



OFFICE OF THE PRESIDENT  
BROWN UNIVERSITY

**BROWN UNIVERSITY  
ANNUAL FINANCIAL REPORT  
Fiscal Year 2020**

# Brown University Summary

Fiscal year ended June 30.

<b>FINANCIAL</b> (dollars in millions)	Fiscal Year 2020	Fiscal Year 2019
<b>Principal Revenue Sources</b>		
Tuition and fees (net)	\$399	\$373
Grants and contracts	\$209	\$201
Endowment return appropriated	\$160	\$154
Contributions	\$236	\$292
Total investment return	\$495	\$464
<b>Principal Purpose of Expenditures</b>		
Instruction and departmental research	\$363	\$347
Academic and student support	\$265	\$270
<b>Financial Balance Sheet</b>		
Total assets	\$6,894	\$6,209
Total liabilities	\$1,415	\$1,136
Net assets	\$5,479	\$5,073
<b>Fundraising</b>		
New gifts and pledges	\$321	\$421
Cash	\$251	\$250
<b>STUDENTS</b>		
<b>Enrollment</b>		
Undergraduate students	7,160	7,043
Graduate students	2,576	2,629
Medical students	597	585
<b>Degrees Conferred</b>		
Bachelor's degrees	1,743	1,697
Master's degrees	733	846
Doctor of Philosophy	217	225
Doctor of Medicine	137	128
<b>Annual Tuition and Required Fees</b>		
Undergraduate	\$58,404	\$55,556
Graduate	\$58,180	\$55,332
Medical	\$64,148	\$62,254
<b>FACULTY</b>		
Campus-based Faculty (all ranks)*	786	772
Medical School Faculty	599	614

\*Campus-based faculty head counts include professor, associate and assistant professor, and lecturer and senior lecturer.

# Brown University Financial Report

Fiscal Year 2020

## FROM THE PRESIDENT

Like all universities, Brown has faced incredible financial and operational challenges this past year in light of the COVID-19 pandemic. I continue to be inspired by the dedication of members of the Brown community who continue to generously give of their time, creativity and personal support for each other as we all navigate new dimensions of the work we do in education, research and campus operations every day. Through the deep commitment of Brown community members on and off campus, Brown remains strong both financially and in its drive to pursue ambitious plans for excellence.

The annual Brown University Financial Report offers an overview of our financial statements, success in fundraising and investment performance. Covering Fiscal Year 2020, this year's report highlights the ways in which the financial markets and growth of the economy created opportunities for excellent financial results for Brown even in the midst of an unprecedented global health crisis.

As outlined in the Financial Statement Overview of the report, Brown's net assets grew to \$5.5 billion for FY20, up 8% over the previous year. Brown also benefited from a remarkable 12.1% investment return on the endowment and other managed assets, significantly outperforming its benchmarks. This appreciation in value represents \$504 million in investment gains and brings the endowment and other managed assets to an all-time high of \$4.7 billion. This is particularly noteworthy at a time when the acute financial impact of the pandemic will prompt a larger draw on endowment resources.

Generous alumni, parents and friends gave \$321.2 million as part of the *BrownTogether* campaign, propelling Brown to surpass the \$2.5 billion mark in this \$3 billion campaign. The philanthropy of more than 32,000 donors drove Brown to its third-most successful fundraising year in University history. Reaching this milestone despite the challenges of this year reflects the deep affinity our community has for Brown.

Members of the Brown community also gave more than \$22.3 million to contribute to the public health and safety measures needed to support students and employees in light of the pandemic. This extraordinary generosity helped to offset the costs of unanticipated travel for students, technology and other health and safety needs.

In addition to reporting on Brown's financial health, the financial report provides an opportunity to share progress in key areas of the University's strategic plan, *Building on Distinction: A New Plan for Brown*. Last year, in light of reaching the midpoint of this 10-year plan, the financial report celebrated the progress made across the University in pursuing investments and aligning resources to build strength in the foundational areas of the plan. The theme for this year's report is the University's commitment to creating peaceful, just and prosperous societies.

As our nation and world grapple with the complex and urgent challenges of economic inequality, systemic racism, political polarization and climate instability, Brown has positioned itself as a leader in social policy and international and public affairs. The report details ways in which Brown scholars are developing evidence-based solutions and leading national conversations to address these pressing challenges.

You will read about the efforts the Center for the Study of Slavery and Justice took to convene scholars and activists amid widespread Black Lives Matter demonstrations, as well as the steps the Center for the Study of Race and Ethnicity in America has taken to examine the root causes of systemic racism and the hurdles to economic equality. You'll learn about the inclusive forums fostered by the Political Theory Project to give students the opportunity to engage with a wide diversity of viewpoints, and the research at the Watson Institute for International and Public Affairs that at times has led to significant legislative and policy changes.

The report demonstrates the ways in which targeted investments continue to position Brown to achieve a higher level of academic and operational excellence. I am excited to share how Brown's investments in people and programs that have a meaningful impact on society continue to contribute to Brown's distinction.



A handwritten signature in black ink, appearing to read 'C. H. Paxson'.

Christina H. Paxson  
President

# Cultivating Peaceful, Just and Prosperous Societies

## MAKING AN IMPACT

Through rigorous research and teaching, scholars at Brown are focused on addressing critical societal challenges in support of peace, justice and economic prosperity nationally and globally.

Brown pledged in its strategic plan, *Building on Distinction: A New Plan for Brown*, to invest heavily in scholarship aimed at “Creating Peaceful, Just and Prosperous Societies,” bolstering an existing strength at the University. Launched in 2014, the plan identified this academic theme as a focus of investments in faculty, fellows, programming and infrastructure.

While individuals across a wide array of academic departments contribute to these efforts, scholarly work and teaching at four centers in particular focus on this goal. This report focuses on the work of these four academic centers and institutes.

- ▶ [Center for the Study of Race and Ethnicity in America](#)
- ▶ [Center for the Study of Slavery and Justice](#)
- ▶ [Political Theory Project](#)
- ▶ [Watson Institute for International and Public Affairs](#)

### ECONOMIC INEQUALITY. SYSTEMIC RACISM. POLITICAL POLARIZATION. CLIMATE INSTABILITY.

The COVID-19 pandemic has exposed — and in some cases worsened — many of these long-standing issues, both in the U.S. and abroad. Yet long before 2020’s global health crisis, political volatility and heightened public awareness of racial injustice across America, scholars at Brown University have been developing evidence-based solutions to confronting these and other pressing global challenges.

This report details the ways in which Brown has positioned itself as a leading force in scholarship that has a positive impact on society. Its faculty experts in international and public affairs are informing policies on urbanization, security, labor standards, social equity and other issues across the world. Faculty and students at Brown have introduced new ways of thinking about democracy and society, engaging world leaders from across the political spectrum. And Brown’s faculty have led national conversations on racial inequality, fighting for the eradication of anti-Black racism and advocating for a close examination of the legacy of slavery in the U.S.

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We will establish Brown as a leading center of international studies that integrates rigorous scholarship and education with active engagement in the world of international affairs, and we will support scholarship and public discourse on institutions and ideas that promote social justice and economic prosperity domestically and internationally.

**BUILDING ON DISTINCTION: A NEW PLAN FOR BROWN**



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There is a chronic need for more humanities-based scholarship and courses on issues of race and ethnicity, as this is a field that often finds itself underfunded and marginalized. Expanding research and courses on this topic, and expanding community access to discussions on race, will help us take a significant step toward creating a reflective and inclusive multiracial democracy.

— Tricia Rose, CSREA Director and Professor of Africana Studies

## Center for the Study of Race and Ethnicity in America

Through thought-provoking discussions, exhibitions and scholarship, CSREA is helping define, investigate and raise awareness of systemic racism in the U.S. and beyond.

While the U.S. grapples anew with pervasive anti-Black racism, incidents of police violence and profiling and a heightened understanding of systemic injustice, scholars engaged in research and education at Brown’s [Center for the Study of Race and Ethnicity in America \(CSREA\)](#) have long been interrogating these and other entrenched problems. And as the global novel coronavirus pandemic spread in spring 2020, CSREA engaged in programming about the ways in which the health crisis is exacerbating a complex network of inequities and disparities the center has been spotlighting consistently.

Founded in 1986, CSREA was one of the nation’s first academic centers dedicated to research, scholarship and academic exchange on race and ethnicity. In the three decades since it was established, CSREA has fostered rigorous cross-disciplinary research, meaningful conversations and new approaches to critical issues affecting Black, Latinx, Indigenous and other communities of color.

In recent years, the center has spotlighted systemic racism — discriminatory practices that influence individual opportunities and hurdles and drive inequality in housing,

education, health and employment. The center enables faculty to investigate some of today’s most entrenched societal problems, from white supremacy to immigration policies to ethnic stereotyping and police aggression, through research projects, seminars and fellowships.

Among the CSREA faculty and postdoctoral fellows researching systemic racism are Nicole Gonzalez Van Cleve, whose latest book “The Waiting Room” examines how suffering caused by pre-trial incarceration extends beyond the jail cells and into the communities, and Daniel Rodriguez, whose research reveals how struggles over disease and health shaped the lives of Havana residents during Cuba’s transition from colonial rule to independence.

The center is also a thriving hub of cross-disciplinary graduate student research, thanks to a fellows program and opportunities for research grants and professional development for master’s and Ph.D. students at Brown. In 2020, graduate fellows at CSREA were at work on projects focused on the criminalization and political function of the “gangsta” figure and the intersection of Black religious thought and colonialism in the 19th century.

CSREA also provides a dynamic portal for the Brown community and the public to explore challenging issues through art exhibits, films and lectures featuring respected scholars.

