STANFORD
UNIVERSITY

JOHN L. HENNESSY
President

March 30, 2016

The Honorable Orrin G. Hatch
Chairman
Senate Finance Committee
Washington, DC 20510

The Honorable Kevin Brady
Chairman
House Ways & Means Committee
Washington, DC 20515

The Honorable Peter J. Roskam
Chairman
House Committee on Ways & Means, Oversight Subcommittee
Washington, DC 20515

Dear Senator Hatch, Representative Brady, and Representative Roskam:

Attached is Stanford University's response to the thirteen questions you asked in your letter of February 8, 2016.

We will also be posting our responses on Stanford's website. We already provide a great deal of information about our endowment and financial aid program on our website, in our publications, and in our considerable outreach program to potential students. We are pleased to include our responses to your questions as part of the information available to the members of the Stanford community, students considering attending Stanford and their families, and members of the public.

Leland and Jane Stanford's vision and commitment to future generations has shaped our university's enduring commitment to accessibility and affordability. We hope the attached provides you with the information you need to better understand how Stanford stewards its resources to ensure that it can continue to provide exemplary outcomes for students and all those who will benefit from their education for generations to come.

Sincerely,

John L. Hennessy

JLH/k

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Introduction

For 125 years — since the university opened its doors in 1891 — Stanford has served the public through its pioneering research and the education of generations of leaders. Integral to that mission is the university's commitment to keeping Stanford affordable and accessible. Today, Stanford is one of the few universities in the nation with a need-blind admission policy for U.S. undergraduates, admitting students irrespective of their financial situation. Stanford's financial aid program is one of the strongest in the country.

The university's longstanding commitment to excellence, accessibility and service dates back to its founding. Stanford University was established by Jane and Leland Stanford in 1885, after the death of their son and only child. The Stanfords believed that higher education served the greater good. They committed themselves to "educating other people's children" and invested their wealth in the university.

The university's original endowment was a gift to future generations. The mission was clearly stated in the Founding Grant: To establish a "University of high degree" that, through its research and teaching, should prepare students "for personal success and direct usefulness in life" and "promote the public welfare by exercising an influence on behalf of humanity and civilization." The founders' vision and commitment to future generations has shaped the university and its enduring commitment to accessibility and affordability.

Over the years, thousands of additional donors — generations of alumni, parents and friends — have established endowed funds for scholarships, fellowships, professorships and many other purposes in support of the academic mission. Today, Stanford's endowment comprises nearly 8,000 individual funds, each one named and used in accordance with the donor's wishes and all in service to Stanford's core mission of teaching and research.

Keeping Stanford affordable

Since 2000, the university has increased its efforts to keep Stanford affordable for both its undergraduate and graduate students. Undergraduates make up 43 percent (6,994 students) of the student body, and the university significantly expanded its undergraduate financial aid program <u>three times</u> over the past 15 years. In enhancing the aid program, particular emphasis was given to providing support for middle-income and low-income families. All financial aid is granted based on financial need, with the exception of athletic scholarships.

Today, families from the United States with incomes below $125,000 pay no tuition. If income is below $65,000 and a family has typical assets for this income range, parents are not required to pay tuition, room or board. The university is also mindful of student debt, and it does not expect students to borrow to meet their need. As a result, Stanford students incur less debt than their peers at other universities. In 2014-15, 78 percent of Stanford undergraduates receiving degrees graduated with <u>no debt</u> — up from 55 percent in 2004-05. For students who chose to borrow, the median indebtedness was $16,417.

Last year, Stanford provided $164.2 million in scholarships to undergraduates (before externally-funded scholarships, loans or work-study); $106.9 million of that amount was generated from endowment income. However, it is important to note that the role of the endowment in funding undergraduate education is not limited to the large part it plays in funding scholarships.

Stanford's full tuition covers only two-thirds of the total cost of educating an undergraduate student. The remaining third has to be funded through annual gifts from loyal donors and endowment payout from non-scholarship funds. For example, an endowed professorship fund, whose payout supports the salary and benefits of a faculty member, or endowed funds whose payouts contribute to the costs of overseas studies programs or library materials, also support the cost of undergraduate education. Alternatively, they allow Stanford to provide a higher quality educational experience without requiring the incremental costs to be covered by student tuition. Stanford could not, for example, maintain its exemplary student/faculty ratio without its many endowed faculty positions.

The public sometimes wonders why universities with large endowments such as Stanford's limit their payout percentage (Stanford's payout is currently ~ 5.5 percent per year). Endowment funds are established to support programs in perpetuity, whether they are for scholarships, fellowships, professorships or other academic initiatives. Doing so requires maintaining purchasing power of the funds, despite an average annual cost inflation of ~3.5 percent over the last 30 years, as recorded by the Commonfund Institute's Higher Education Price Index (HEPI). Therefore, to generate a 5.5 percent payout, the endowment must earn at least 9 percent (3.5 + 5.5) in investment returns, net of management fees, each year. A higher payout requires higher investment returns, which are very difficult to achieve consistently. Stanford's policies and processes for determining its annual payout are described in detail in Question 6.

Stanford's endowment is crucial to insuring affordability for its students and enables the university to increase the amount spent on aid. As a result, the average net price of a Stanford education — what an average student pays after financial aid is taken into account — actually decreased in real terms (adjusting for inflation) at an average rate of 0.1 percent per year over the last 10 years. For students from low and middle-income families, Stanford costs far less to attend today than it did in the late 1990s, which is why the vast majority of students graduate with no student debt.

Support for graduate education

While the education of undergraduate students has been central to the university since its founding, Stanford's overall mission is far more comprehensive and includes the education of graduate students, the training of physicians and teachers, pioneering research and innovations, educational outreach and providing health care to the greater community.

In 2015, 57 percent of Stanford's student population — 9,128 students — were graduate and professional students. These students are pursuing advanced degrees in more than 90 programs and departments across all seven of Stanford's schools: Business; Earth, Energy and

Environmental Sciences; Education; Engineering; Humanities and Sciences; Law and Medicine. In addition, Stanford trains over 2,100 postdoctoral research fellows and over 1,100 medical interns, residents and fellows.

In the face of diminishing federal support, Stanford has assumed more of the burden in supporting its graduate students. Last year, more than 7,900 graduate students (about 87 percent) received aid (excluding loans). Stanford provided more than $119 million in university fellowships and almost $50 million in teaching assistantships.

In February 2016, Stanford announced a new graduate level scholarship program. The Knight Hennessy Scholars program builds on the university's mission and will prepare students from a wide range of backgrounds to be leaders in solving global challenges. The first cohort of scholars will begin their studies in Fall 2018. Upon admission, these graduate students — 100 per year, with up to 300 in residence at any given time — will receive full funding for three years to pursue advanced degrees and develop the capacity to lead and bring about positive change in the world. Approximately $700 million in commitments from alumni and friends has been raised for this program and will be added to the university endowment. More than 80 percent of these funds will be used for scholarships.

Commitment to diversity and community outreach

Stanford has a deep commitment to diversity, broadly defined, and has invested significant resources to encourage diversity throughout the university. In 2015, 15 percent of incoming undergraduate students were the first in their families to go to college. Stanford's Diversity and First-Gen Office provides support to these students from admission to graduation. The student-run First Generation, Low Income Partnership (FLIP) works with incoming students to ease their adjustment to college life and help them connect with others. At the graduate level, the DARE (Diversifying Academia, Recruiting Excellence) Doctoral Fellowship Program provides support to advanced doctoral students from diverse backgrounds, including underrepresented minorities; first-generation college students; women in fields such as science and engineering; students with disabilities; gay, lesbian, bisexual and transgender students; and others whose backgrounds would diversify the academy.

In addition to undergraduate and graduate degree programs, Stanford offers a number of educational programs for the broader community, ranging from high school students from low-income and/or under-represented groups to lifelong learners. For example, the university is actively engaged in increasing knowledge among the general public about science and scientific research. Through the Office of Science Outreach (OSO), Stanford faculty work to generate interest and understanding of math, science and engineering among young people and school teachers. Several different programs are offered, including a summer research program for science teachers and several summer programs and internships for high school students interested in health, science, medicine and the environment.

Stanford has led the way in developing online educational opportunities that have benefited thousands of people worldwide. Through Stanford Online, lifelong learners can participate in free online courses taught by Stanford faculty. These courses leverage Stanford's innovations in technology, online delivery and course design and provide great learning opportunities to people throughout our country and around the world. In addition, the Stanford Online High School provides a high quality, fully accredited high school education to students with limited access to traditional "brick and mortar" schools.

Impact through research, contributions to the economy and health care

In addition to its educational programs, Stanford University has had a profound impact on society in its relatively short history through its research advances; its contributions to the local, national and global economy; and as a health care provider.

Stanford scholars have pioneered medical breakthroughs, technological advances and scientific discoveries. Over the last four decades, Stanford has had more than 9,000 invention disclosures and more than 3,000 technology licenses. Stanford faculty make roughly 450 new technology disclosures to the Office of Technology Transfer each year. Among Stanford's licensed inventions are Google's search technology, recombinant DNA, optical fiber amplification, DSL technologies, antibody therapies and FM sound synthesis. In recent years, Stanford has been tackling 21st century challenges — from international and economic issues to energy and human health.

Many credit Stanford's entrepreneurial spirit for the development of Silicon Valley and its impact on the global economy. Since the 1930s, some 39,900 companies — and 5.4 million jobs — have been launched by Stanford faculty and alumni. In 2012, it was estimated that $2.7 trillion in world revenues is generated annually by companies founded by Stanford entrepreneurs.

Over the years, Stanford Medicine has pioneered fundamental medical treatments and cures, from the first heart transplants to the first radiation treatment for cancer — all the while providing vital patient care to the greater community and educating generations of clinicians and researchers. Today, Stanford Health Care is the only Level-1 trauma center between San Francisco and San Jose and provides critical care for complex injuries and medical emergencies. In 2014, it treated more than one million patients. Almost half-a-million children a year are served by Lucile Packard Children's Hospital Stanford, working with 100 Stanford Children's Health locations throughout the region. All of this work receives vital support from endowment funds.

Stanford University also plays an important economic role in the region as an employer. In 2015, the university employed 11,481 people (excluding faculty) who support the teaching and research mission as managerial, professional, clerical, technical and maintenance staff.

A university in service to society

All of these efforts — the education of undergraduates and graduates, the technological breakthroughs and advances in knowledge, the innovations in teaching, the search for solutions to society's grand challenges and the economic contributions — are central to Stanford's original mission, to be a "University of high degree" for "the benefit of mankind." They are supported by the original endowed grant of the Stanford family and all of the subsequent gifts from generous donors who have amplified its impact over time.

For 125 years, the generosity and vision of Stanford's donors — its founders, alumni, parents and friends — have been integral to advancing the university's mission. University leadership, faculty, students and alumni have, in turn, worked to make good use of their knowledge for the benefit of the greater community and to ensure future generations have the same or better opportunities.

We hope the following provides you with the information you need to better understand how Stanford stewards its resources to ensure that it can continue to provide exemplary outcomes for students and all those who will benefit from their education for generations to come.

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); and**
   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 restrictions put into place?**

There are two different ways we use the terms "restricted" and "unrestricted" when referring to Stanford's endowment.

