediate Term Investment Pool (ITIP)	$ 172	$ 172	$175	$ 175	$ 251	$ 251
Planned Giving	$ 185	$ 167	$ 199	$ 185	$ 178	$ 179
Total Investments not Included in Endowment	**$ 535**	**$ 517**	**$ 541**	**$527**	**$ 557**	**$ 558**

Question 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 of your endowment each year?

The table below provides answers to this question for the past three years, but over a longer time period there has been much greater variability (see table in response to question 7).

Endowment Size, Growth and Investment Return ($'s = M)	**FY2013**	**FY2014**	**FY2015**
Fair Market Value (as of June 30)	$ 18,200	$ 20,996	$ 22,723
Net Growth	$ 1,246	$ 2,796	$ 1,727
Investment Return	11.7%	19.6%	12.7%

Question 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.

There are two primary kinds of costs associated with managing the endowment: (1) internal costs – primarily staffing in the University's central finance offices and at PRINCO, the University's investment department, and (2) external manager and custodial fees. PRINCO seeks to structure fees paid to outside advisors in a manner that helps align the interests of the advisors with the interests of the University and create a disincentive for advisors to take undue risk. For a few advisors, compensation consists solely of a fee determined by an agreed-upon percentage applied to the amount of assets managed. In most cases, the advisor also receives a fee based on performance. The exact terms of measurement of both asset-based fees and performance fees vary considerably case-by-case. The endowment's performance is always reported net of all fees paid to external advisors.

Consistent with prior reporting and conventional accounting, the figures below do not include the external managers' performance-based compensation, which is properly understood as a share of returns rather than a cost of management. As is evident from the table below, these costs amount to about 1.4% of the market value of the endowment.

Endowment Management Staff and Costs ($'s = M)	**FY2013**	**FY2014**	**FY2015**
Princeton FTEs (PRINCO & Other Departments)	44.8	47.6	42.4
External Managers (Firms)	161	159	160
Internal Costs (PRINCO & Other Departments)	$ 23	$ 22	$ 21
External Costs (Manager & Custodial)	$ 245	$ 266	$ 299

Question 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's name(s) and the Employment Identification Number.

Princeton's endowment is not required to file a separate Form 990.

Endowment Spending and Use

Question 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.

The determination of what percentage of the endowment will be paid out is made by the University's trustees and the policies that govern this determination are reviewed on a regular basis. These policies are based on two fundamental principles. First, they seek to achieve an appropriate balance between meeting the needs of current students and faculty (as noted earlier, endowment payout covers about half of the University's current operating budget), and preserving purchasing power so that the endowment can meet the needs of future generations. This is frequently described as "intergenerational equity," and it is critically important that universities both support the highest possible levels of quality and affordability for the current generation and make sure that they can meet their continuing commitments to quality and affordability in the years ahead, even in challenging financial times. Unlike foundations, for example, that can scale back their grant-making in response to fluctuations in market values, universities make long-term commitments to the faculty, programs, and facilities that are essential to their teaching and research missions, and they need to plan for costs that are likely to increase over time while also sustaining capacity to take on new commitments as knowledge expands and new technologies are developed.

The second fundamental principle is that the payout from the endowment should be sufficiently predictable to facilitate responsible planning and reasonable budget stability, which are critical given the large share of the budget (roughly half) supported by the endowment.

To accomplish these goals, since 1979 the University has determined the annual rate of payout from its endowment by applying a target range for endowment spending, a presumed annual payout inflator, and human judgment. From 1979 through 2009, the target range for the spend rate (the fraction of endowment value per unit expended in a given year) was 4 to 5 percent. Effective for fiscal year 2009, the upper bound of this range was increased to 5.75%. Effective July 1, 2015, the trustees increased this upper bound yet again, to 6.25%, with the expectation that this would lead over time to an increase in the average annual amount of endowment spending.

As part of the annual budget process, the trustees enter each year's endowment spending deliberations with the base-level assumption that, unless conditions warrant otherwise, dollars spent per unit will increase by 5 percent per year. A large share of the presumed 5 percent inflator is used to cover higher education inflation (including, for example, increases in the percentage of research expenses borne by the University), but it also allows for some enhancements in the scope and quality of the University's programs. By including a presumed 5 percent inflator in its spending policy, the University helps maintain a stable and predictable budget-planning framework.