The COVID-19 pandemic has not impeded the center’s roster of academic activities. In spring 2020, CSREA Director Tricia Rose launched the virtual conversation series

“[Underlying Conditions](#),” which engages experts across disciplines on the dynamic and multifaceted impact of the global health crisis on already vulnerable communities of color. The series explored unique threats the pandemic posed to the health and livelihoods of Black business owners, immigrants, current and former prisoners and more. It explored how COVID-19 has intensified the daily struggles of groups already facing unequal access to food, safe living conditions and health care.



Curated by Brown's Center for the Study of Race and Ethnicity in America  
in partnership with the Office of the Provost

# Race & IN AMERICA

The discussion series “Race & in America,” curated by the Center for the Study of Race and Ethnicity in America, was established to examine throughout the 2020-21 academic year the ways in which racism shapes multiple facets of society — from public health to democracy to punishment — through discussions with experts at Brown and beyond. The inaugural event featured insights on the history and legacy of Black slavery from Anthony Bogues, director of Brown's Center for the Study of Slavery and Justice; Emily Owens, an assistant professor of history; and Seth Rockman, an associate professor of history.

The series expands upon the center's rich programming, which often examines events of the past to better understand the issues of ethnicity and race in the present. A 2019 [Hip Hop Lecture Series](#) hosted by Rose — whose seminal text, “Black Noise,” is a crucial starting point for scholars studying the intersection of art and society — shed new light on the musical genre by drawing connections between the systemic oppression of Black Americans, anti-Black police violence and hip hop's rise in popularity. In February 2020, historians, anthropologists and race scholars gathered on campus for a screening of “Strike for Freedom: Frederick Douglass in

Scotland,” where they discussed the legacy left by Black abolitionists in the 19th century and the enduring effects of slavery on society today.

The 2019-20 art exhibit “[Resilience](#),” offered both in person and online, showcased work by 26 artists that focused on the perseverance of underrepresented groups in the face of discrimination and marginalization. And another 2019 exhibit, “Joy + Justice,” invited the public to consider the art of living joyfully while fighting for justice for those who are marginalized.

In the 2020-21 academic year, the study of race and ethnicity at Brown is thriving and expanding, thanks in part to a new [\\$4 million grant from the Andrew W. Mellon Foundation](#). The grant, awarded to CSREA and academic centers at three fellow institutions, is bringing to the center new “humanities labs,” where students and faculty will collaborate on performances, community partnerships and research projects focused on specific themes and social issues; expanded course offerings; and a series of free, public events, including conversations between authors who write about race in America.

Expanding and amplifying the impact of CSREA is a priority in the University's *Building on Distinction* strategic plan.



## Center for the Study of Slavery and Justice

Founded less than a decade ago, Brown's [Center for the Study of Slavery and Justice \(CSSJ\)](#) has quickly become a powerhouse for research that is changing the way the world learns about legacies of racial slavery and the global slave trade. It is gaining a national and international reputation for fueling the work of researchers, nongovernmental organizations, museum curators, activists and policymakers across the globe who are working to confront issues of historical and contemporary inequities.

And as communities across the U.S. confront incidents that continue to cut short the lives of Black people every day — with a heightened focus on truly understanding the unjust impacts of systemic racism — the center's work has never been more relevant.

As Black Lives Matter demonstrators filled city streets in spring 2020, CSSJ launched a virtual series called "[This is America](#)," convening scholars and activists to discuss the meaning and potential impact of the protests, nationally and internationally. As part of the series, scholars from CSSJ and across the globe applied their expertise on slavery and its legacies to pressing questions about the fate of Confederate monuments, police reform and the Black Lives Matter movement.

Though CSSJ persistently reaches beyond Brown's campus, its foundation is inextricably tied to the University's efforts to grapple with its own history through the work of its Steering Committee on Slavery and Justice, commissioned in 2003 by then-President Ruth J. Simmons. The committee investigated the University's historical entanglement with slavery and the transatlantic slave trade in a watershed [2006 report](#), which called for the creation of a center that would continue the work of confronting traumatic histories, among other recommendations. Both the Steering Committee's report and the establishment of

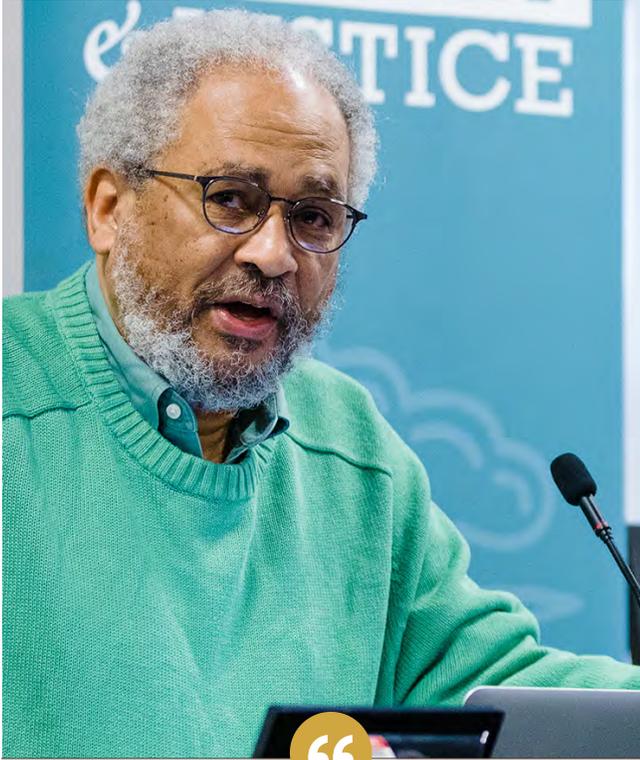
CSSJ have prompted numerous other American universities to launch investigations into their historical ties to slavery, citing Brown's work as a model and inspiration.

As CSSJ approaches the homestretch of its initial decade of scholarship, its faculty, staff and students continue to expand the center's robust research and public-facing initiatives. Over the past five years, CSSJ has been awarded \$450,000 in grants from organizations supporting its examinations into the legacies of slave trade and its arts programming.

The center is home to a number of [research clusters](#) focused on mass incarceration and punishment in the U.S., contemporary human trafficking, structural racism in biomedicine, and the links between colonialism and capitalism, among other cross-disciplinary subjects. Researchers within the clusters include CSSJ-affiliated faculty, graduate students and undergraduate students, and their collaborative work has sparked conversations and debates among scholars and the public.

The center regularly works with institutions across the globe to bring rigor to the way the history of slavery is studied and presented, posing critical questions: What were the conditions on the ships used to bring slaves to America? What kinds of knowledge — political, religious, agricultural, artistic and otherwise — did enslaved people create? And what are the links between slavery and present-day phenomena like racial profiling and human trafficking? CSSJ and its programs enable Brown and the larger community to ask big questions about subjects often suppressed.

With the [Smithsonian Institution's National Museum of African American History and Culture](#), the CSSJ convenes the [Global Curatorial Project](#), a group of curators from major museums in South Africa, Senegal, the United Kingdom, France, Belgium, the Netherlands and the U.S. Since 2014, the project's members have met regularly to discuss and improve upon curatorial practices for exhibitions on slavery and colonialism.



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The CSSJ is a center in the world. Sometimes the academy tends to be isolated from the world, but we are engaged with it. We have no other option, because the issues and questions we work on demand rigorous scholarship and are critical to the world we live in today.

— Anthony Bogues, CSSJ Founding Director

The work of the CSSJ and the Steering Committee’s report have also impacted how the history of slavery is represented near Brown’s home in Rhode Island. In recent years, CSSJ has worked with local high school-aged interns to develop a [Slavery and Legacy Walking Tour](#) on and around College Hill, which it offers throughout the year to visiting families and the greater Providence community. And the center frequently engages with students through tours and exhibitions and through its [Civil Rights Movement Initiative](#). Through the initiative, students from Providence’s Hope High School take a six-week course and spend a week traveling to historic sites and museums in the South, meeting with movement veterans and activists.

CSSJ is also drawing on its historical knowledge to help shape pivotal conversations about racial justice, freedom and equality, both nationally and within the Brown community.

For example, its Carceral State Reading Group, organized each year by an undergraduate and a Ph.D. student, creates a space for educators, students, activists and formerly incarcerated community members to discuss the prison system together, raising awareness of pressing social issues in the larger community.

The center is also catalytic in training the next generation of educators and cultural leaders. Past recipients of the [Public History of Slavery Fellowship](#) — a two-year funded master’s program offered jointly by the CSSJ, the Graduate School and the John Nicholas Brown Center for Public Humanities — have gone on to make a positive impact in careers across the cultural heritage sector. These alumni are developing exhibitions on the legacy of slavery at the Smithsonian Institution’s National Museum of African American History and Culture, preserving and interpreting African American landmarks at the National Trust and more.

The University has committed to increasing the center’s capacity to propel new areas of scholarship and teaching to change the ways that Brown and the world learn about the consequences of human bondage.



“Memory Dishes,” an exhibit on display at CSSJ in 2019, examined the unique ways in which food traditions evolve when families from Africa, the Caribbean and Latin America immigrate to the U.S. The exhibit, which highlighted the cooking practices of six Providence families with West and Central African ancestry, used food to examine the ways in which colonialism and slavery transformed individual families and households. Filmed and documented by the media team at Computing and Information Services in partnership with the Center for the Study of Slavery and Justice at Brown University curatorial team.



SCAN QR TO  
WATCH VIDEO



Award-winning director and MacArthur “Genius” Fellow Stanley Nelson, who has examined the history and experiences of African Americans in films such as “Freedom Riders,” enlisted the help of the Center for the Study of Slavery and Justice for a forthcoming documentary that will chart the economic and human cost of the slave trade across the Atlantic basin. Zach Sell (right), a visiting scholar in slavery and justice, is working with several undergraduate students and Nelson’s Firelight Media to bring together the best and most recent scholarship on this less understood aspect of slavery.