The first sense of restriction is an accounting principle established by the Financial Accounting Standards Board. We refer to this as a fund's "Net Asset Classification". This classification essentially defines whether endowment funds can be spent, or whether they must be preserved as endowment in perpetuity.

However, just because part of the endowment is "Unrestricted" from an accounting standpoint does not mean the university can spend it however it wants. It may be restricted as to use or purpose — and that is the second sense of restriction, used internally. The net asset classification refers to *whether* endowment can be spent; this classification refers to *how* endowment can be spent. These restrictions can occur as a result of either a donor or a university official designating funds for a specific purpose. Funds are only "unrestricted" if the university can use the money for any purpose.

As a result, there are some endowment assets that are permanently restricted under their net asset classification (because they are part of the original value of a gift, for example) but are unrestricted as to use. Other funds in the endowment might be unrestricted from a net asset standpoint (funds designated to function as endowment by the board, for example), but might carry restrictions that stipulate the funds can only be spent to fund the School of Medicine, for example.

We break down our endowment under both systems of classification separately below:

<u>Net Asset Classification</u>

The university classifies a substantial portion of its financial resources as endowment, which is invested to generate income to support operating and strategic initiatives. The endowment, which includes endowed lands, is comprised of pure endowment funds, term endowment funds and funds functioning as endowment (FFE). Depending on the nature of the donor's stipulation, these resources are recorded as permanently restricted, temporarily restricted or unrestricted net assets. Term endowments are similar to other endowment funds except that, upon the passage of a stated period of time or the occurrence of a particular event, all or part of the principal may be expended. Accordingly, term endowments are classified as temporarily restricted net assets. FFE are university resources designated by the Board as endowment and are invested for current income and long-term maintenance of value. These assets, however, may be expended at the Board's discretion. Accordingly, FFE are recorded as unrestricted net assets.

The university classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are authorized by the terms of a gift for expenditure. Endowment funds by net asset classification as of August 31, 2015, 2014 and 2013, in thousands of dollars, are displayed in Figure 1a below.

Figure 1a: Endowment funds by net asset classification as of August 31, in thousands of dollars

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
2015				
Donor-restricted endowment funds	$ (5,394)	$ 6,466,064	$ 5,720,633	$ 12,181,303
Funds functioning as endowment	10,041,654	-	-	10,041,654
TOTAL ENDOWMENT FUNDS	**$ 10,036,260**	**$ 6,466,064**	**$ 5,720,633**	**$ 22,222,957**
2014				
Donor-restricted endowment funds	$ (4,882)	$ 6,574,426	$ 5,465,939	$ 12,035,483
Funds functioning as endowment	9,410,523	-	-	9,410,523
TOTAL ENDOWMENT FUNDS	**$ 9,405,641**	**$ 6,574,426**	**$ 5,465,939**	**$ 21,446,006**
2013				
Donor-restricted endowment funds	$ (20,278)	$ 5,528,171	$ 5,174,848	$ 10,682,741
Funds functioning as endowment	8,006,127	-	-	8,006,127
TOTAL ENDOWMENT FUNDS	**$ 7,985,849**	**$ 5,528,171**	**$ 5,174,848**	**$ 18,688,868**

<u>Use Classification</u>

The endowment is made up of about 8,000 individual funds. Separate from net asset classifications, each of these endowed funds may be restricted as to purpose or use. In total, 74 percent of the market value endowment assets are subject to this type of restriction.

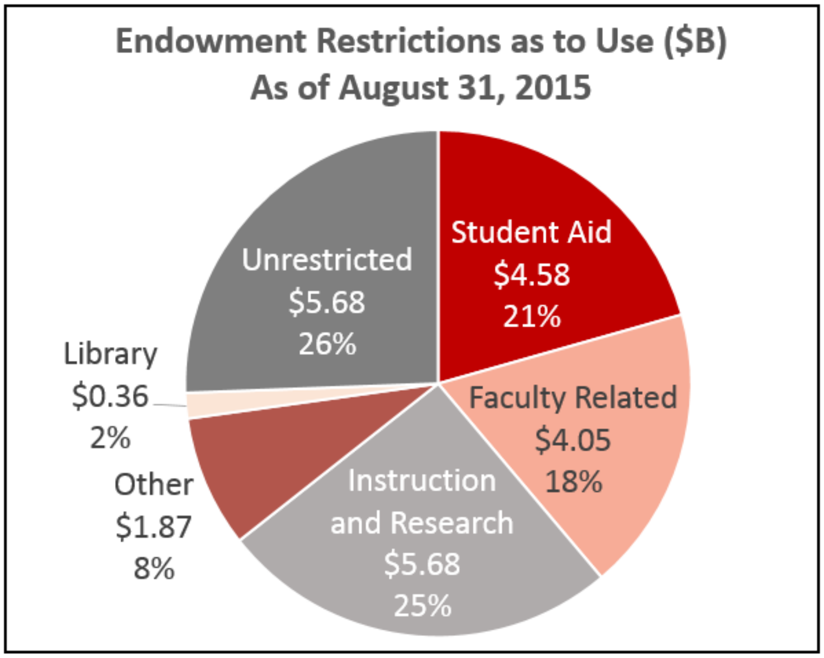
The majority of restrictions as to use are the result of stipulations accompanying a donor gift. As directed by the California Uniform Prudent Management of Institutional Funds Act, Stanford uses gifts in accordance with donor intent as expressed in a gift instrument. Many donors stipulate exactly what their funds are to be used for and which unit or units in the university may benefit from payout on those funds. For example, funds given for one school or department cannot be used in another, and funds given for research cannot be applied to financial aid.

In some cases, schools and departments may have unrestricted or restricted funding outside of the endowment for which a long-term use has been identified. Examples of this funding could include expendable gifts for multi-year projects, royalties, clinical income (compensation from the Stanford hospitals for clinical services provided by faculty physicians) and budget surpluses maintained for future needs. University policy allows these funds to be preserved and earn a return by bringing them into the endowment as funds functioning as endowment (FFE). In some cases, FFE are designated for a specific purpose by a university official. In other cases, such as when large expendable gifts are transferred in to the endowment at the discretion of a school or department, the funding already has a specific donor-related stipulation.

The top five uses for which funds are restricted are described below, and Figure 1b shows the market values of funds apportioned to each use.

1) Instruction and Research – Different sub-categories under this heading may restrict funds to general support within a specific school (e.g. School of Medicine), department (e.g. Department of Pediatrics), or program (e.g. Emergency Pediatrics Program) or for expenditure at the discretion of a particular dean. Other specifications might limit the use of funds to a specific type of research, clinical trials or curriculum development. The funds in this category that support instruction take pressure off of tuition as a funding source for undergraduate and graduate education. The funds in this category that support research allow scientists to pursue projects without relying on external research grants or where grants do not cover the full cost of research.
2) Student Aid – These funds might be designated for undergraduate, masters or doctoral student aid, and may include scholarships and fellowships.
3) Faculty Related – These funds include endowed chairs that support professorships as well as other faculty salary support. They also take pressure off of tuition as a funding source for undergraduate and graduate education by funding faculty who teach.
4) Libraries – These funds are designated to buy books and other library materials for the university and support the libraries more generally.
5) Other – This category is made up of funds supporting a variety of activities. These funds alleviate yet more pressure on the unrestricted funds brought in through tuition.

Figure 1b: Endowment funds by use classification as of August 31, 2015



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?**

As of August 31, 2015, the university held $28.8 billion in investments on our Statement of Financial Position (i.e. Balance Sheet). A breakdown of these investments is provided in Figure 2a below. The market value of the investments that are not included in the endowment was $5.5 billion, $5.9 billion and $6.1 billion in Fiscal Years 2013, 2014 and 2015, respectively.

Figure 2a: All university investments, including endowment and non-endowment

STANFORD UNIVERSITY
INVESTMENT ASSETS BY FUND TYPES
($ in billions)

	FY13	FY14	FY15
Endowment in Merged Pool	$ 16.4	$ 18.7	$ 18.8
Endowment Land	2.3	2.7	3.4
Endowment (Separately Managed)	0.5	0.5	0.5
Endowment Investments[1]	**19.2**	**21.9**	**22.7**
Expendable Funds Pool	3.2	3.2	3.6
Unrestricted Real Estate	0.3	0.4	0.4
Donor Advised Funds	0.5	0.5	0.5
Pending Funds	0.3	0.3	0.3
Living Trusts	0.8	0.9	0.9
Other	0.4	0.6	0.4
Non-Endowment Investments	**5.5**	**5.9**	**6.1**
Total University Investments	**$ 24.7**	**$ 27.8**	**$ 28.8**

[1] Amount represents the asset value, which is different than the reported amount of endowment funds (net asset values). In FY'15, for example, the difference between the number reported above and the $22.2B number reported elsewhere is primarily due to pre-paid lease obligations on our real estate

The Merged Pool (MP) is Stanford's primary investment pool in which the endowment and other long term funds are invested.

A significant component of the university's total investments is "Endowment Land," which is part of the endowment, but not invested in the MP. The Endowment Land represents university lands that have been developed for commercial purposes such as the Stanford Research Park, an area of land adjacent to the campus, which is comprised of 10 million square feet of research and development, office, manufacturing buildings and facilities (see detailed description of the benefits of the research park in Question 11). Rental income from this real estate flows into unrestricted General Funds. General Funds are used to pay for a variety of expenses, including financial aid, faculty and staff salaries, and facility maintenance and operations costs. General funds are particularly essential because the University has the flexibility to use these funds to meet central needs that are not supported by an endowed fund or other restricted funding sources.

The largest category of non-endowment investment is the Expendable Funds Pool (EFP). It is comprised of a wide variety of expendable funds, including: unrestricted, designated and restricted funds which have not yet been expended, expendable gifts pending designation, insurance and benefit program reserves, funds available for student loans, plant funds designated for facilities which are not yet expended and other miscellaneous funds. Over the past few years, approximately $100 million of this pool has been held in cash as operating liquidity, and the rest has been cross-invested in the MP. The university takes an annual payout of returns generated from the EFP that is another important source of unrestricted General Funds for the University.

Other non-endowment funds are of various types, including:

a) Donor advised funds: The University receives some gifts from donors under Donor Advised Fund (DAF) agreements. These funds are owned and controlled by the university, but donors have advisory privileges with respect to the distribution of these funds. A significant portion of these funds must be designated for the university, while the remainder may be used to support other approved charities.
b) Pending Funds are funds donors have committed for use at the university but the exact purpose has yet to be determined. They are sometimes invested in the MP. When the final purpose is determined, the funds may be put 100 percent to current use or placed in an endowed fund for a particular purpose.
c) Living Trusts provide another way for donors to support Stanford. Generally these funds provide an income stream to a donor or his beneficiaries for a particular duration. When the trust matures, the remaining assets pass to Stanford for the purposes designated by the donor.

Donor Advised Funds, Pending Funds and Living Trusts can all ultimately be designated for either unrestricted use or restricted to a certain purpose, either as an expendable fund (for current use), a capital project or an endowed fund (to last in perpetuity). These gifts support Stanford students, faculty and research through undergraduate scholarships, graduate fellowships, professorships, funds designated for research and teaching in specific areas, schools or departments, or for other programs like the arts, medicine, athletics or similar programs.