Conditions sometimes warrant changes to the presumed 5 percent inflator. Human judgments, combined with attentiveness to the target range for the spending rate, are key elements in deciding whether and when to change the inflator in a given year. Over recent decades, in years when the spend rate dipped below the 4 percent floor, the trustees considered whether to authorize payout increases substantially greater than the presumed 5 percent inflator. Such increases occurred several times in the 1980s, 1990s, and early and mid-2000s, primarily in support of important strategic initiatives, such as the 2001 decision to eliminate student loans in Princeton's financial aid packages and replace them with grants. For the past two years the University has been engaged in a comprehensive planning effort, and as part of a recently adopted strategic planning framework, the trustees endorsed proposed increases in endowment payout above the presumed 5 percent inflator for the fiscal years 2017 and 2018 to help fund critical mission priorities such as increasing the number of enrolled students, expanding the representation of students from lower socio-economic backgrounds, and increasing capacity in high priority fields of teaching and research, including engineering and information science.

Endowment Spend Rate	**FY2013**	**FY2014**	**FY2015**
Fraction of Endowment Market Value (as of July 1st) distributed for expenditure in the given year per unit	4.7%	4.6%	4.2%

Question 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?

Under most circumstances, Princeton does not spend endowment principal. The principal of true endowments ordinarily cannot be withdrawn or spent, in accordance with the state law provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as well as the terms of agreement with the donor. From time to time, the fair market value of assets associated with individual donor-restricted endowment funds may fall below their initial fair market value. In accordance with UPMIFA, under such circumstances the University is permitted to reduce the balance of restricted endowments below the original amount of the gift, with subsequent investment gains then used to restore the balance up to the fair market value of the original gift. In fiscal year 2009, these types of endowment fund deficiencies totaled $46.2 million. Deficiencies of this nature continued until 2013, when all principal balances were restored.

The University's policy is that quasi-endowments have a minimum investment period of 5 years, but they are ordinarily not liquidated. Quasi-endowments are maintained for long periods because they support key priorities such as financial aid and operating and maintenance costs of campus buildings.

Question 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 table below provides a summary of endowment spending based on beginning market value, in dollars and percentages. Spending is determined based on the trustee policies described earlier and not by the investment returns in any given year. For example, when investment returns were down 23.5% in 2009, spending was sustained. Princeton's spending policies ensure that University operations can be maintained even in down years and over the long term.

Endowment Spending ($'s in M)	**FY2008**	**FY2009**	**FY2010**	**FY2011**	**FY2012**	**FY2013**	**FY2014**	**FY2015**
Spending ($)	$ 640	$ 696	$ 668	$ 685	$ 733	$ 777	$ 825	$ 871
Spending Rate	4.6%	4.8%	6.0%	5.1%	4.4%	4.7%	4.6%	4.2%
Investment Return	5.6%	(23.5%)	14.7%	21.9%	3.1%	11.7%	19.6%	12.7%

Question 9: What percentage of your endowment does the 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.

Princeton's financial aid policy is recognized as among the most generous in the country and is designed to ensure that the University is affordable to all students. Approximately 60% of undergraduate students receive financial aid, and Princeton guarantees funding for all of its regularly enrolled degree-seeking Ph.D. candidates for all years of regular program enrollment.

Princeton's undergraduate financial aid program is built on grants; it does not require any borrowing, so students can graduate debt-free. In calculating a student's financial need, the University excludes equity in the family's primary residence and retirement savings and it accounts for such obligations as educational expenses for other children and medical bills for dependents. In determining the cost of attending Princeton, the University includes tuition, room, board, miscellaneous expenses, fees and travel.

For families earning up to $65,000, Princeton's financial aid package fully covers the cost of tuition plus room and board. For families with incomes between $100,000-$120,000, the average grant covers full tuition and about 20% of room and board. For families with incomes up to $140,000, the aid package fully covers tuition. Grant support for an average family with income of $160,000 covers about 80% of tuition. For students in the Class of 2019 with family incomes up to $180,000, the average grant covered about half of tuition. Most students with family incomes up to $250,000 qualified for some assistance.

One result of this commitment to affordability is a significant increase over recent years in the socioeconomic diversity of Princeton's student body, including an increase in the percentage of undergraduates receiving Pell grants from 7.2% in the Class of 2008 to 18.0% in the Class of 2018. Another result is that in recent years about 83% of Princeton seniors have graduated debt-free, and for those who chose to borrow (usually for expenses such as an unpaid internship or a laptop computer), the average total indebtedness at graduation was $6,600.

Endowment payout plays a central role in enabling Princeton to provide this kind of financial assistance to undergraduate and graduate students. We are very fortunate that Princeton alumni have been strong supporters of financial aid for many generations; of the approximately 4,300 separate accounts in our endowment, more than 1,300 are donor-restricted or internally designated for undergraduate scholarships, and more than 300 are specifically designated for graduate fellowships. As noted in the chart below, these expenditures account for roughly a quarter of the University's endowment payout. This includes payout from student aid endowment accounts, as well as from general University endowments that are not specifically restricted to student aid. In addition to these amounts, endowment payout also provides funding for such expenses as internships, summer and academic year research grants, study abroad, and other educational opportunities.