## Political Theory Project

The Political Theory Project is transforming political discourse by diving beneath easy ideological labels and encouraging debate between brilliant minds from across the political spectrum.

In a time of extreme political polarization in the U.S. and beyond, Brown's [Political Theory Project \(PTP\)](#) is transforming the nature of political discourse and inquiry both on campus and across academia.

Established in 2003, the project unites faculty from political science, economics, philosophy and other disciplines to galvanize the study of ideas and institutions that make societies more free, prosperous and fair.

Critical to this mission is engaging undergraduate students and faculty alike in a free and open exchange of ideas and perspectives through coursework, research opportunities and campus forums that give students the ability to interact directly with prominent international voices representing a wide diversity of viewpoints.

PTP faculty carry the project's mission into their own work, which often has far-reaching impact. Director John Tomasi, a professor of political science at Brown, has [successfully translated](#) theory into action in Chile, where his consultations with the country's senior elected leaders have galvanized national policy changes. After reading Tomasi's book "Free Market Fairness," which introduces the idea that societies can prosper by incorporating ideas of both social justice and private economic freedom, members of Sebastián Piñera's 2017 presidential campaign reached out to Tomasi to discuss implementing his ideas on the ground in Chile. Piñera, now president, has since met regularly with Tomasi to create a new political model based on the core tenets outlined in "Free Market Fairness," which could bring more prosperity and equality to the country.

At the heart of the PTP is its Janus Forum Lecture Series, which is aimed at fueling and influencing important national and international discussions. Drawing from its namesake, the Roman god with two faces, the series asks two established researchers with alternative perspectives to present their research in direct comparison to one another.

Recent Janus Forum talks have featured Pulitzer Prize-winning writer Heather Ann Thompson, who revealed new details about the ruthless retaliation Attica Prison residents faced following their uprising in 1971; former Weekly Standard editor Bill Kristol, who discussed the recent trajectory of American politics and conservative thought; and economist Paul Krugman and Harvard psychologist Steven Pinker, who debated whether humanity is advancing



At a 2019 Janus Forum event titled "Is Humanity Progressing?" there was ostensibly one question of the hour. But the discussion, hosted by the Political Theory Project, was more wide-ranging than its title suggested. Economist Paul Krugman and psychologist Steven Pinker addressed pivotal moments of progress and regression in history, the potentially fatal effects of climate change, the trajectory of the world economy and more.

or regressing. In past years, the PTP has hosted debates between capitalists and socialists, between gun champions and gun control advocates, and between those who argued for and against restricting immigration to the U.S.

Brown students, inquisitive and independent by nature, thrive in the intellectually open environments the PTP fosters, from debates in large auditoriums to classes in intimate discussion rooms. Each academic year, students engage with PTP-affiliated faculty in courses such as Capitalism: For and Against; Prosperity: The Ethics and Economics of Wealth Creation; and Liberty and Incarceration. Students also have the opportunity to join the project's Philosophy, Politics and Economics Honors Society, in which they participate in guided reading and discussion

groups to better understand how to create societies in which citizens enjoy equal opportunities and flourish.

Courses and student activities offered by the PTP encourage responsible criticism of public institutions, paving the way for students to become leaders who draw on a wide spectrum of political thought to make a positive difference in the world, rather than defenders of inherited ideology.

Over the past five years, PTP has received more than \$3.7 million in foundation support for research, programming and a postdoctoral fellowship. Future investment in PTP will allow the center to continue to present a range of intellectual and ideological perspectives to create new ways of thinking.



One semester after completing the Political Theory Project course Bleeding Heart Libertarianism, Brown seniors Daniel Newman and Peter Lees spent summer 2019 working with the project's director, Professor of Political Science John Tomasi, in Chile. The two students had a unique chance to apply the political philosophies they had studied in class to conditions on the ground in Santiago, where political leaders employ a mix of social justice ideas and free market ideas in their policymaking.



## Watson Institute for International and Public Affairs

Through data collection and analysis that tackles major global and societal challenges, experts at the Watson Institute are informing national and international policy.

As its reputation grows internationally as an esteemed policy center, Brown University's [Watson Institute for International and Public Affairs](#) is influencing research and informing policy on the most vexing global challenges of the 21st century.

In the past year alone, research by the institute's faculty has earned the attention of world leaders and sparked public discussion that at times leads to significant legislative and policy changes.

Catherine Lutz, a professor of international studies and anthropology, co-founded the [Costs of War Project](#) at the Watson Institute to provide the fullest possible account of the human, economic and political costs of all American military conflicts following the Sept. 11, 2001, terrorist attacks. In recent years, reports from Lutz and her colleagues have received extensive international news coverage and have been cited on the floor of the U.S. Senate — illustrating their considerable impact.

Watson-affiliated faculty members Ashutosh Varshney and Patrick Heller have developed a long-term partnership with a nongovernmental organization in India to study the connection between civic engagement and access to basic services in India's cities, driving increased efforts to provide clean water to citizens across the country.



Watson integrates and enhances work across the social sciences at Brown with an emphasis on first-rate scholarship that is relevant to policymaking. As the institute is already demonstrating, Watson has the opportunity to become a leading center of knowledge and learning, fully calibrated to the needs of the 21st-century world.

— Ed Steinfeld, Watson Institute  
Director and Professor of International  
and Public Affairs



Watson's study groups invite small groups of students to spend time with leaders in international and public affairs, where they delve deeply into topics and apply theory and research to real-world challenges. Recent study groups have been headed by Democratic National Committee Chair Tom Perez (pictured here), former Republican National Committee Chair Michael Steele, former World Bank President Jim Yong Kim and former U.S. Senator Heidi Heitkamp — all of whom joined Watson as senior fellows in recent years.

The work of Watson Institute scholars is defined by a combination of deep international expertise, rigorous data collection and analysis, and a commitment to collaborating across fields of study in search of new ideas and novel solutions. By building bridges between the social sciences and technical disciplines, the institute is uncovering new insights for reducing inequality, informing the views and decisions of leading policymakers, and uniting groups with divergent political and ideological views in robust debate.

Over the past five years, the Watson Institute has received more than \$1.7 million in support from foundations and federal agencies to fund its ambitious, high-impact research and programs. These range from an annual conference that coordinates civilian and military humanitarian responses, to a study on the impact of the Common Core Standards Initiative, a set of K-12 academic standards that aim to address educational inequality, in a partnership with scholars at the University of Michigan and Stanford University.

Through the spring and fall of 2020, Watson faculty stepped up to help policy leaders and citizens alike grapple with the COVID-19 pandemic. Since May 2020, [a real-time economic tracker](#) developed in part by Professor of Economics John Friedman has provided a data-informed, up-to-the-

minute picture of the rapidly shifting American economy during the pandemic, helping lawmakers craft policy more responsibly. Another economist at Watson, Emily Oster, created the website [COVID Explained](#) to answer the public's most pressing questions about the virus, including how it spreads, how a vaccine will be developed, and how to behave in restaurants, schools and workplaces to stay healthy. She is also playing a lead role in tracking COVID-19 cases as the country's K-12 schools resume in-person operations in 2020-21.

The Watson Institute has also reinforced its commitment to hosting scholars and practitioners with a wide variety of experiences and political perspectives. From presentations by the likes of [Jim Yong Kim](#), former head of the World Bank and a senior fellow at Watson, to [discussions](#) between political leaders from opposing parties, to conferences that confront contentious global issues, Watson has become an important forum for conversations that change perspectives and shape policy. Its new home for landmark events like these is the sleek, state-of-the-art [Stephen Robert '62 Hall](#), the completion of which in 2018 added more than 30,000 square feet of physical space to keep pace with the institute's programmatic growth.



Since 2016, the Center for Human Rights and Humanitarian Studies at the Watson Institute has partnered with the Naval War College and the United Nations to host an annual Civilian-Military Humanitarian Response Workshop. The series is designed to convene civilians and members of the military to discuss how to best respond to humanitarian emergencies ranging from natural disasters and pandemics to the provision of medical care in war zones. The academic-military-civilian partnership ensures that responses to humanitarian crises are not developed in a vacuum.

Recent galvanizing efforts include “[Partitions: A Global Perspective](#),” a conference that invited diverse, sometimes opposing perspectives on the history and implications of the borders between Israel and Palestine; a lively faculty forum on the policy implications of the impeachment of President Donald Trump, hosted by the [Taubman Center for American Politics and Policy](#); and a teach-in on colonialism in the curriculum co-hosted by Watson and the Department of Africana Studies, part of an ongoing discussion aimed at ensuring that Brown continues to offer an inclusive, diverse and rigorous curriculum.

Faculty and esteemed visitors are not the only ones who make an impact at the Watson Institute. Students at Brown, both undergraduate and graduate, continue to change conversations and initiate new scholarship in international and public affairs. The unique, hands-on learning opportunities students have at Watson prepare them for lives and leadership careers in policymaking, international relations and security, where they can help bring about social change.

Much of the Watson Institute’s work earns an even greater spotlight during election years, and 2020 has been no exception. In this year’s highly contested, much politicized U.S. presidential election season, the institute has provided a venue

for students and scholars to explore ideas in depth, focus on issues rather than rhetoric, and ensure that members of the Brown community and beyond are well-informed.

Recently, students participated in [a course that unpacked how democracies fail](#) — the curriculum created in large part by Brown political scientist Robert Blair and a course so successful that it was adapted for use by 19 other universities. And in Angela Blanchard’s course titled Disaster, Displacement and Response, students working toward a master’s degree in public affairs studied real-world disasters, such as hurricanes, political crises and immigration issues, and created their own disaster response plans.