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?**

   On August 31, 2015, the total fair market value of the endowment was $22.22 billion. Figure 3a below, which is excerpted from our Annual Financial Statements, gives detail on the investment return (net of all management and performance fees) and net growth on the endowment for 2013, 2014 and 2015. Figures 3b and 3c show how these metrics have trended since 2008.

Figure 3a: Detail on endowment value, investment return, and net growth for 2013, 2014, 2015 in thousands of dollars

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
2015				
Endowment, beginning of year	$ 9,405,641	$ 6,574,426	$ 5,465,939	$ 21,446,006
Investment returns:				
Earned income	197,943	-	-	197,943
Unrealized and realized gains (losses)	1,454,383	(100,618)	(334)	1,353,431
Total investment returns	1,652,326	(100,618)	(334)	1,551,374
Amounts distributed for operations	(1,058,025)	-	-	(1,058,025)
Gifts, transfers and other changes in endowment:				
Current year gifts and pledge payments	1,712	1,937	148,683	152,332
Transfers of prior year gifts	-	160	59,742	59,902
EFP funds invested in the endowment	16,056	-	-	16,056
Other funds invested in (withdrawn from) the endowment, net	18,550	(9,841)	46,603	55,312
Total gifts, transfers and other changes in endowment	36,318	(7,744)	255,028	283,602
Total net increase (decrease) in endowment	630,619	(108,362)	254,694	776,951
ENDOWMENT, END OF YEAR	**$ 10,036,260**	**$ 6,466,064**	**$ 5,720,633**	**$ 22,222,957**
2014				
Endowment, beginning of year	$ 7,985,849	$ 5,528,171	$ 5,174,848	$ 18,688,868
Investment returns:				
Earned income	228,278	-	-	228,278
Unrealized and realized gains	1,758,273	1,037,250	58,934	2,854,457
Total investment returns	1,986,551	1,037,250	58,934	3,082,735
Amounts distributed for operations	(985,215)	-	-	(985,215)
Gifts, transfers and other changes in endowment:				
Current year gifts and pledge payments	17,673	8,025	163,700	189,398
Transfers of prior year gifts	5,557	-	24,724	30,281
EFP funds invested in the endowment	367,648	-	-	367,648
Other funds invested in the endowment, net	27,578	980	43,733	72,291
Total gifts, transfers and other changes in endowment	418,456	9,005	232,157	659,618
Total net increase in endowment	1,419,792	1,046,255	291,091	2,757,138
ENDOWMENT, END OF YEAR	**$ 9,405,641**	**$ 6,574,426**	**$ 5,465,939**	**$ 21,446,006**
2013				
Endowment, beginning of year	$ 7,067,439	$ 5,016,796	$ 4,951,569	$ 17,035,804
Investment returns:				
Earned income	232,016	-	-	232,016
Unrealized and realized gains	729,859	1,006,324	17,099	1,753,282
Total investment returns	961,875	1,006,324	17,099	1,985,298
Amounts distributed for operations	(413,429)	(507,243)	-	(920,672)
Gifts, transfers and other changes in endowment:				
Current year gifts and pledge payments	2,902	2,441	165,232	170,575
Transfers of prior year gifts	3,732	354	28,002	32,088
EFP funds invested in the endowment	275,221	-	-	275,221
Other funds invested in the endowment, net	88,109	9,499	12,946	110,554
Total gifts, transfers and other changes in endowment	369,964	12,294	206,180	588,438
Total net increase in endowment	918,410	511,375	223,279	1,653,064
ENDOWMENT, END OF YEAR	**$ 7,985,849**	**$ 5,528,171**	**$ 5,174,848**	**$ 18,688,868**

Figure 3b: Beginning of year endowment market values since 2008

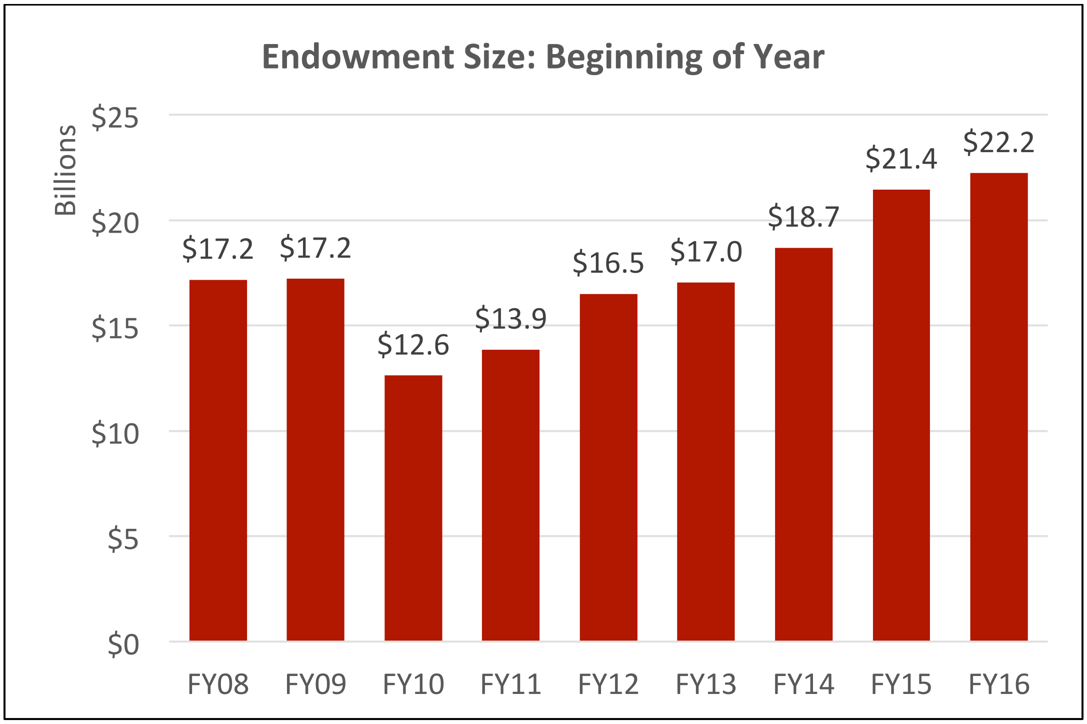
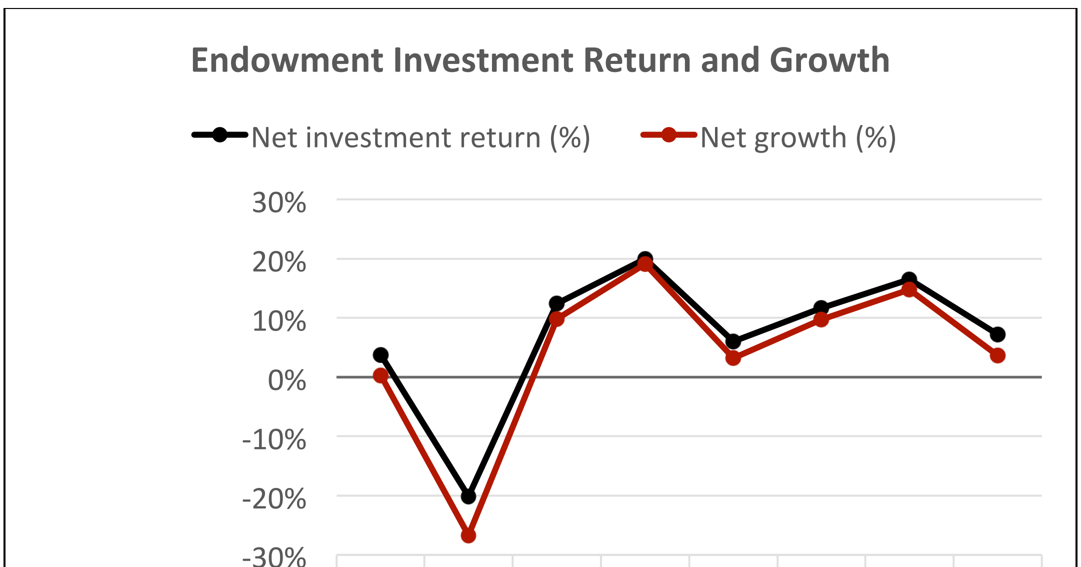


Figure 3c: Endowment net investment returns and growth since 2008



	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Net investment return (%)	3.8%	-20.2%	12.4%	19.9%	6.1%	11.7%	16.5%	7.2%
Net growth (%)	0.3%	-26.7%	9.8%	19.1%	3.2%	9.7%	14.8%	3.6%

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 Stanford Management Company (SMC) was established in 1991 to manage Stanford's investment assets, most of which are in the Merged Pool (MP). SMC is a division of the university and has a Board of Directors composed of at least 3 university Trustees, the University President, the University Chief Financial Officer, the Chief Executive Officer of SMC and several other directors with substantial investment expertise. The Stanford University Board of Trustees approves the charter and by-laws of SMC, members of the SMC Board and endowment payout. Other responsibilities are delegated to the SMC Board and management team. Performance of the MP is reviewed by the Trustees throughout the year.

SMC employs a long-term, multi-asset class investment approach that strives to provide robust current support to the university's operating budget while preserving the purchasing power of the endowment (its value after inflation) for future generations of students and scholars. SMC executes this portfolio approach with the help of carefully selected third-party managers that possess the requisite skill and ability to make superior security selection decisions within each asset class, such as public and private equity.

Along with the range of external managers comes a variety of fees and incentive compensation structures: asset classes where managerial expertise adds little value (e.g. fixed income) have the least expensive fee structures, while the most skill-dependent asset classes (e.g. venture capital) typically have the most expensive fee structures, including an incentive-based component of compensation. Since fees and incentives have a very material impact on investment returns, SMC routinely rejects third-party managers where the prospective return does not justify the fees incurred. Stanford's fixed income assets are managed internally for no additional cost, while, at the other end of the spectrum, the university's private equity funds are managed by partners that typically charge an annual fee of 1 to 2 percent of assets and an incentive fee equal to 20 percent of net profits above a preferred return hurdle. The majority of our external managers fall in between those two endpoints.

SMC believes that higher fee structures are appropriate for asset classes that require greater manager skill. To access skilled partners, Stanford largely competes in the marketplace with all other investors. Though this situation means that the university is primarily a "price taker" in terms of the fees it pays, SMC routinely negotiates favorable terms, and always strives to invest in structures that align the interests of the manager with those of the university. For example, in asset classes particularly reliant on skilled active management, paying a performance fee for results in excess of an appropriate preferred return creates alignment: when performance is strong, both the endowment and the manager are rewarded; when performance is below the preferred return hurdle, no incentive is paid. Asset classes that require such fee structures can be tremendously important to endowment performance.

For instance, in the 10 years ending June 30, 2015, the return of Stanford's private equity asset class exceeded the return of the global equity market by 8 percentage points per year, net of all fees and expenses. Clearly, higher fees were justified by substantially higher returns than low cost vehicles would have generated.

SMC always reports its investment performance net of all investment management and incentive fees. On that basis, the university's returns have significantly exceeded institutional median results, as well as the results of a passive (low-fee) portfolio, adding billions of dollars to the endowment and supporting multi-fold increases in financial aid, research, and scholarship support. Had the university paid no fees to third-party managers since the creation of SMC in 1991 but, instead, implemented a low-fee passive investment approach, the university's financial resources would be a small fraction of their current value, as demonstrated by the difference in cumulative net returns shown in Figure 4a, below.