By any measure, these expenditures clearly indicate that affordability is one of Princeton's highest priorities. But focusing only on explicit expenditures for financial aid tells only part of the story. The total cost to the University for educating an undergraduate is more than double the tuition rate, which means that even students paying full tuition are covering less than half of what their educations actually cost. When endowment payout helps defray the costs of faculty salaries, libraries and laboratories, and other educational expenses, it is, in effect, providing financial aid to all students – not just those officially receiving financial aid. By this measure, a much larger percentage of the endowment payout than the amount listed below is being used to reduce the cost to students of the educations they receive at Princeton.

Endowment Spending on Student Aid Undergraduate and Graduate ($'s in M)	**FY2013**	**FY2014**	**FY2015**
Percent of endowment payout devoted to student aid*	26.4%	25.1%	25.2%
Endowment spending devoted to student aid ($)	$ 203.4	$ 206.2	$218.2

*Student aid covers undergraduate scholarships, graduate fellowships, prizes, and other aid.

Question 10: Does your college or university have policies regarding whether it is allowed to accept funds restricted to a particular 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.

Princeton follows specific policies and practices regarding gift acceptance. It will accept only those restricted gifts that further the University's teaching and research mission and whose purpose is deemed a University priority. The University will not accept gifts with restrictions that conflict with its policies, values, or the law. In addition to these basic criteria, the University will not accept gifts with restrictions that it believes would create undue financial or administrative burdens; it will not accept a restricted gift if the University determines that it cannot fulfill the donor's intent in making the gift; and it will not accept restricted gifts over which the donor retains control.

The Trustees authorize only a small number of senior administrators to accept restricted gifts on the University's behalf. Those authorized administrators, as well as others, including the Board of Trustees as needed, determine whether the restriction of the gift and any proposed recognition or naming are in accordance with the University's priorities, values, and mission. If a prospective donor suggests restrictions that do not meet the above criteria, University representatives work with the donor to try to redirect the gift toward an identified need or to modify the restrictions so that the gift aligns with University priorities and practices.

Princeton occasionally declines gifts that do not meet these criteria when efforts to redirect the gift are unsuccessful. For example, the University has declined gifts for fields of study that are not part of Princeton's academic curriculum or program.

Question 11: How much and what percentage of your college or university's endowment is invested in real property? Please list and describe your college or university's real estate holdings. If the college has made any Payments in Lieu of Taxes, please provide the date and amount of the payment.

The table below represents the amount and percentage of the primary investment pool invested in real property:

Real Property in the Endowment Primary Pool ($'s = M)	FY2013	FY2014	FY2015
U.S. Property – Dollars	$ 1,880	$ 1,858	$ 1,767
U.S. Property – Percent	10.6%	9.0%	7.9%
International Property – Dollars	$ 464	$ 549	$ 492
International Property – Percent	2.6%	2.7%	2.2%

In addition, the University holds some strategic landholdings as part of its overall endowment, but not in the primary pool. Princeton Forrestal Center (PFC) is a mixed-use development that was initially conceived in the 1970's as a means to attract research enterprises to the Princeton area and shape the growth of communities adjacent to the University. The University owns less than half of the total PFC land and pays property taxes on all of its commercial real estate.

The fair value of these real estate holdings that are outside of the primary invested pool are indicated in the table below:

Fair Value of Real Estate Holdings* ($'s = M)	**FY2013***	**FY2014**	**FY2015**
U.S. Property – Dollars	$ 42	$ 46	$ 47

*Includes a $ 0.4M gift of real estate

Princeton contributes in many ways to the overall economic well-being of New Jersey and to the quality of life in its surrounding communities. It is the largest private employer in the region, and it offers educational, cultural, and athletic programming that includes a community course auditing program, an exceptional art museum that is free and open to the public, public lectures and artistic performances of many kinds, and high quality varsity sports teams. Under a multi-year Voluntary Contribution Agreement with the municipality of Princeton, the University made unrestricted contributions of $2.75 million in 2014 and $2.86 million in 2015, with this amount slated to rise to $3.48 million in 2020, the final year of the agreement. The University's total voluntary unrestricted contributions over the seven years of the agreement will be $21.72 million. The agreement also commits the University to provide one-time contributions totaling $2.59 million to several identified municipal projects, including new space for its first aid and rescue squad and its fire department. Under a Memorandum of Understanding with the Township of West Windsor, the University has made contributions ranging from $50.0 thousand to $56.2 thousand per year from 2008 through 2015.