Practical, student-centered experiences like these prepare graduates who are currently solving domestic and global challenges as analysts, researchers and managerial professionals involved in making, analyzing or implementing public policy, whether in government and nonprofit organizations or at consulting firms in the private sector.

Through Brown’s ongoing support for Watson’s programs and student and faculty scholars, the institute will continue to make a true impact on confronting some of the most difficult issues of our time. ■

# Financial Statement Overview

## Chief Financial Officer's Report

Despite the extraordinary operational and financial challenges presented by the COVID-19 pandemic, Brown University closed Fiscal Year 2020 in continued strong financial health. Brown extended its impact and reach globally by further investing in key areas laid out in its strategic plan, *Building on Distinction: A New Plan for Brown*.

When the University moved to remote operations in March 2020, leadership took decisive action to protect the health and safety of our community. These early steps included ensuring that Brown students continued to have access to the high-quality education for which Brown is known, providing much-needed financial assistance to students and supporting the Providence community by providing meals to hard-hit families and housing to first responders. Since then, Brown has invested millions of dollars to make resumption of research and educational operations possible, including setting up a sophisticated COVID-19 testing program, training contact tracers, installing touchless devices and ensuring that the air quality of our buildings is safe. All of these actions, although essential, have resulted in meaningful increases in expenses that have carried over to the current fiscal year. At the same time, Brown has incurred significant losses in revenue due to providing partial room and board refunds and the need to cancel our residential summer programs.

Steps to protect the health of our community and ensure academic continuity were paired with decisive decisions to shore up the University's finances. Brown leadership quickly imposed spending limits, instituted a hiring freeze, eliminated staff and faculty salary increases and accepted voluntary reductions in senior administrators' salaries, all of which will offset tens of millions of dollars in expenses and lost revenues for FY21. With financial markets in freefall, the University made certain to ensure sufficient liquidity to sustain our mission of education and research. This resulted in the issuance of a new tranche of \$300 million in debt in May, followed by another issuance of \$400 million in September. These actions, and others, will ensure that Brown emerges from the pandemic in a strong position financially.

As challenging as this time has been, as of the fiscal year ended June 30, 2020, Brown's net assets grew to \$5.5 billion, an increase of \$405 million over the prior year, and up 8% from the FY19 result. Total debt at the end of FY20 stood at just over \$1 billion. The current portfolio of debt has an average maturity of 22.5 years and carries a 2.79% blended cost of capital, one of the lowest in higher education. Even with the new issuance of debt, Brown's credit rating remained at AA+/Aa1 with S&P and Moody's respectively, which is a testament to the ever-strengthening financial health of the University.

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<sup>1</sup> The GAAP (generally accepted accounting principles) surplus of \$49.5 million includes non-cash items, such as depreciation, etc. It also includes the operating budget surplus of \$16.8 million.

The endowment continues to play a vital role in supporting the University's operations. The Brown University endowment and other managed assets generated a remarkable \$504 million in investment gains in FY20, equating to a 12.1% return, and bringing the endowment and other managed assets to an all-time high of \$4.7 billion. Spending totaled 4.9% of the endowment's value. In light of the significant financial impact of the pandemic, the University will temporarily increase its draw from the endowment in FY21. Fundraising has also been critically important to the University's financial health, and last year Brown experienced a record year for contributions from its generous donors and alumni.

As we look toward the future with optimism, we have to acknowledge there is uncertainty ahead. With significant declines in University revenues and the increase in costs related to operating during the pandemic, Brown is expecting a substantial deficit in FY21 that will carry over into FY22. Even with the actions already taken, we anticipate a FY21 deficit ranging from \$100 to \$165 million, representing roughly 8% to 13% of the total operating budget. University leadership has developed a plan for FY21 that proportionately shares the deficit across the institution. With the use of newly acquired debt, philanthropy and temporarily increasing endowment distributions, as well as a host of other cost savings and revenue-generating measures, Brown will without a doubt weather this difficult period.

I invite you to explore the FY20 results that follow regarding the financial health of the University.



Michael White  
Chief Financial Officer

## REVIEW OF THE 2020 FINANCIAL STATEMENTS

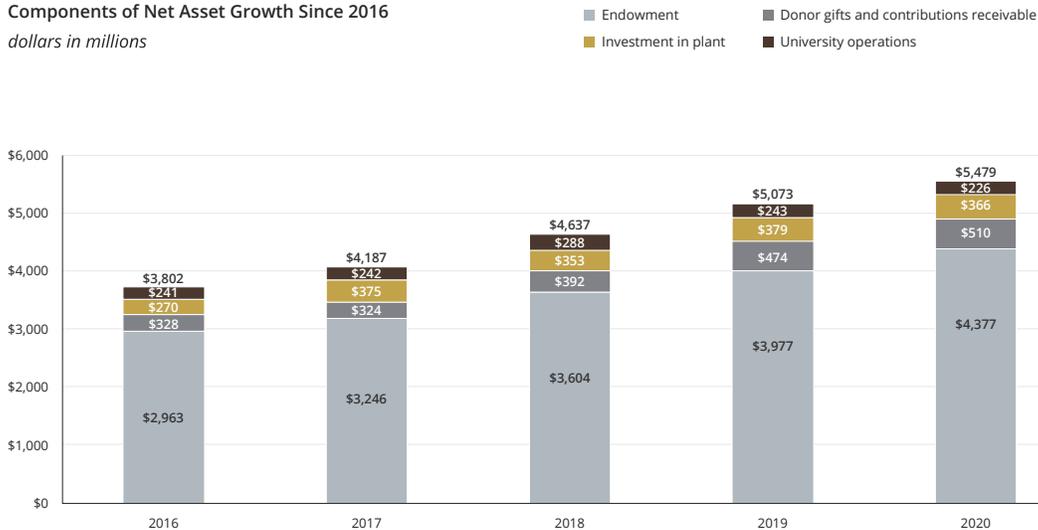
The following sections outline the Fiscal Year 2020 financial performance of Brown University. The University's financial statements were prepared in accordance with U.S. generally accepted accounting principles (GAAP) and audited by our independent outside auditors from the firm KPMG LLP. The GAAP financials have been summarized for presentation purposes in the charts and tables presented below.

<b>Summary of GAAP Financial Statements</b>			
<i>dollars in thousands</i>			
<b>Balance sheet</b>	<b>2020</b>	<b>2019</b>	<b>% Change</b>
<b>Assets</b>	<b>\$6,894,193</b>	<b>\$6,209,293</b>	<b>11%</b>
Liabilities	\$1,415,362	\$1,135,774	25%
Net assets	\$5,478,831	\$5,073,519	8%
<b>Total liabilities and net assets</b>	<b>\$6,894,193</b>	<b>\$6,209,293</b>	<b>11%</b>
<b>Statement of activities</b>	<b>2020</b>	<b>2019</b>	<b>% Change</b>
Operating revenues	\$997,868	\$967,564	3%
Operating expenses	\$1,006,764	\$992,926	1%
<b>Net operating activities</b>	<b>-\$8,896</b>	<b>-\$25,362</b>	<b>65%</b>
Non-operating activities	\$414,208	\$462,390	-10%
<b>Total change in net assets</b>	<b>\$405,312</b>	<b>\$437,028</b>	<b>-7%</b>
Net assets, beginning of the year	\$5,073,519	\$4,636,491	9%
<b>Net assets, end of year</b>	<b>\$5,478,831</b>	<b>\$5,073,519</b>	<b>8%</b>
<b>Cash flow</b>	<b>2020</b>	<b>2019</b>	<b>% Change</b>
<b>Change in net assets</b>	<b>\$405,312</b>	<b>\$437,028</b>	<b>-7%</b>
Adjustments	-\$560,877	-\$562,043	-0.2%
<b>Net cash used in operating activities</b>	<b>-\$155,565</b>	<b>-\$125,015</b>	<b>24%</b>
Cash flows from investing activities			
Additions to land, buildings and equipment	-\$151,785	-\$156,223	-3%
Net investments	\$65,672	\$88,453	-26%
Other	\$26,808	\$41,935	-36%
<b>Net cash used from investing activities</b>	<b>-\$59,305</b>	<b>-\$25,835</b>	<b>130%</b>
Cash flows from financing activities			
Gift related activities	\$185,939	\$152,324	22%
Proceeds and payments on debt instruments	\$272,772	-\$35,789	-862%
<b>Net cash used from financing activities</b>	<b>\$458,711</b>	<b>\$116,535</b>	<b>294%</b>
<b>Change in cash</b>	<b>\$243,841</b>	<b>-\$34,315</b>	<b>-811%</b>
Beginning cash balance	\$208,926	\$243,241	-14%
<b>Ending cash balance</b>	<b>\$452,767</b>	<b>\$208,926</b>	<b>117%</b>
<i>GAAP financials summarized for presentation purposes</i>			

## NET ASSETS

The University ended Fiscal Year 2020 with net assets of \$5.5 billion, an increase of \$405 million (8%) despite recording a modest operating loss of \$8.9 million. This marks the fourth straight year of substantial growth in net assets with the cumulative change totaling approximately \$1.3 billion over that period. Endowment performance and gifts were the most substantial contributors. Net investment returns, after the endowment appropriation, totaled \$322 million, while gifts were \$236 million.

**Components of Net Asset Growth Since 2016**  
dollars in millions



GAAP statements summarized for presentation purposes.