Figure 4a: Stanford cumulative Merged Pool net return vs. passive, low-fee "70/30" portfolio (periods ending June 30, 2015)*

	Five-year	Ten-year	Since SMC Inception in 1991
Merged Pool Net Return	73.2%	130.1%	1,402.2%
Passive 70/30 Benchmark	58.8%	84.8%	395.8%

*The Passive 70/30 portfolio is a widely recognized benchmark for endowments and pension funds. It consists of global equities (70 percent) and high quality fixed income (30 percent) and can be accessed through low cost instruments.

Figure 4b: Costs of managing the Merged Pool (excludes management fees and carried interest) and Stanford Management Company headcount

	2013	2014	2015
Expenses as % of MP Assets Under Management[1]	0.15%	0.15%	0.15%
Headcount[2]	64	70	70

[1] includes operating cost of Stanford Management Company, investment accounting, custodian fees, legal fees, but excludes investment management fees and carried interest

[2] includes regular employees and students

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.**

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

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.

Through the combination of investment strategy and payout policy, the university strives to provide a reasonably consistent payout from endowment to support operations, while preserving the purchasing power of the endowment, adjusted for cost inflation, so that the endowment can continue to support the university in perpetuity.

Payout from the endowment is comprised of two sources: payout from the Merged Pool and payout of net operating income from Stanford Endowment Lands.

Stanford Endowment Lands:

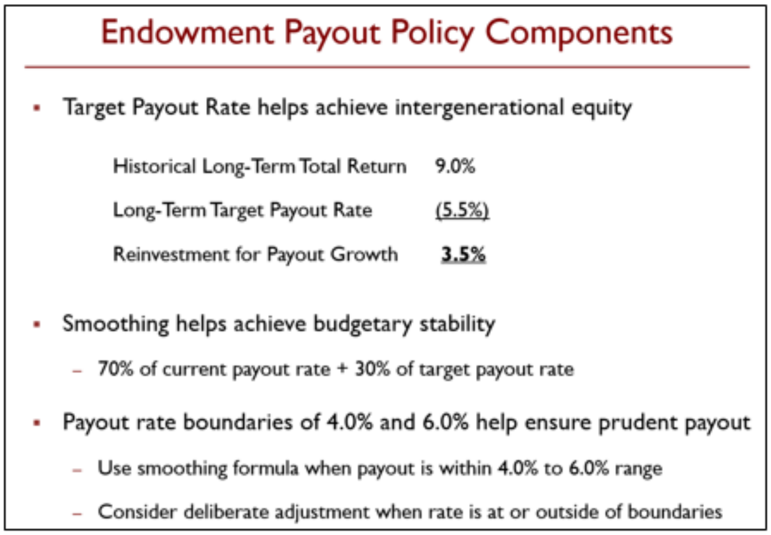
Stanford's campus consists of approximately 8,200 acres of land owned by the university near Palo Alto, California, much of which was given to the university under the Founding Grant on the condition that the lands subject to the grant may not be sold. Much of this land remains undeveloped and is used primarily for agricultural purposes.

However, a portion of Stanford lands are leaseholds related to commercial, residential, agriculture and other developments that provide rental income for the University. This represents approximately 15 percent of the endowment and includes the Stanford Research Park. The entire net operating income from these properties is distributed each year for university operations.

Merged Pool:

For the majority of the endowment that is invested in the Merged Pool, the Board of Trustees approves the amounts to be paid out each year. Consistent with the Uniform Prudent Management of Institutional Funds Act, when determining appropriate payout, the Board considers the purposes of the university and the endowment, the duration and preservation of the endowment, general economic conditions, the possible effect of inflation or deflation, the expected return from income and the appreciation of assets, other resources of the university and the university's investment policy. Figure 6a explains the key components of Stanford's Endowment Payout Policy:

Figure 6a: The three key components of Stanford's Endowment Payout Policy include a Target Payout Rate for intergenerational equity, a Smoothing Formula for budgetary stability and Guardrails for unusual market volatility



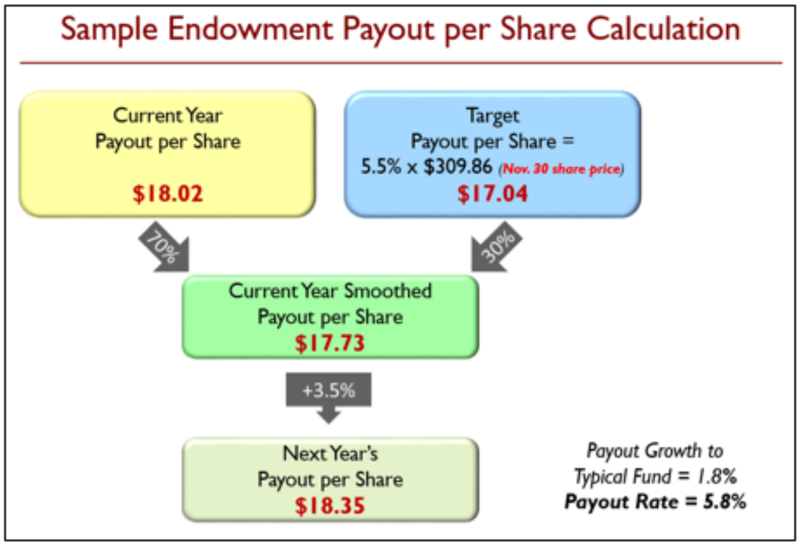
The Board is responsible for continuously evaluating the payout policy to ensure that the endowment can meet the current and future needs of the university. The current Board-approved target spending rate is 5.5 percent, which was reset from a previous rate of 5.0 percent in 2007. At the time, the Board arrived at this target by assuming an average annual investment return from the assets invested in the MP of 10.0 percent and an average cost inflation rate of 4.5 percent. Last fall, the Board revised the assumptions to an average annual MP investment return of 9.0 percent and an inflation rate of 3.5 percent, which equals the 30-year average Higher Education Price Index (HEPI) inflation rate. Over time, the Board believes this payout rate maximizes the endowment's benefit to our current students and faculty while preserving intergenerational equity – the concept that payout from an endowment fund should remain constant over time, adjusted for inflation, in order to provide for future operations.

9.0% investment return - 3.5% cost inflation = 5.5% target payout rate

The university also places a high priority on budgetary stability when determining endowment payout. It is important that the amount of payout is relatively predictable from year to year in order to ensure that the university's priorities are appropriately funded. Therefore, rather than spending a fixed percentage of the endowment each year, which would result in highly volatile payout, the university applies a smoothing formula to cushion against market swings. In periods of exceptional investment performance, the smoothing formula adjusts the payout rate downward; the payout amount may still increase, but less than it would if the rate were fixed. During market downturns, the smoothing formula adjusts the payout rate upward. Again, the amount of payout follows the direction of the markets, but the magnitude of the market shift is dampened. The resulting per-share payout is approved by the Board of Trustees each February, enabling the university to plan ahead for the next fiscal year (September through August).

Stanford's smoothing formula is a weighted combination of the current year payout per share amount (70 percent) and the target payout per share amount (30 percent). The smoothed payout is then adjusted by the rate of cost inflation. See Figure 6b for an example of how each fiscal year's payout per share is calculated.

Figure 6b: Sample payout per share calculation



Stanford also has "guardrails" in place to ensure prudent payout in times of volatile investment performance. When the smoothing formula would imply a payout rate of less than 4 percent (in times when the market is performing very well) or more than 6 percent (in times when the market is performing poorly), the Board will consider a deliberate adjustment. In fact, at Stanford's February Trustee meeting, the board approved a resolution to override the use of the smoothing formula for Fiscal Year 2017, in light of the declining markets. This decision was made in order to keep the payout rate closer to the 5.5% target during the next fiscal year. An explanation for this decision is included below in Figure 6c:

Figure 6c: Excerpt from the Stanford Board of Trustees Committee on Finance Agenda – February 2016

Budget planning requires that the spending rate for endowment funds be set prior to the start of the fiscal year. In most years, the 2016-17 proposed spending rate for the Merged Pool (MP) is derived from the application of the university's smoothing rule. Generally, the smoothing rule is used to dampen the impact on the budget of annual fluctuations in the market value of the endowment, thereby providing stability to budget planning.

Consistent with discussion at the December 2012 Committee on Finance, Stanford's smoothing rule is used when the current year payout rate is within the range of 4.0% to 6.0%. The current year payout rate is normally determined by dividing the current year payout per share by the November 30 MP share price. However, this year we are experiencing an investment market with steadily declining values. With the later than usual trustee meeting, we also have the benefit of knowing the January 31 MP valuation. As of January 31, the current year payout rate is 6.00% ($18.02/$300.31) equal to the upper guardrail. We expect the MP share price will decline further over the next few months, reflecting continued equity market declines in February and illiquid investment marks for the December and March quarters.

In light of market conditions, university management recommends not using the smoothing formula and keeping the payout per share constant at the same level as in 2015-16. This means the endowment payout for an individual fund will not change in 2016-17.

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?**

   University policy stipulates that any payout on endowment funds shall come first from ordinary current income, second from appreciation of the funds to the extent allowed by the gift terms or statutory law and third from remaining principal to the extent allowed by gift terms or statutory law. Therefore, payout may be made from endowment principal without limitation to income as long as the payout rate is prudently established and the gift terms do not provide otherwise. Stanford makes every effort to include in gift terms such language as suggested by the California Uniform Prudent Management of Institutional Funds Act.

   There is a group of funds that are established by gifts with terms that specify something like the following: "income but no appreciation" may be paid out of the fund. The university discourages these types of stipulations, and these types of funds are typically no longer established by the university. Situations also arise where the donor specifies something like the following: only income and appreciation above the original gift value may be paid out. These types of funds are also typically no longer established by the university, and the vast majority of funds at the university do not have these types of limitations.

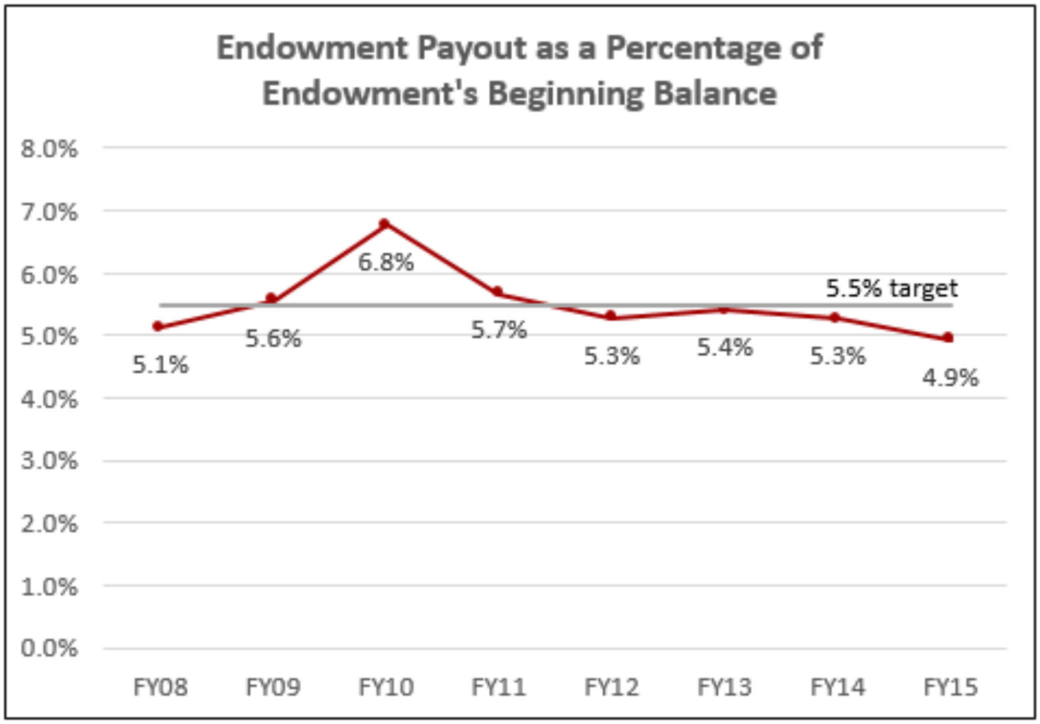
   The university also allows for the withdrawal of Funds Functioning as Endowment (FFE), generally after a 5-year lock-up period and approval by the Provost and Chief Financial Officer, and for withdrawals greater than $5 million, the Board of Trustees. Withdrawals of FFE are relatively rare.