In addition to these voluntary contributions, the University has contributed financially to a large number of local organizations, supporting such diverse and critical initiatives and services as healthcare, fire and emergency services, education and libraries, transportation, sustainability and open space, and community enhancement, as well as the United Way. These contributions totaled more than $2.4 million during the three tax years (2013-2015) covered by this request for information.

In fiscal year 2015, the University paid property taxes of $10.2 million to local municipalities. As the largest single payer of property taxes to the municipality of Princeton, the University paid $9.2 million in fiscal year 2015. For many years, the University has elected to leave all non-dormitory student housing on the tax rolls. This is a voluntary action, as state law exempts colleges and universities from paying taxes on buildings related to their educational missions. Of the $9.2 million in property taxes, approximately half represents assessments on graduate student residential housing and other buildings and properties that could be removed from the tax rolls under state law.

Donations

Question 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 naming rights donations your college or university has used for tuition assistance.

Through a review process involving senior administrators and the Board of Trustees, the University identifies naming opportunities that may be associated with endowment funds, academic or co-curricular initiatives or programs, faculty or staff positions, or (new or renovated) spaces and facilities. The gift level associated with a naming opportunity varies depending on the designated purpose of the gift. Depending on the preferences of the donor, a named fund, program, position, or space may be named for the donor, or for someone the donor wishes to honor, such as a family member or former professor.

Princeton currently has more than 1,300 specific endowment accounts that are restricted or designated for undergraduate student aid. Many of these accounts are named in honor of specific donors or people whom donors or the University wished to memorialize. (For example, the University designated named scholarships in memory of alumni who fell in World War I.) These totals also include scholarship endowments named for Princeton graduating classes and alumni associations who made gifts for this purpose. The number and payout from these accounts continue to increase as more donors make such gifts, and as the performance of the endowment generates more income that can be used to meet students' financial need.

Named Endowment Accounts for Undergraduate Financial Aid	FY2013	FY2014	FY2015
Named Accounts for Undergraduate Student Financial Aid	1,245	1,263	1,295
Named Accounts for Undergraduate Student Financial Aid, as a Percentage of Total Endowment Accounts	30.3%	30.0%	30.2%
Payout from Named Accounts for Undergraduate Student Financial Aid ($'s = M)	$ 96	$ 99	$ 105

Conflicts of Interest

Question 13: What conflict of interest policies does your college or university have in place to address financial interest in endowment investments? 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?

The policy regarding conflicts arising from endowment investment with related parties (e.g. trustees of the University and directors of PRINCO) is found in the Princeton University Board of Trustees Investment Policy Statement. It recognizes that special investment opportunities might arise that entail investing with individuals related to the University, purchasing securities from such individuals, or using the services of institutions or individuals affiliated with the University. In such a scenario, the following conditions must be satisfied: (i) the investments are made on terms no less favorable to Princeton than would be available to Princeton in a transaction among parties meeting in a strictly commercial arms-length setting; (ii) the transactions are approved by the affirmative votes of a majority of the disinterested directors of PRINCO, even though the disinterested directors may be less than a quorum, and by the chair of the Trustee Finance Committee; and (iii) in cases of co-investment or direct purchases from individuals related to the University in a significant way, they are reported in reasonable detail to the Finance Committee of the Board of Trustees at the next regularly scheduled meeting of that committee. If a director of the Investment

Company, or an individual professionally or personally related to a director, has a financial interest in an investment under consideration, those interests are disclosed in reasonable detail to the directors of PRINCO when such matters are under deliberation and, if an investment is made, to the members of the Finance Committee. If a director of PRINCO is placed in a situation where considerations other than those properly bearing on his or her role as a director of PRINCO may enter into consideration, that director is excused from all discussions and decisions concerning that investment. If a member of the staff wishes to invest University funds with a related party, the procedures outlined above take effect: the related party is recused from all discussions, staff make a recommendation, and that recommendation must be approved by the majority of the PRINCO Board, with the chair of the Trustee Committee on Finance, who is an ex officio member of the PRINCO Board, getting a "blackball" veto right.

On an annual basis, all trustees are required to review the University Conflict of Interest Policy for trustees and sign a statement of compliance affirmation, which is submitted to the office of the Vice President and Secretary. The Vice President of Human Resources, the Dean of the Faculty, and the Director of the Princeton Plasma Physics Laboratory are responsible for ensuring compliance with the University's conflict of interest policies by all employees. PRINCO staff are University employees and, as such, are required to comply with the conflict of interest policies for employees.