## OPERATING REVENUE

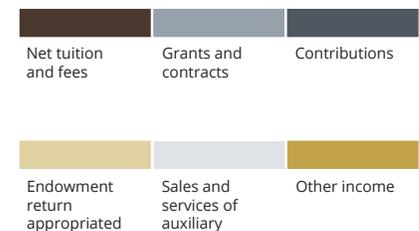
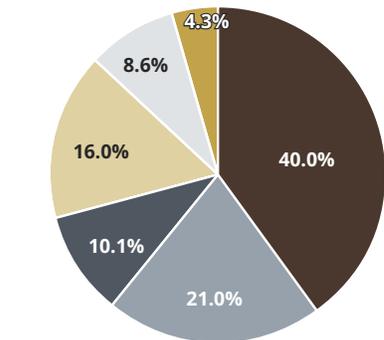
The University's total operating revenues grew by 3.1% to \$997.9 million in 2020, up from \$967.6 million in 2019. The change in total revenue was driven by growth in net tuition and contributions, endowment appropriations and grants. However, there was a decline in auxiliary revenue related to COVID-19.

Gross tuition grew by 5.8% (\$34 million) to \$615.9 million in FY20, while University scholarships grew by 3.8% to \$216.9 million. Scholarships grew at a slightly slower pace as a result of the allocation of scholarship to room and board revenue, an accounting requirement as a result of room and board refunds related to COVID-19. In aggregate, net tuition and fees grew by 7% year-over-year to \$399 million.

Grants and contracts revenue from government and private sources increased \$8.4 million to \$209.3 million, a 4.2% increase over FY19. The percentage of revenue from federal funding sources, such as the National Institutes of Health, the National Science Foundation and the Department of Defense, decreased slightly by one percent to 88% in FY20. This decrease translated into a slight decline in the University's effective indirect cost reimbursement rate from 34% in FY19 to 33% in FY20. Indirect cost reimbursement, which allows the University to recover certain overhead expenses related to grants, is a critical component of the operating budget as it broadly supports research at the University.

Operating revenue for current-use gifts increased by \$8.2 million to \$100.5 million in 2020. The strong increase in revenue is attributable to the generous cash and pledges received to support the President's Response Fund, created as a result of the COVID-19 pandemic.

**Components of Revenue**  
Total Revenue \$997,868  
dollars in thousands



GAAP statements summarized for presentation purposes.

For 2020, the Corporation approved an endowment appropriation distribution reduction to 4.85% from 4.90% in 2019. This payout rate is applied to the average market value of Brown's endowment over the most recent three-year period. This reduction was more than offset by investment gains and additional gifts, resulting in a \$6.1 million increase in endowment returns appropriated in 2020 versus 2019. This appropriation of \$159.9 million represents approximately 16.0% of the University's Operating Revenue.

Auxiliary revenue decreased significantly by 16.2%, to \$86.0 million for 2020. Housing, dining and student health fees constitute just over 80% of these revenues. The decrease was driven primarily from room and board refunds to students due to the move to remote instruction in spring 2020 because of the pandemic.

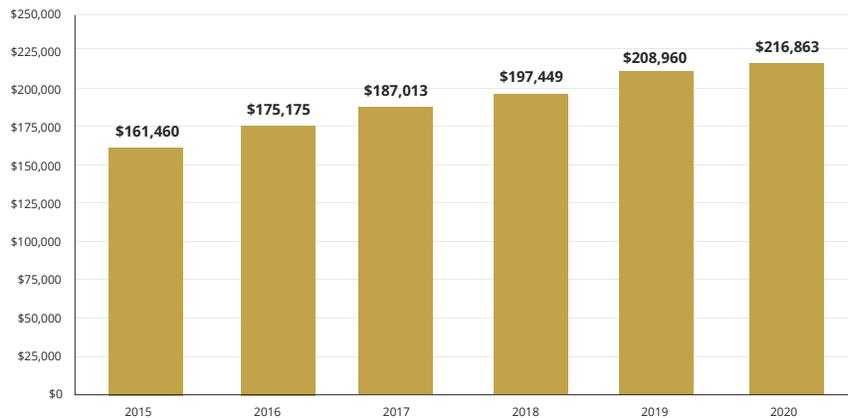
## OPERATING EXPENSES

Total operating expenses for the University increased 1.4% to \$1 billion in 2020, from \$992.9 million in 2019. Salaries, wages and benefits expenses, which represent over 50% of the operating expenses of the University, grew by 3.9% to \$537.2 million. Graduate student support, including scholarships and stipends, increased by 9.3% to \$89.4 million. Non-compensation expenses declined by only 3.6% to \$380.2 million as a result of a reduction in travel and discretionary expenses.

Total salaries and wages increased by 4.8%. The growth in compensation expense was a result of modest increases in both additional faculty and staff positions as well as merit-based increases to compensation for existing employees. The University was able to reduce the cost of benefits per employee in 2020 as a result of a reduction in health insurance claims such that benefits expenses grew at a marginally low rate of 0.9%.

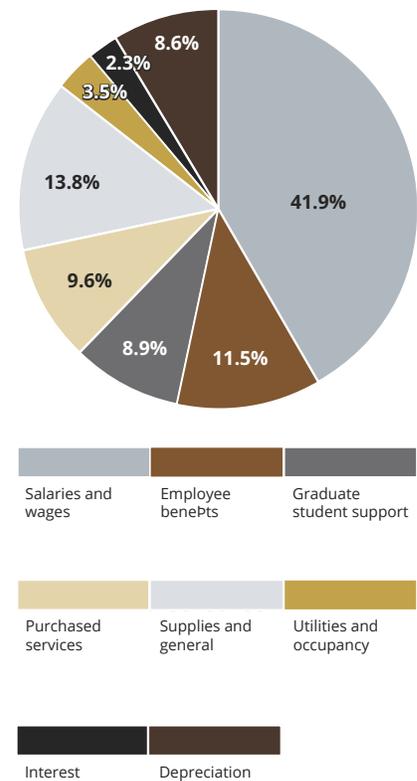
Depreciation grew 4.8% to \$86.9 million as a result of approximately \$120 million of new capital assets put into service in 2020. Despite the increase in the capital assets in service, utility expenses remained fairly consistent at approximately \$35 million in 2020, due to favorable utility contracts.

University Scholarships Paid  
dollars in thousands



GAAP statements summarized for presentation purposes.

Components of Expense  
Total Operating Expense \$1,006,764  
dollars in thousands



GAAP statements summarized for presentation purposes.

## BALANCE SHEET

Fiscal Year 2020 ended with increases to both assets and net assets when compared to Fiscal Year 2019.

<b>Balance Sheet Summary</b> <i>dollars in thousands</i>	<b>2020</b>	<b>2019</b>	<b>% Change</b>
<b>Assets</b>			
Cash and cash equivalents	\$452,767	\$208,926	117%
Accounts receivable and other assets	\$61,165	\$76,262	-20%
Contributions receivable, net	\$279,082	\$277,443	1%
Notes receivable, net	\$19,667	\$23,928	-18%
Funds held in trust by others	\$53,439	\$62,886	-15%
Investments	\$4,766,897	\$4,368,716	9%
Land, building and equipment, net	\$1,261,176	\$1,191,132	6%
	<b>\$6,894,193</b>	<b>\$6,209,293</b>	<b>11%</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$91,564	\$89,562	2%
Liabilities associated with investments	\$6,344	\$24,423	-74%
Student deposits and grant advances	\$49,754	\$74,286	-33%
Other long-term obligations	\$111,859	\$98,176	14%
Retirement obligations	\$85,896	\$61,618	39%
Bonds, loans and notes payable	\$1,069,945	\$787,709	36%
	<b>\$1,415,362</b>	<b>\$1,135,774</b>	<b>25%</b>
<b>Net assets</b>			
Without donor restrictions	\$1,143,271	\$1,125,901	2%
With donor restrictions	\$4,335,560	\$3,947,618	10%
	<b>\$5,478,831</b>	<b>\$5,073,519</b>	<b>8%</b>
<b>Total liabilities and net assets</b>	<b>\$6,894,193</b>	<b>\$6,209,293</b>	<b>11%</b>

*GAAP statements summarized for presentation purposes.*

## Investments

During Fiscal Year 2020, Brown investments grew to \$4.8 billion. The endowment and other managed assets generated a 12.1% return in FY20. Additional information on the endowment can be found elsewhere in this report, in the section prepared by the Brown University Investment Office.

## Debt

Total bonds, loans and notes payable increased from \$787.7 million in 2019 to nearly \$1.1 billion in 2020. The \$282 million increase was driven by the \$300 million issuance of the Series 2020 taxable bonds offset by annual principal payments. The Series 2020 taxable bonds were issued at an effective interest rate of 2.59%, reducing the University's average cost of debt to 2.73% for 2020. It also resulted in a 6.6% decrease in interest expense year-over-year. The University has maintained its current ratings of AA+ by S&P Global Ratings and Aa1 by Moody's Investor Services.

## Capital Expenditures

Brown invested \$152 million in capital projects, building and equipment in 2020, which is comparable to the \$156 million spent in 2019. These investments have contributed to a number of significant projects, including completion of the new 22,500 square-foot Center for Lacrosse and Soccer, and continued construction efforts for the Performing Arts Center and the Wellness Center and Residence Hall.

## SUMMARY

The financial strength of the University continued to flourish this year through the many contributions of our community. The key to Brown's success lies within that community, and is tangibly represented through the generosity of our donors and the University's exceptional leaders, faculty and staff, and within the world-class academic and research programs that bind us together. It is our responsibility to protect and steward these people and programs that positively impact innumerable lives around the globe every day. These financial statements are a measure of that commitment and the desire to preserve the long-term financial health of Brown.