   During the financial downturn of 2009, a large number of recently established endowment funds were "under water," in the sense that current income and accumulated appreciation were not sufficient to cover the authorized payout. For these funds, some or all of the payout had to be taken out of the original gift principal, to the extent allowed by the terms of the gift. More mature funds, on the other hand, often had adequate accumulated appreciation to cover the stipulated payout.

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?**

As demonstrated in Figure 8a, the methodology described in Question #6 above has resulted in a relatively consistent payout rate despite periods of investment return volatility. Again, this policy is in place to ensure that the endowment spending level results in intergenerational equity and budgetary stability.

Figure 8a: Endowment payout as a percentage of the endowment's beginning balance



Because we strive to keep payout relatively consistent from year to year despite highly volatile investment returns, payout as a percentage of the endowment's return on investment varies dramatically from year to year. It is also technically impossible to calculate in years when investment returns are negative, as in fiscal year 2009.

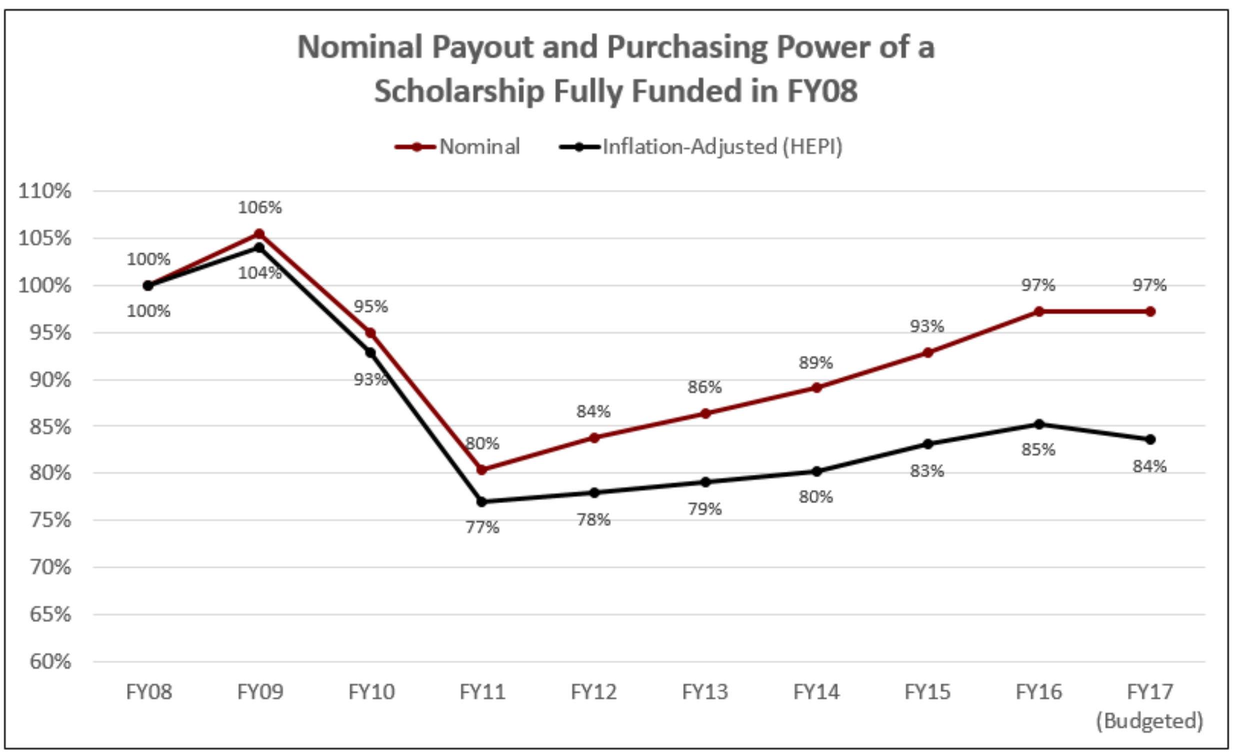
Figure 8b: Endowment payout and payout as a percent of the endowment's return on investment

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Endowment Payout	$881,570	$956,518	$854,645	$785,081	$871,106	$920,672	$985,215	$1,058,025
Payout as a % of Investment Return	136.9%	n/a	54.5%	28.4%	87.1%	46.4%	32.0%	68.2%

Please note also that any endowment which spent 100 percent of its return on investment each year would see the purchasing power of its existing endowment decline at the rate of higher education cost inflation each year. This means that endowed funds set up to pay out a full scholarship for one student each year would be able to cover a decreasing portion of that student's tuition each year. Indeed, according to the endowment model described above, which assumes a 9 percent return, 5.5 percent payout and 3.5 percent reinvestment to maintain purchasing power, in an ideal, "model" year only 61 percent of the annual investment return should be spent (5.5/9) and 39 percent (3.5/9) reinvested in principal. As can be seen from Figure 8b, in 4 of the past 8 years, the reinvestment rate has fallen short of this ideal.

In reality, investment volatility makes it difficult to manage intergenerational equity and budgetary stability, even with the ability to increase or decrease the percent of the endowment Stanford pays out each year. For example, consider a scholarship fund that had, at the beginning of fiscal year 2008, a balance large enough that its payout fully funded the cost of tuition for an undergraduate student. Due to a greater than 25 percent drop in endowment principal during the financial crisis, that same scholarship fund only produced 80 percent of its FY08 payout in FY11. The inflation-adjusted purchasing power was even lower at 77 percent. Despite the increases in payout stipulated by the smoothing formula each year since (until FY17, when payout will be held flat), nominal payout for an individual fund is not yet back to pre-crisis levels. And while nominal payout is close, FY17 inflation-adjusted purchasing power will still be at a greatly decreased 84 percent of FY08 purchasing power. It is therefore crucial that we invest excess returns back into the endowment in positive-return years in order to aid the principal in recovering its original value.

Figure 8c: Nominal and real payout for an individual endowed scholarship fund 2008 to 2017.



9. What percent 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.

<u>Undergraduate Financial Aid</u>

Stanford has a need-blind admission policy for undergraduates from the United States. This means that we admit students irrespective of their ability to pay, and we provide the financial aid necessary to make Stanford affordable to every admitted U.S. student. For international students, we are need-aware: if an international student indicates they need financial aid, we will analyze and aim to meet the determined need. As a result, the percentage of international students on financial aid is about half the percentage of American students.

Over the past few years we have continued to enhance our financial aid programs for students in low and middle-income families. As of the 2015-2016 academic year, parents of undergraduate students with annual family income below $125,000 and typical assets are expected to pay no tuition. There is zero parental contribution towards tuition, room, or board, for parents with annual income below $65,000 and typical assets. Stanford meets the full demonstrated need for every other admitted undergraduate who qualifies for financial aid, without expecting students to borrow to meet their need. For this reason, in 2014-2015, 78 percent of undergraduate students graduated with no student debt (up from 55 percent in 2004-2005).

On average, in the 2015-2016 academic year, Stanford undergraduates and their families will fund only 49 percent of tuition after university scholarship and grant support. That is before governmental grants, other outside awards, loans and work study.

Additional data about Stanford's undergraduate tuition and financial aid programs is included below.

Figure 9a: The average cost of undergraduate tuition after Stanford support will decrease from FY15 to FY16, with the introduction of our enhanced financial aid program. Total Stanford-funded scholarships to undergraduates will reach $164.2 million.

	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16 Budget
Undergraduate Tuition	$31,200	$32,994	$34,800	$36,030	$37,380	$38,700	$40,050	$41,252	$42,690	$44,184	$45,729
Stanford-funded Undergraduate Scholarships ($M)*	$74.3	$81.6	$90.7	$119.9	$132.8	$137.0	$144.9	$145.9	$146.4	$152.6	$164.2
Avg. Undergrad Tuition After Stanford Support**	**$20,119**	**$20,795**	**$21,381**	**$18,429**	**$18,072**	**$18,807**	**$19,132**	**$20,406**	**$21,716**	**$22,440**	**$22,252**
% of Total Tuition Cost	64%	63%	61%	51%	48%	49%	48%	49%	51%	51%	49%

* Before Loans and Work Study
** Before government support, other outside awards, lonas and work-study; for some students, scholarships may exceed the cost of tuition and be used to offset personal living expenses
Source: Budget Plan

Figure 9b: The average cost of undergraduate tuition after Stanford support has grown only 1.0 percent over the last 10 years, which is less than half the rate of CPI and just over 1/3 the rate of HEPI-inflation. Stanford-funded scholarships have grown at 8.3 percent per year.

	10-Year Compound Annual Growth Rate (FY06-FY16)	1-Year Growth Rate (FY15-FY16)
Undergraduate Tuition	3.9%	3.5%
Stanford-funded Undergraduate Scholarships*	8.3%	7.6%
Avg. Undergrad Tuition After Stanford Support**	**1.0%**	**-0.8%**
Consumer Price Index (CPI) Growth	**2.1%**	**0.7%**
Higher Education Price Index (HEPI) Growth	**2.7%**	**2.2%**

* Before Loans and Work Study
** Before government support, other outside awards, lonas and work-study; for some students, scholarships may exceed the cost of tuition and be used to offset personal living expenses
*** Includes last 11 available years of CPI and HEPI data (2005-2015)

Source: Budget Plan; Commonfund Institute

Figure 9c: Stanford –funded undergraduate scholarships will reach over $164,200,000 in 2015-2016. This is before accounting for Stanford-funded loans or work study, and external scholarships and loans.