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*Financial Statement Overview contributed by Brown University's Finance Division*

# Endowment Report

## Brown University Investment Office

### INTRODUCTION

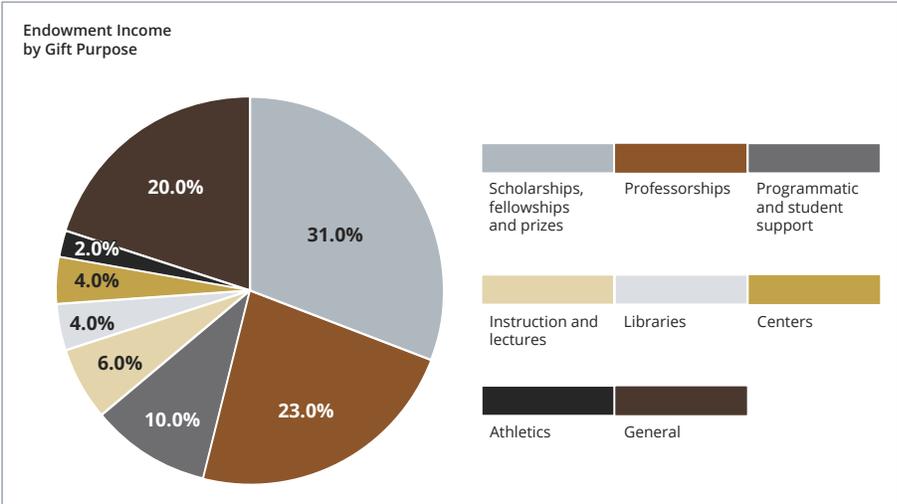
During the fiscal year from July 1, 2019, to June 30, 2020, Brown University’s endowment and other managed assets generated \$504 million in investment gains, equating to a 12.1% return. It was a year of economic, political and social upheaval — much arising out of the global COVID-19 pandemic — that resulted in substantial volatility in the prices of financial assets. The endowment’s portfolio, managed by a group of superlative external investment managers, is diversified across asset classes, geographies and industries in order to survive and even thrive in unforeseen circumstances. The circumstances of Fiscal Year 2020 certainly qualify. After accounting for investment gains and gifts of \$100 million to the endowment, and after adjusting for spending and expenses, the endowment and other managed assets totaled \$4.7 billion for FY2020. This total is an increase of 9.9% over the prior year and represents a high-water mark for the endowment.

### SUPPORTING THE UNIVERSITY

The endowment is a financial resource for the University, and a fundamental measure of success is what it can sustainably contribute financially on an annual basis. This year, the endowment provided \$171 million to the overall annual operating budget. This contribution represents approximately \$17,000 per student in a diverse array of programs, many of which are supported by their specific endowed funds. Scholarships and prizes, endowed professorships, lecture programs, library resources and athletics facilities all received support. The largest portion of these funds constitutes financial aid.

The endowment contributes between 4.5% and 5.5% of its value to the University each year. The specific percentage is determined by the Corporation of Brown University, and the value is calculated on a 12-quarter trailing basis, which serves to shield the budget from the volatility of financial markets. For FY20, spending totaled 4.9% of the endowment’s value.

The initial contribution to the University’s endowment was made in 1769, and its value and annual contribution have grown steadily since then, thanks primarily to gifts from benefactors that sought to shape the character of Brown and ensure its long-term financial security. When crisis occurs, as it has so often since 1769, but rarely so emergently as during the pandemic that emerged in 2020, a question invariably accompanies it: Why not spend more from the endowment to support Brown through this time of need?



The primary answer to this question is that most of the endowed funds are restricted to specific purposes, so an increase in spending would not necessarily provide increased flexibility in meeting the financial needs that are most pressing for Brown today. Endowed gifts are accepted with a solemn — and legally binding — obligation to steward and spend the funds for the intended goal and over the intended duration. The fulfillment of the goal may vary (e.g., a named scholarship or an endowed faculty chair in a specific area of study), but the duration is always the same: perpetuity.

A secondary but vital answer to this question is that the endowment is not a financial resource solely for today's stakeholders in Brown's mission. It is also a resource for all of tomorrow's stakeholders. Future students, faculty, staff and alumni will face future emergencies and opportunities and will rely on the endowment as a critical financial resource, just as we do today. To represent their interests is the meaning of stewardship.

The draw on the endowment will, in fact, increase in the coming year to help alleviate the University's current financial challenges resulting from decreased revenues and increased expenses associated with operating during the global pandemic. The decision of how much to increase spending from the endowment, which is made by the Corporation of Brown University, must balance today's clear needs with tomorrow's potential needs and opportunities.

## PERFORMANCE

In order to maintain the positive impact of the endowment on future stakeholders, the investments of the endowment must, over a long period of time, grow at a rate that exceeds the rate of spending. This growth must be in real terms, meaning it must be in excess of the rate of inflation, in order to maintain the purchasing power of the endowment. The inflation rate, as measured by Commonfund's Higher Education Price Index, totaled 2.2% for FY20, bringing the combined hurdle of spending plus inflation to 7.1%. The endowment's investment performance in FY20, as well as in all trailing time periods, exceeds this hurdle. The implication is that the impact of the endowment on Brown's educational mission is growing in importance over time.

Having achieved the paramount objective of exceeding the rate of spending, the Investment Office applies other benchmarks to the performance of the portfolio. The aggregate benchmark is an internally maintained measure that combines the endowment's asset allocation with the returns of market indexes. Outperformance by the endowment over the aggregate benchmark is effectively a way to test the extent to which Brown's external investment managers have contributed additional value through active management. That favorable gap was substantial in FY20, and has been tremendous in recent years. The Investment Office estimates that the outperformance of the endowment over the aggregate benchmark over just the last five years amounts to approximately \$882 million, nearly one-fifth of today's total value.

### Fiscal Year Annualized Returns

*Annualized Returns as of June 30, 2020*

	FY 2020	3-Year	5-Year	10-Year	20-Year
<b>Brown Endowment</b>	12.1%	12.6%	9.8%	10.2%	8.1%
Aggregate Benchmark	3.3%	6.1%	5.5%	7.0%	5.5%
70-30 MSCI ACWI/Barclays Global Aggregate	3.2%	5.7%	5.8%	7.4%	4.7%
70-30 S&P 500/Barclays US Aggregate	8.4%	9.4%	9.0%	11.1%	6.0%
MSCI All-Country World (ACWI)	2.1%	6.1%	6.5%	9.2%	5.0%
MSCI All-Country World (ACWI) ex-US	-4.8%	1.1%	2.3%	5.0%	4.1%
S&P 500 Index	7.5%	10.7%	10.7%	14.0%	5.9%

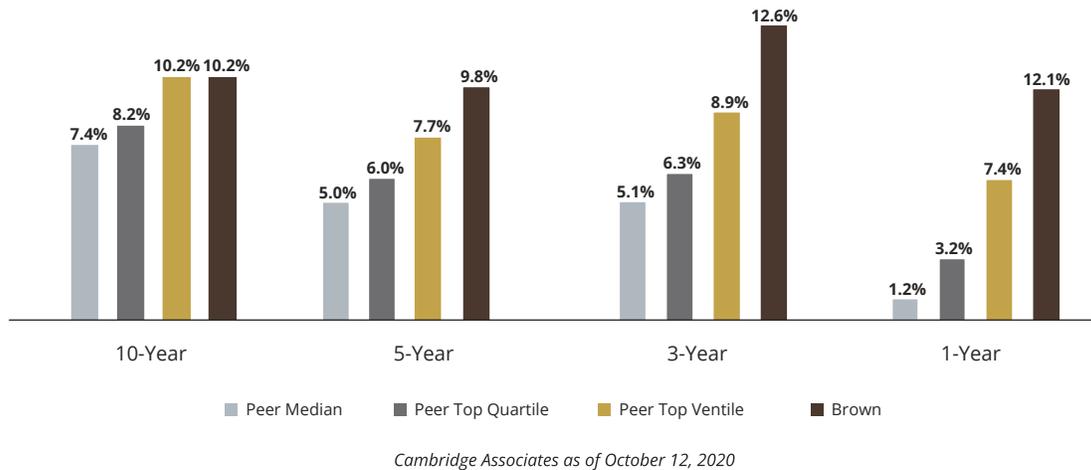
*The Aggregate Benchmark performance is preliminary as of October 8, 2020.*

The endowment's performance fares well against other relevant benchmarks. A traditional mix of 70% global stocks and 30% global bonds has underperformed Brown's endowment in all trailing time periods, as has the most commonly used measure of global stock markets, the MSCI All-Country World Index.

At the same time, a portfolio composed entirely of stocks would not be appropriate for the Brown endowment. Despite the fact that a long time horizon confers a competitive advantage in making investment decisions, the high historical return from stocks has come with accompanying volatility that is incompatible with the University's need for a reasonably predictable stream of spending from the endowment. The endowment is invested in a portfolio that is diversified across asset classes and geographies in order to generate returns that are not only competitive, but sufficiently steady to avoid resulting in fluctuations in the University's finances.

The Sharpe ratio is a measure of a return stream adjusted to reflect the accompanying volatility, a proxy for the risk of an investment portfolio. Investment consultancy Cambridge Associates maintains a database of the Sharpe ratios of college and university endowment portfolios. On a trailing 5-year basis, Brown's Sharpe ratio now ranks first out of the 140 endowment portfolios that Cambridge monitors.

**Brown Performance vs. Peers Through FY20**  
*as reported by Cambridge Associates*



The benchmarks for performance described adhere to a priority in terms of importance. Foremost is exceeding spending plus inflation, as that is imperative to the University. Second is exceeding the aggregate benchmark and other market measures, which addresses the question of whether the investment program is adding value over low-cost alternatives. Measurement against the results of peers should be considered a distant third, but a comparison is important nonetheless as an assessment of the stewardship of the endowment by the Investment Office with oversight from the Investment Committee. On this consideration the conclusion is also clearly positive: Brown's investment returns now rank among the top 5% of college and university endowment results over trailing 1-, 3-, 5- and 10-year periods.

## ASSET ALLOCATION

The Investment Office, with counsel from the Investment Committee, is primarily responsible for making two types of investment decisions. The first is asset allocation: the selection of a mix of productive and complementary assets in which to invest. The second is manager selection: partnering with active managers with specific expertise that can add value to the capital invested in a particular asset class. The vast majority of the endowment's portfolio is managed by external investment managers.

In Brown's portfolio construction, neither of these activities has priority over the other. Rather, assessments of the opportunities in asset classes interact with and inform the evaluation of investment managers that specialize in that asset

class, and vice versa. An asset class that appears otherwise unattractive for investment may in fact be an ideal hunting ground for a manager that employs contrarian or innovative techniques. Likewise, an asset class that appears attractive but yields no managers that meet Brown’s qualifications for partnership may require a reassessment, or may be a candidate for investment through a low-cost alternative such as an index fund. Feedback from the interaction of asset allocation and manager selection encourages the investment staff to constantly examine its own assumptions.

Two features of Brown’s framework for asset allocation are critical to enabling this feedback loop. The first is that the investment team is composed of generalists who research investment opportunities across asset class categorizations. This enables the team to pursue attractive opportunities or exceptionally talented investment managers without asset class constraints that feel increasingly arbitrary in today’s environment. The second feature is the absence of a policy portfolio with target allocations by asset class. Brown’s Investment Committee sets intentionally wide ranges for asset allocation targets, empowering the investment team to focus on the fundamental merits of an investment opportunity and its context in the portfolio without excessive regard for what category it might fall into or what label might be applied.

This framework for asset allocation is not superior to alternative frameworks. Outstanding results at other institutions have been achieved by utilizing asset class specialists and the risk-mitigating effects of rebalancing. The key to how effective Brown’s framework has been for the University is its integration from the Investment Committee through the chief investment officer to every member of the Investment Office.

A critical product of the asset allocation process is a diversified portfolio. The endowment’s portfolio is not designed to take advantage of a particular set of future economic circumstances. Rather it is intended to fare well enough to meet the University’s long-term financial goals regardless of future economic conditions. For this to be the case, investments must complement one other in terms of correlation, with strong performers compensating for those that lag in a given circumstance.

For Fiscal Year 2020, the portfolio’s diversification functioned as intended, reducing overall risk. It was a difficult year for the public equity and real asset components of the portfolio, but the absolute return and private equity components generated outstanding results.

**Public Equities**

Brown’s public equity strategies produced a return of 2% for FY20. This trails slightly the MSCI ACWI, a benchmark of global stock markets, which generated a return of 2.1%. As has been the case frequently in recent years, U.S. markets outperformed global and emerging markets. Public equity strategies represent 14% of the endowment’s capital, a relatively low level compared to the endowment’s history.

Public equity is the asset class in which the case for utilizing low-cost index funds is the most compelling. Brown’s use of active managers is predicated on the existence of strategies that can add value, net of fees and expenses, in markets that are less than perfectly efficient. If there is not evidence that this is the case, the endowment will seek to achieve its exposure in the lowest-cost, most-liquid format.

The public equity markets, however, are diverse and complex. Indexes frequently do not capture all of the potential investment opportunities, particularly in more specialized arenas such as smaller capitalization stocks or international bourses. Capital invested in index funds, furthermore, may increasingly be contributing to distortions in pricing — though the evidence is not conclusive — which should expand the opportunity set for active managers. Brown’s active managers, for the most part, fared well.

**Endowment Asset Allocation as of June 30, 2020**  
*dollars in millions*

Asset class	Market value	% of endowment
Public equity	\$666	14%
Absolute return	\$1,542	33%
Private equity	\$1,704	37%
Real assets	\$199	4%
<b>Brown Total Risk Assets</b>	<b>\$5,790</b>	<b>89%</b>
Fixed income	\$327	7%
Hedges	\$1	0%
Cash and receivables	\$219	5%
<b>Total Endowment</b>	<b>\$4,657</b>	<b>100%</b>

In both domestic and global developed markets managers exceeded their benchmarks in FY20, but trailed in emerging markets.

Public equity will continue to be a cornerstone of Brown's portfolio, and the investment team will continue to pursue partnerships with active managers that have demonstrated an ability to outperform.

### **Absolute Return**

Absolute return strategies, by contrast, cannot realistically be imitated by indexes. This is not because the returns generated by these strategies have been strong; indeed, industry-wide returns have been unremarkable. Rather it is because of the significant diversity of investment strategies that are grouped together in this asset class. Absolute return encompasses a broad array of investment pursuits with varying exposures to market forces and risk appetites.

Absolute return strategies comprise 33% of Brown's portfolio. Approximately 1/3 of that exposure is employed in strategies that endeavor to take no market risk: so-called market-neutral strategies. A market-neutral approach is fundamentally a form of arbitrage. When executed properly, it employs relatively modest risk in order to achieve an outcome akin to a classic fixed-income portfolio: predictable returns with easy liquidity available for reinvestment in the event of a market decline.

The remainder of the absolute return asset class is predominantly in long/short equity strategies, which invest in public and — in some cases — private companies with collective risk exposures that result in modest correlations to the S&P 500. Brown's long/short equity managers generated impressive performance, returning 24% during the year, net of all fees and expenses, more than tripling the 7.5% return from the S&P 500. Every single manager outperformed the index.

Overall, the absolute return asset class produced a return of 13%. This is the second consecutive year that this outstanding group of investment managers has exceeded the S&P 500's return.

The relative scale of public equity and absolute return in Brown's portfolio is not a reflection of a preference for one at the expense of the other. The Investment Office seeks to generate high risk-adjusted returns by partnering with managers of exceptional skill that are focused on attractive, inefficient markets. Filters for high integrity and an alignment of incentives are also meticulously applied. The portfolio's asset allocation is better understood as a product of this manager-focused search, rather than a roadmap for it.

### **Private Equity**

Private equity comprises 37% of the endowment portfolio. This category describes all of Brown's partners that engage in the activity of buying or funding private companies. Here again, however, the asset class can disguise the diversity of activity taking place. Venture capital managers may provide capital to fledgling companies and continue to fund their growth for years as their scale and need for capital increases, while traditional buyout managers may buy mature companies in legacy industries in order to restructure them. Several more spheres of expertise exist between those extremes, in geographies all over the world. Brown partners with both venture and buyout managers as well as investors with more refined specialties who are often focused on a single industry. The criteria for partnership with the endowment — ability, integrity and the opportunity to create value — is the unifying thread.

Brown's private equity portfolio produced a return of 25% for the fiscal year, led by its venture capital investments. This is a truly phenomenal performance that reflects two factors: first, the work and care of our managers, who are collectively executing their strategies at a superior level; and, second, that returns from private equity, and from venture capital in particular, tend to be cyclical. The venture capital industry enjoyed a strong year of initial public offerings of stock to markets eager to award high valuations. Although the returns may not be smooth, the groundwork required to generate those returns requires persistent effort over many years. For this reason, a long time horizon is imperative in private equity investing. Brown cannot realistically expect many years of returns to rival those of FY20, but Brown's managers will be consistent in the exertion of energy that periodically culminates in an outstanding result.

The endowment also has investments in real estate, commodities and fixed income that in aggregate total 11% of the portfolio and on a combined basis delivered losses in FY20. The Investment Office has been investigating opportunities and potential partners in these asset classes, and the events of 2020 may result in new investment prospects.

## THE GREAT ACCELERATION

Good investing — good business in general — requires a focus on competitive advantage. Competitive advantage describes the basis upon which an entity can produce a consistently better result than its peers. Advantages are rare, valuable and often fleeting. Brown places competitive advantage at the center of its process in selecting investment managers. Brown is fortunate to have access to managers that possess an advantage, and the investment team works to deepen relationships with partners that deploy such an advantage skillfully, and work to extend its life.

The Brown endowment itself enjoys two such advantages, and Brown's investment program is likewise optimized to maximize their impact. The first advantage is Brown itself: Talented and successful alumni and parents in diverse industries help Brown achieve its goals out of their love for the institution and a belief in its mission of education, scholarship and research. The investment team has benefitted from referrals, candid references and insight from the Brown network, and works to increase this engagement over time. In accounting terms, this is what would be called an "intangible asset," and it is valuable.

The second advantage is the permanent nature of the endowment and the institution for which it serves as a financial resource. This permanence enables the endowment to make investment decisions with a horizon that extends beyond many other market participants. This advantage of duration has many manifestations, including the ability to make illiquid investments and accumulate out-of-favor assets without regard for near-term price appreciation.

The extraordinary events of 2020 have thrown a new light on the advantage of having a long investment horizon. The social and economic response to the COVID-19 health crisis stimulated demand and usage patterns for technology solutions, and the companies that are at the forefront of providing those solutions have seen their valuations soar in response, while legacy companies have lagged. The endowment's exposure to this dynamic has proven to be a significant positive this year. While few anticipated the abominable impact of the public health crisis, Brown has steadily selected investment partners with a sufficiently long-term view in order to match and maximize Brown's duration advantage. These managers disproportionately held shares of companies that were likely to be the leaders of tomorrow's increasingly digitally-oriented world. This explains a component of the endowment's strong performance and is directly attributable to Brown's competitive advantage.

## IN CLOSING

In the 12 months that encompass Fiscal Year 2020, we witnessed significant social and economic turmoil. The pandemic has been profoundly inequitable in its impact, and long-standing inequities in our society have received renewed, overdue focus. In recent years the Investment Office and the Investment Committee have allocated significant time and energy to capturing and cataloguing data addressing the environmental, social and governance implications of the investment activities of our external managers. The events of 2020, however, have injected these projects with increased meaning and urgency, and our efforts have been redoubled.

The events of 2020 also serve to underscore the inherent unpredictability of future events. The endowment manages this uncertainty by creating a portfolio of investments that can endure a broad set of economic circumstances. Sufficient liquidity ensures both the ability to steadily provide resources to the University and the ability to adapt to a changing investment landscape. In this way, the endowment will continue to play its traditional role in supporting and shaping the character of Brown.