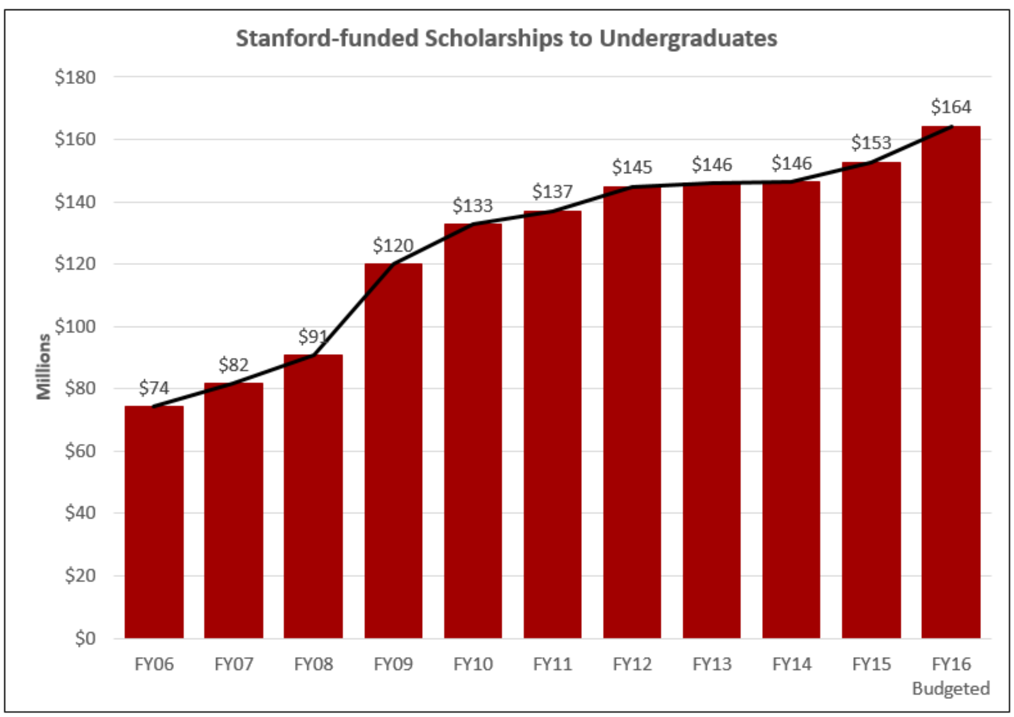


Figure 9d: 65 percent of Stanford's undergraduate population receives financial aid from Stanford, federal, state and outside sources in the form of scholarship and grants.

	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Undergraduates receiving grants	4,224	4,286	4,222	4,370	4,550	4,544	4,620	4,561	4,451	4,504
Percentage of undergraduates	64%	65%	63%	65%	67%	67%	68%	66%	65%	65%

* Grants include Stanford scholarships, athletic aid, departmental aid, federal and state grants, and outside awards.

Figure 9e: For 40 percent of Stanford's undergraduate population, more than 75 percent of tuition is covered by grants. Since Stanford adopted a no-loan policy, under which students are not expected to borrow to meet their needs, total grant amounts often exceed the cost of tuition and can be used to support living expenses.

Year in review: FY2015

Percentage of Tuition Covered by Grants*:	0-25%	26-50%	51-75%	76-100%	Total / Average
Undergraduates receiving grants	711	535	471	2,787	4,504
Percentage of undergraduates	10%	8%	7%	40%	65%
Average Scholarship from Stanford (University Scholarships)					
Average dollar amount	$1,959	$16,096	$25,125	$47,442	$34,205
Percentage of tuition	4%	36%	57%	107%	77%
Total number of students	711	535	471	2,787	4,504
Average Grant from Federal Sources**					
Average dollar amount	$3,433	$2,847	$4,239	$6,603	$6,411
Percentage of tuition	8%	6%	10%	15%	15%
Total number of students	15	29	26	1,066	1,136
Average Grant from State					
Average dollar amount	-	$6,411	$7,424	$9,064	$8,997
Percentage of tuition	-	15%	17%	21%	20%
Total number of students	-	6	5	353	364
Average Outside Awards					
Average dollar amount	$3,177	$7,790	$7,828	$7,308	$6,192
Percentage of tuition	7%	18%	18%	17%	14%
Total number of students	452	112	139	857	1,560

* These categories created based on total grants including university scholarships, athletic aid, federal, state grants and outside awards divided by tuition ($44,184 in FY2015)

* The total number of undergraduates in FY2015, based on the average of the 3rd week of enrollment across Fall/Winter/Spring quarters, was 6,886.

* Includes grants from all sources (Stanford, federal government, state government, and other outside awards) before work-study and loan support; for some students, Stanford grants exceed the cost of tuition and are used to offset personal living expenses.

** Federal sources include Title IV grants as well as VA Benefits.

Figure 9f: Families of students receiving need-based aid will pay only 28 percent of ALL student expenses for the 2015-2016 academic year. The majority of the family contribution is towards ~$14,000 in room and board, books, personal expenses, and travel. The percent of tuition covered by Stanford Scholarships and Grants is even greater.

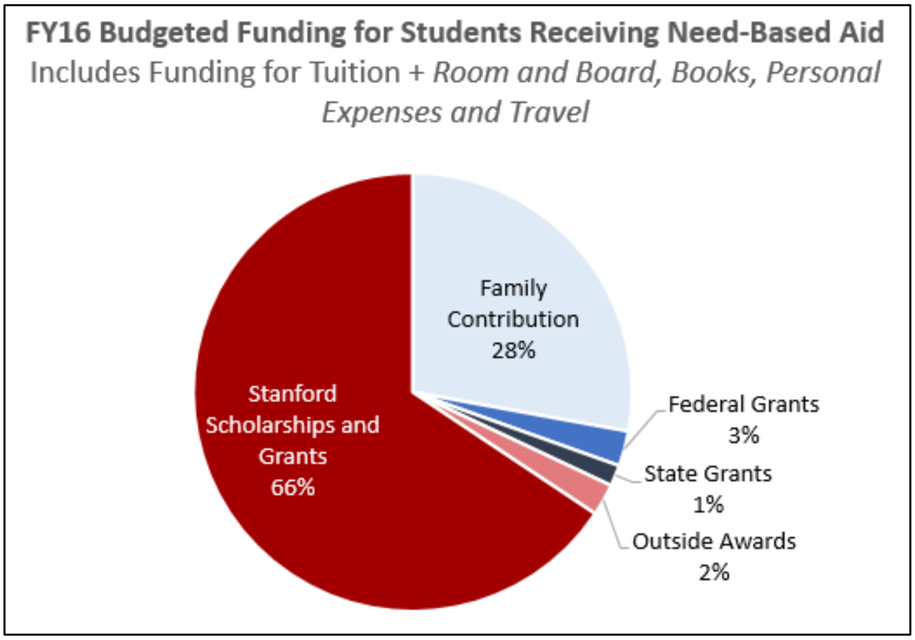
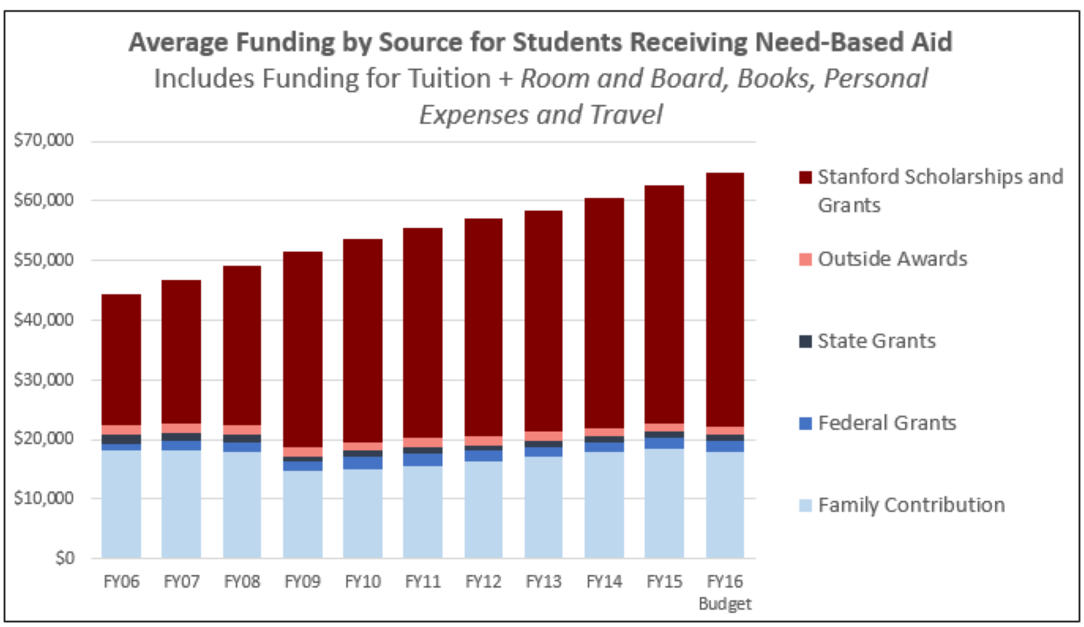


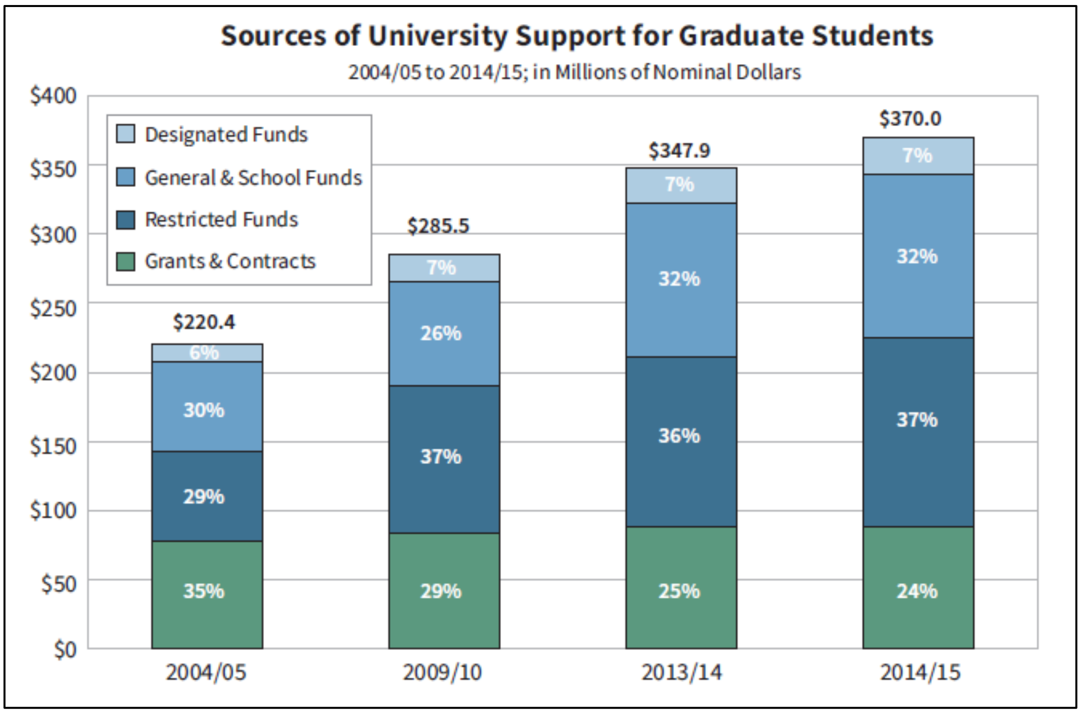
Figure 9g: Family Contributions for students receiving need-based aid are lower than they were in 2008, despite increasing expenses. The difference has been made up by Stanford Scholarships and Grants from the endowment, gifts, departments and other unrestricted funds.



Graduate Financial Aid

In FY15, approximately 87 percent of graduate students (across all programs and degree levels) received some form of direct financial support disbursed by Stanford. This aid totaled $370 million, an increase of 68 percent over the amount distributed 10 years ago. Stanford recently announced a program to add 300 additional graduate scholarships to the University's financial aid program, so this number will continue to increase substantially over coming years. University funding comes from a variety of sources, as shown in figure 9h.

Figure 9h: Stanford distributed $370 million in support for Graduate Students in FY15, up from $220 million in FY05. Much of that increase has come in the form of endowed fellowships, as is evident in the much greater proportion of funding (37 percent vs. 29 percent) which now comes from Restricted Funds. Over the same period, the proportion of graduate aid funded through federal grants and contracts has declined from 35 percent to 24 percent of the total.



Graduate funding is distributed in support of both tuition and living expenses, and takes many forms, including:

- Fellowships and Training Grants – These provide graduate students with tuition, a cash stipend for living expenses and a health insurance subsidy. Fellowships and Training Grants are provided for the sole purpose of enrolling and studying and there is no expectation of work beyond academic pursuits.
- Assistantships and Hourly Employment – The most common form of employment for graduate students, research (RA) and teaching (TA) assistantships provide opportunities that directly advance the student's intellectual and professional development. While this

work is integral to students' graduate training, they receive a salary, tuition and a health insurance subsidy to cover their expenses. Hourly employment only receives salary compensation.

- University Subsidies – Operational subsidies are also provided by Stanford to offset direct expenses incurred by students. These include subsidies for on-campus and off-campus housing, commuter transportation costs and research expense support.

Figure 9i: Graduate Funding distributed by the university was roughly equally split between living expenses and tuition in FY15.

Allocation of Graduate Financial Support 2014/15

In Millions of Dollars

Living Expenses	**$173.0**	**47%**
Stipends (Fellowships, Fees & Other Payments)*	$76.5	21%
RA Salaries	$68.8	19%
TA Salaries	$26.0	7%
Other Salaries	$1.7	0.5%
Tuition & Health Insurance	**$197.0**	**53%**
Fellowship Tuition	$103.8	28%
TA/RA Tuition Allowance	$76.0	21%
Health Insurance	$17.3	5%
Total Graduate Support	**$370.0**	**100%**

* Includes payments for fees, including Campus Health Services Fee, ASSU Fee, and Document Fee. If departments pay for 50% of Cardinal Care, or provide funds for travel or research expenses or an honorarium, it is paid via a stipend payment.

Endowment Funds used for Financial Aid

Stanford's endowment is made up of almost 8,000 separate funds. About 3,500 of those funds are restricted for Student Aid. These funds resulted in $209 million in payout towards this purpose in FY13, $223 million in FY14 and $239 million in FY15. In FY15, payout from funds restricted for financial aid represented 23 percent of endowment payout. A more detailed breakdown of the types of student financial aid and their payout amounts is provided in the table below:

Figure 9j: Payout from Endowment Funds specifically restricted to student aid for FY13-FY15. Note, endowment payout is also a source of general funds, a significant portion of which are also used for financial aid, so the numbers here understate the total endowment payout which ultimately gets spent on student aid.

Payout from Endowment Funds Restricted for Financial Aid

	FY 2013	FY 2014	FY 2015
Undergraduate Aid	$93,411,920	$100,766,156	$106,851,993
Graduate Aid	$105,315,401	$110,959,168	$118,533,375
Masters-specific Aid	$210,804	$218,097	$605,177
Doctoral-specific Aid	$5,703,933	$6,285,802	$7,616,864
Other Restricted Aid	$2,015,734	$2,076,618	$2,933,135
Internally Funded Fellowships	$94,240	$102,237	$107,371
Student Loans First, then Student Aid	$1,892,252	$2,082,967	$2,220,876
Student Awards and Prizes	$332,322	$352,703	$568,580
Total	**$208,976,606**	**$222,843,748**	**$239,437,372**

In addition to tuition, student aid funds can be used to support other student expenses such as room and board, books and stipends.

More than $50 million of undergraduate financial aid and $100 million in graduate student support is paid for with unrestricted university funds. These funds are largely generated from payout on unrestricted endowment including Stanford Endowment Lands.

As we noted in our introduction, it is crucial to understand that the role of the endowment in funding undergraduate and graduate education is not limited to the part it plays in funding scholarships. According to our most recent analysis, the cost of tuition covers only about two thirds of the total cost of educating an undergraduate student. That means that the remaining third has to be funded in large part by endowment payout from non-scholarship funds. These funds include professorships, funds that support specific schools, departments, or programs and unrestricted funds.

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.

Stanford reviews all proposed gifts with an eye to whether it will advance the university's mission of teaching, learning and research. Consequently there are many factors that are used to determine if a proposed gift should be accepted, including the purpose of the gift, the identity of the donor, the nature of the asset that forms the gift and the donor's desired conditions on the gift.

There are many situations in which we do not accept a proposed gift, including the following: a gift for a purpose that Stanford cannot or decides not to accomplish (e.g., a gift to endow a professorship in a field where Stanford has no faculty); a gift from a donor whose reputation or activities could cause harm to the university's reputation (e.g., an individual whose wealth came from running a Ponzi scheme) or from a donor who is unwilling to allow anyone at the university to know the identity of the donor; a gift of an asset that is financially risky (e.g., real property that is environmentally contaminated or whose potential sales value is too low compared to the cost to sell); and a gift with unacceptable conditions (e.g., a gift of a piece of art with the condition that it always be shown when that is not likely to happen, or a condition that is illegal such as endowing a position conditioned on filling the position based on a particular race or gender). We also do not accept gifts from individuals whose children or grandchildren are currently applying for admission to Stanford.

[5/3/2016 edit: Note that after the original submission of this document, the committee staff was informed that the last sentence in the paragraph above requires additional clarification and should read: "We also do not accept gifts from individuals whose children or grandchildren are currently applying for admission to Stanford when the university learns that the gift would be made with the expectation that it will influence the admissions process."]

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 income-producing real estate holdings of the University can be divided into three main categories:

The first category is real estate held in the Merged Pool (MP), the primary investment vehicle for the endowment. The MP has an 8 percent target allocation to real estate (~$2.1 billion in FY15). Most of the MP's real estate investments are in funds that pursue a variety of value-added real estate strategies, primarily in the United States. A small portion of MP real estate is comprised of Stanford lands and buildings, including the Stanford Shopping Center (an open air shopping mall located on Stanford land adjacent to the university) and various properties in the Stanford Research Park, which is described in more detail below.

The second category is Stanford Endowment Land, real estate that is held by the endowment, but outside of the MP. Roughly 15 percent (~$3.4 billion) of the endowment is comprised of these assets, which include various other properties in the Stanford Research Park, offices on Sand Hill Road, the Vi at Palo Alto (a senior living center), Other Managed Properties and Endowed Gift Real Estate.

The final category of real estate investment is that which is held by the University but is part of neither the MP nor Stanford Endowment Lands. These include the nearby Rosewood Hotel and Office Complex, and other Non-Endowment Gift Real Estate, totaling about $0.5 billion in market value.

In addition to providing valuable unrestricted income to the university for the purposes of teaching, learning and research, many of these local properties provide Stanford with a valuable connection to our local community and industry in Silicon Valley. The Stanford Research Park, which is located on Stanford land, adjacent to the university, is an example of this type of relationship. Founded in 1951, through the foresight of Stanford Dean of Engineering Frederick Terman and others, the Stanford Research Park was the first of its kind and became the cornerstone of what would eventually be known as Silicon Valley. Over the years, it has continued to attract some of the most successful and respected technology companies in the world, including Hewlett Packard, SAP Labs, VMWare and Tesla. The park is comprised of 10 million square feet of research and development, office, manufacturing buildings and facilities. It is home to 150 companies employing around 20,000 employees. For companies on the leading edge of technology, the Stanford Research Park provides critical access to extraordinary talent, creativity and innovation. The proximity to campus allows these companies to foster joint research projects with Stanford students and faculty, conduct seminars and workshops that foster the exchange of technical information, share library resources, recruit talent and otherwise collaborate with the university.

Similarly, the Sand Hill Offices and Rosewood Office Complex, home to a concentration of Venture Capital firms, have strengthened Stanford's famous culture of innovation and entrepreneurship. The positive impact of this culture on the United States is well articulated in a recent study by Chuck Eesley, which found that from the 1930's to 2010, Stanford alumni have created 39,900 companies that produced 5.4 million jobs. Annually, companies founded by alumni generate revenues of $2.7 trillion. As President Obama pointed out on a recent visit, if Stanford alumni-founded businesses formed their own country, it would be the 10th largest economy in the world. These types of real estate investments play a role in fueling that economic impact.

Finally, these properties generate substantial economic benefits to our state, local communities, and school districts each year. In 2015, Stanford's lands contributed $135 million of state and local government taxes.

It is the university's policy not to make payments in lieu of taxes.

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.**

    Stanford does grant naming rights in many situations. Any endowed fund that a donor establishes has the option to be named, and the university sets minimum contribution levels for these funds to ensure the principal is large enough to generate a meaningful level of payout for the purpose it benefits. For example, a donor may name a specific endowed scholarship fund for a gift of $100,000 or more, a specific named professorship fund for $4,000,000 or a specific faculty scholar fund for $2,000,000. Depending on many factors that are specific to each physical facility project (size of project, size of gift, purpose of project, availability of other donors, cost of project, etc.), gifts for construction projects are recognized by naming physical spaces associated with the construction project. The university has approximately $4.6 billion of endowment currently devoted to student financial aid and most all of that is in the form of named funds. How much this $4.6 billion represents compared to all gifts that Stanford has received where the donors have received some naming recognition is impossible to determine, as there is no "naming rights" program, per se.

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?

Stanford has a number of policies to ensure that there is no real or perceived conflict of interest in endowment management by those who make the investment decisions and members of management or the Board of Trustees.

The university Board of Trustees has delegated the investment of the Merged Pool to the Stanford Management Company (SMC). SMC has its own Board of Directors appointed by the Board of Trustees of the university. The Bylaws of SMC in section 3.5 provide:

> "Avoidance of Conflict of Interest. In light of the investment discretion delegated to the Company, and in order to avoid any possible conflict of interest or appearance of conflict of interest, any Director aware of a material financial interest he or she has in any transaction in which the Company has or will take part, immediately upon becoming aware of such interest, shall disclose such interest to the Board of Directors, and the Board of Directors shall take such other action, if any, as may be warranted. Such Director's vote will not be counted in any vote taken by the Board of Directors relating to such transaction."

In addition, the SMC Board of Directors adopted a specific Policy on Conflict of Interest that is even more prescriptive (attached). That policy states that SMC Directors "shall at all times act in a manner consistent with their fiduciary responsibilities to SMC and to the University and shall exercise care that no detriment to the University results from conflicts between their interests and those of the University." The policy further provides that SMC will not enter into any "Interested Transaction" with a Director of SMC. An Interested Transaction is one in which a Director of SMC or a member of his or her immediate family has a direct or indirect material financial interest. Thus, to avoid conflict of interest and the perception of conflict of interest, the endowment does not enter into any investments where a Director or a close family member could benefit from such an investment. There are a few exceptions detailed in the policy, such as transactions with a bank at standard rates and terms offered to the general public and for immaterial transactions where the Director has only an indirect interest and does not exercise management supervision.

The SMC Board gives high level policy guidance on investment strategies, but if approval or ratification of a specific transaction is sought, even if the interest is not material and does not fall within the conflict policy, the Director will disclose any personal interest or potential conflict to the Board and will not participate in the any discussions or actions on such transaction.

Every year each Director of SMC provides a signed statement confirming compliance with the conflict of interest policy.

All employees of SMC must comply with the university staff conflict of interest policy, available at https://adminguide.stanford.edu/chapter-1/subchapter-5/policy-1-5-2 . That policy is designed to avoid actual or apparent conflict of interest between employees' university obligations and their outside interests. The policy prohibits "participation in negotiating or giving final approval to financial or other business transactions between the University and other organizations in which the individual or an immediate family member has a Significant Financial Interest or with which the individual or an Immediate Family Member has an employment or consulting arrangement." Every year, all staff members of SMC are sent an annual compliance policy agreement that they must sign that, among other things, requires them to acknowledge this policy and that they are in compliance. In addition, "in order to uphold the highest ethical standards" and avoid both actual and apparent conflicts of interest, they must disclose whether they or their family members had any other personal, professional or financial relationships with outside entities that might conflict with their duties to the university, whether they or their family members have any significant involvement with outside entities engaged in any business transaction with SMC or the university or whether they or their family members invested individual funds in a privately offered investment in which Stanford was considering investing.

The University Board of Trustees has a conflict of interest policy (attached) that requires Trustees to act in a manner consistent with their fiduciary duties to the university and to exercise care that no detriment to the university results from conflicts between their interests and those of the university. Even though the Board of Trustees does not make the investment decisions for the endowment, SMC cannot enter into an "Interested Transaction," one in which a Trustee or his or her immediate family has a material interest, unless the Trustees who do not have a conflict make certain findings required by California law to ensure that the transaction is fair and reasonable for the university.

Finally, the university has an Institutional Conflict of Interest Policy in Research Involving Human Subjects. This policy is set up to ensure that SMC will not make investments in individual companies for which the university is conducting human subjects research, such as clinical trials, so that there is no actual or perceived bias or conflict of interest between the university which may own equity in a company and the research the university is doing that could affect the value of the company. That policy is available at https://doresearch.stanford.edu/policies/research-policy-handbook/conflicts-commitment-and-interest/institutional-conflict-interest-research-involving-human-subjects#anchor-670 .

Stanford Management Company Board of Directors
Policy on Conflict of Interest

I. General Considerations

Directors of the Stanford Management Company ("SMC") shall at all times act in a manner consistent with their fiduciary responsibilities to SMC and to the University and shall exercise care that no detriment to the University results from conflicts between their interests and those of the University. In addition, Directors shall comply with SMC Bylaw 3.5 on Avoidance of Conflict of Interest and be sensitive to the appearance of conflict of interest, even if no actual conflict exists. This policy provides further guidance on SMC Director conflicts of interest.

This policy addresses requirements for certain proposed investment transactions between a Director, or an entity in which a Director has a material financial interest, and SMC. It also addresses requirements when a Director holds a directorship or similar position in another entity with which the University does business. The policy provides for an annual confirmation by Directors that they, to the best of their knowledge, have complied, and will use their best efforts to comply in the future, with these requirements.

II. Interested Transactions

SMC will not enter into any Interested Transaction with a Director of SMC. If any Interested Transaction is proposed either (1) SMC will not enter into the Interested Transaction or (2) the interested Director can resign from the SMC Board of Directors. If an interested Director resigns from the SMC Board, SMC cannot enter into the proposed Interested Transaction until at least 12 months after the resignation of the interested Director.

As used herein, the term "Interested Transaction" shall mean any investment transaction with the SMC in which a Director or a member of his or her "Immediate Family" has a material financial interest, direct or indirect, provided that the following shall not be deemed to be Interested Transactions:

(i) the transaction involves services as a bank or depository of funds, transfer agent, registrar, trustee under a trust indenture or similar services, and the transaction is at standard rates and terms offered to the general public.

(ii) the amount involved in the transaction does not exceed $100,000 and the transaction is one in which the Director has only an indirect interest and does not exercise management supervision;

(iii) the Director's interest in the transaction arises only from (a) or (b) below, or both:

(a) from his or her position as a director of another corporation or organization that is a party to the transaction; or

(b) from the direct or indirect ownership by the Director or a member of his or her Immediate Family of less than a 10% equity interest in another entity that is a party to the transaction.

(iv) the Director's interest in a transaction arises solely from his or her position as a limited partner in a partnership.

As used herein, the term "Immediate Family" shall mean the spouse of the Director, the minor children or other dependents of the Director, and other related persons occupying the same home as the Director.

An interested Director who is aware that such an Interested Transaction is contemplated shall notify the Chair of the Board and the President of SMC of the proposed transaction prior to the time of the Interested Transaction.

III. Existing Interested Transactions

In the past, SMC made a few investments in entities that were properly approved by disinterested Trustees that would be prohibited Interested Transactions under this policy. In addition, in the future SMC may invest in an entity at a time when it would not be a prohibited Interested Transaction under this policy, but a new Director might subsequently join the Board of Directors that would make future transactions with that entity a prohibited Interested Transaction. For all such investments, SMC may continue to hold such investment without disqualification of the interested Director from service as a Director; however, any new investments in such entities which involve any discretionary decision by SMC or which are not the result of a previously made, legally binding commitment may not take place if they would be a prohibited Interested Transaction under this policy.

IV. Transactions with Entities of Which an SMC Director is a Director or in a Similar Relationship (absent a material financial interest in the transaction)

Although individual investments are rarely discussed at SMC Board meetings, if a Director is present at a Board meeting at which approval or ratification of a transaction is sought and if such Director is a director or in a similar relationship with an entity which will be the other party to the transaction (but does not have a material financial interest in the transaction), the Director will disclose to the Board or committee the Director's relationships with such entity, and will not participate in any discussions or vote on any motions concerning the transaction.

V. Annual Statement by Director

Annually, each Director will complete a statement provided by University staff confirming the Director has, to the best of his or her knowledge, complied, and will use his or her best efforts to comply in the future, with this policy.

VI. Further Advice

Directors having questions about this policy and its application are invited to consult with the Office of the General Counsel.

Revised: December 14, 2010

Related policies:
1. SMC Board of Directors Policy on Nonpublic Information Relating to Publicly-Traded Companies.
2. The Board of Trustees of the Leland Stanford Junior University Policy on Conflict of Interest.
3. Stanford Management Company Bylaws, section 3.5.

THE BOARD OF TRUSTEES OF THE LELAND STANFORD JUNIOR UNIVERSITY POLICY ON CONFLICTS OF INTEREST

I. General Consideration

Trustees shall at all times act in a manner consistent with their fiduciary responsibilities to the University and shall exercise care that no detriment to the University results from conflicts between their interests and those of the University. In addition, Trustees shall be sensitive to the appearance of conflict of interest, even if no actual conflict exists.

This policy addresses requirements for certain proposed transactions between a Trustee, or an entity in which a Trustee has a material financial interest, and the University. It also addresses requirements when a Trustee holds a directorship or similar position in another entity with which the University does business. The policy provides for an annual confirmation by Trustees that they, to the best of their knowledge, have complied, and will use their best efforts to comply in the future, with these requirements.

II. Interested Transactions

The University will not, without the approval described in Sections III and IV hereof, enter into any Interested Transaction.

As used herein, the term "Interested Transaction" shall mean any transaction with the University in which a Trustee or a member of his or her "Immediate Family" has a material financial interest, direct or indirect, provided that the following shall not be deemed to be Interested Transactions:

(i) the rates or charges involved in the transaction are determined by competitive bids or the transaction involves the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority;

(ii) the transaction involves services as a bank or depository of funds, transfer agent, registrar, trustee under a trust indenture or similar services, and the transaction is at standard rates and terms offered to the general public.

(iii) the amount involved in the transaction does not exceed $60,000 and the transaction is one in which the Trustee has only an indirect interest and does not exercise management supervision;

(iv) the Trustee's interest in the transaction arises only

(a) from his or her position as a director of another corporation or organization that is a party to the transaction;

(b) from the direct or indirect ownership by the Trustee or a member of his or her Immediate Family of less than a 10% equity interest in another entity that is a party to the transaction; or

(c) from both such position and ownership;

(v) the Trustee' s interest in a transaction arises solely from his or her position as a limited partner in a partnership; or

(vi) the Trustee's interest arises solely from the holding of an equity interest, or an interest as a creditor, in another entity with which the University does business and the transaction is not material to such other entity.

As used herein, the term "Immediate Family" shall mean the spouse of the Trustee, the minor children or other dependents of the Trustee, and other related persons occupying the same home as the Trustee.

An interested Trustee who is aware that such an Interested Transaction is contemplated shall notify the Chair of the Board of the proposed transaction sufficiently in advance so that the Board can be provided with full analysis and information regarding the Interested Transaction before acting on it.

III. Approval Required

The University shall not enter into any Interested Transaction unless, after diligent investigation made by or on their behalf, a majority of the Trustees then in office (without the interested Trustee voting on the matter) determines, and adopts a resolution stating, that the transaction is for the benefit of, and is fair and reasonable to, the University, and that it appears that the University cannot obtain a more advantageous arrangement with reasonable effort under the circumstances.

IV. Approval by the Chair of the Board

If it is not reasonably practicable to obtain approval of the Board prior to the University entering into the Interested Transaction or series of Interested Transactions, the Chair of the Board (or in the absence of the Chair, any Vice-Chair) may approve in advance the Interested Transaction or Interested Transactions if the determinations outlined in Section III are made by such person, after due investigation of the transaction. At its next meeting, the Board, if it determines by a majority of the Trustees then in office (without the interested Trustee voting on the matter) that such determinations are so, will ratify such action by adopting a resolution so stating.

V. Transactions with Entities of Which a Trustee is Director or in a Similar Relationship (absent a material financial interest in the transaction)

If a Trustee is present at a Board or committee meeting at which approval or ratification of a transaction is sought and if such Trustee is a director or in a similar relationship with an entity which is or will be the other party to the transaction, the Trustee will disclose to the Board or committee the Trustee's relationships with such entity, and will not vote on a motion to approve or ratify the transaction (If, in addition, the transaction is an Interested Transaction, the provisions of Sections III and IV hereof will apply.)

VI. Annual Statement by Trustee

Annually, each Trustee will complete a statement provided by University staff confirming the Trustee has, to the best of his or her knowledge, complied, and will use his or her best efforts to comply in the future, with this policy.

VI. Further Advice

Trustees having questions about this policy and its application are invited to consult with the Office of the General Counsel.

THE BOARD OF TRUSTEES OF
THE LELAND STANFORD JUNIOR UNIVERSITY
POLICY ON CONFLICTS OF INTEREST

ANNUAL STATEMENT OF COMPLIANCE

I have reviewed the Conflicts of Interest Policy for the Board of Trustees of the Leland Stanford Junior University. To the best of my knowledge, I have complied with the Policy during the past twelve months, and I will use my best efforts to comply with the Policy in the future.

____
Trustee

Name: _________________________________
(please print)

Date: __________________________________