The endowment's former investments in fossil fuel-based energy now round to zero. Beginning two years ago, the Investment Office undertook a review of the long-term opportunity set in fossil fuels. The conclusion of this review was that, as the world shifts to sustainable energy sources, the prospective returns from fossil fuel investments did not sufficiently compensate the endowment for the associated risks. The Investment Office began a liquidation of existing investments, which is now substantially complete, and subsequently has made no new investments in fossil fuels.

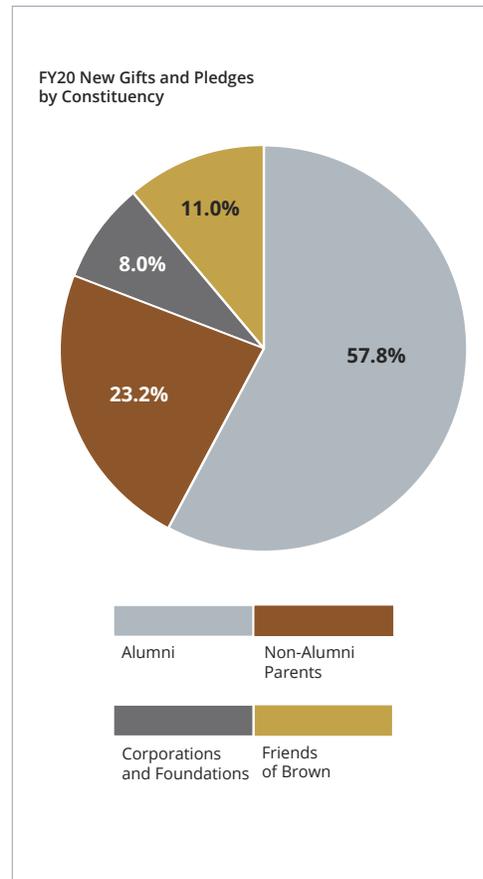
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*Endowment Report contributed by the Brown Investment Office*

# Report on Fundraising

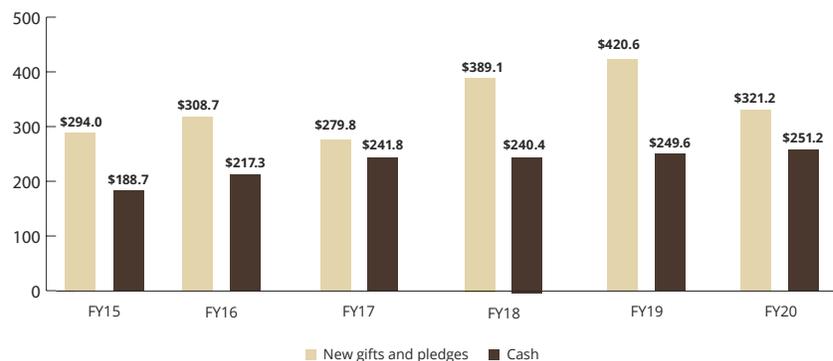
## Brown University Division of Advancement

Brown continued to build on the record-breaking fundraising success of the previous year during Fiscal Year 2020. Because of the strong ties it has built with alumni, parents and friends, and its unwavering emphasis on service to society through teaching, research and public outreach, the University was able to maintain an impressive level of philanthropy despite the economic downturn brought about by the global coronavirus pandemic.



More than 32,000 donors committed a total of \$321.2 million in new gifts and pledges, making this the third-most successful fundraising year in the University's history. This total included \$68 million in planned gifts and realized bequests from more than 144 donors, as well as multimillion-dollar support for undergraduate financial aid, brain science, environmental science, and international and public affairs. Non-alumni parents contributed more than \$75 million in FY20, and international alumni, parents and friends donated a total of \$38 million across a range of priorities. As a result, Brown surpassed the mark of \$2.5 billion raised toward the ultimate goal of \$3 billion for the *BrownTogether* comprehensive fundraising campaign.

Fiscal Year 2020 Fundraising Results Comparison  
dollars in millions



With the shift to full remote instruction and telecommuting three quarters of the way through the fiscal year because of COVID-19, Brown experienced significant financial losses resulting from partial refunds of room and board and the cancellation of residential summer programs. At the same time, the University incurred the new costs of COVID testing programs, infrastructure changes to support public health, increases in financial aid and other expenses related to support for employees and students.

Members of the Brown community contributed a total of \$22.3 million for coronavirus-related funds, including the President's Response Fund and the Student Emergency Support Fund, administered by the College. Many students faced unexpected financial challenges in their lives away from campus with their families. To help alleviate these burdens, the University established the Student Emergency Support Fund as a special initiative within the Brown Annual Fund.

This exceptional generosity helped offset the costs of mid-semester travel for students, technology requirements for remote learning, enhancement of digital course delivery, and other unexpected student and faculty needs.

The following sections provide a snapshot of Fiscal Year 2020's progress in the *BrownTogether* campaign's key areas of focus: Our People, Education and Research, Campus and Community, and the Brown Annual Fund.

## OUR PEOPLE

**Goal: \$1.05 billion**

**Raised as of June 30, 2020: \$670 million**

### FY20 Highlights

Brown community members committed more than \$55 million to undergraduate financial aid this fiscal year, which represents an increase of more than \$10 million compared with FY19. The University focused on raising endowment funding to make The Brown Promise a permanent part of its financial aid program. Brown launched the Promise initiative in FY18 to remove packaged loans from all University undergraduate financial aid awards. With \$23.5 million raised for the Promise in FY20, the University was able to help more than 1,500 students reduce or avoid loan debt. The University also kicked off an effort to provide more financial aid to student veterans this year as part of a plan to double the number of U.S. military veterans enrolled as undergraduates by 2024.

In addition, donors established four new endowed medical scholarships and contributed a total of \$1.2 million to existing funds that support medical students. Taken together, FY20 gifts to financial aid have allowed the University to respond to the increased needs of students at the undergraduate, graduate and medical school levels due to national economic volatility.

Faculty support was also a major area of growth in FY20. Generous alumni, parents and friends created 15 new endowed faculty positions this year, bringing the total established during the *BrownTogether* campaign to 90. These include two leadership positions — the directorship of the Institute at Brown for Environment and Society and the directorship of the Howard R. Swearer Center for Public Service — and professorships at various levels in brain science, physics, economics, medicine and international affairs.

Endowed chairs give Brown the means to attract and retain the best teachers and scholars, strengthening teaching, research and community engagement. Broadening or deepening a department's teaching and research capabilities in important areas expands opportunities for students.

## EDUCATION AND RESEARCH

**Goal: \$811 million**

**Raised as of June 30, 2020: \$940 million**

### FY20 Highlights

One of the BrownTogether campaign's major priorities is to build upon the University's strengths in areas where the University can lead, and where research and scholarship can translate into meaningful solutions to society's biggest challenges. This year, donor support expanded the University's capacity for groundbreaking discovery and timely discussions in a variety of fields, including brain science, environmental science, race and ethnicity, public health, and medicine.

The Robert J. and Nancy D. Carney Institute for Brain Science attracted more than \$30 million in funding to foster innovation across its research programs. The Center for the Study of Race and Ethnicity in America received a Mellon Foundation grant to connect scholars studying social issues related to race and ethnicity, and also accepted a donor-established research fund to support its programmatic activities.

The Watson Institute for International and Public Affairs and the Institute at Brown for Environment and Society each eclipsed \$10 million in fundraising, with a significant portion of their totals being dedicated to support of faculty and postdoctoral research, as well as graduate and undergraduate student engagement in their research agendas. The Pembroke Center for Teaching and Research on Women raised more than \$800,000 in FY20.

New support for the Division of Biology and Medicine has allowed both clinical and research faculty to contribute new knowledge and approaches to the diagnosis and treatment of COVID-19, in addition to the division's ongoing work with Alzheimer's disease, cancer, reproductive health and addiction. The University recently established the Cancer Center at Brown University, which involves 150 investigators conducting basic, clinical and population research. Gifts and grants have provided the center's affiliated faculty with more than \$40 million to support research and clinical trials.

Donors also provided funding this year to expand experiential learning opportunities. A \$10 million fund was established to provide support for students on financial aid who wish to participate in summer internship and research opportunities. A second fund of \$1 million was established at the Institute at Brown for Environment and Society to support undergraduate engaged learning related to climate change. Although many of these opportunities have shifted to remote experiences as a result of the pandemic, Brown is committed to expanding access to learning opportunities beyond the classroom.

## CAMPUS AND COMMUNITY

**Goal: \$750 million**

**Raised as of June 30, 2020: \$532 million**

### FY20 Highlights

Through the BrownTogether campaign, the University seeks to boost the competitive excellence of its athletic programs and enhance the overall student-athlete experience. This year, donors contributed more than \$17 million to Brown Athletics, supporting a variety of teams and facilities upgrades. Approximately \$4.8 million was raised for the renovation of Meehan Auditorium, home of the men's and women's ice hockey teams. Additional gifts were made to the Center for Lacrosse and Soccer, phase II of the Marston Boathouse renovation, and updates to the men's and women's basketball facilities in Pizzitola Memorial Sports Center.

The Brown University Sports Foundation (BUSF) held its first-ever giving day on Oct. 30, 2019, where it raised more than \$1 million for the BUSF Athletics Annual Fund. Overall, Athletics received 34 gifts of \$100,000 or more for capital projects, team endowments and current-use funding.

Fundraising continued this year for Brown's new Performing Arts Center. Four major gifts to the project in FY20 brought the total raised to \$179 million, representing 89.5% of the ultimate goal. Construction on the center has proceeded during the pandemic, although the completion of the building will be delayed somewhat.

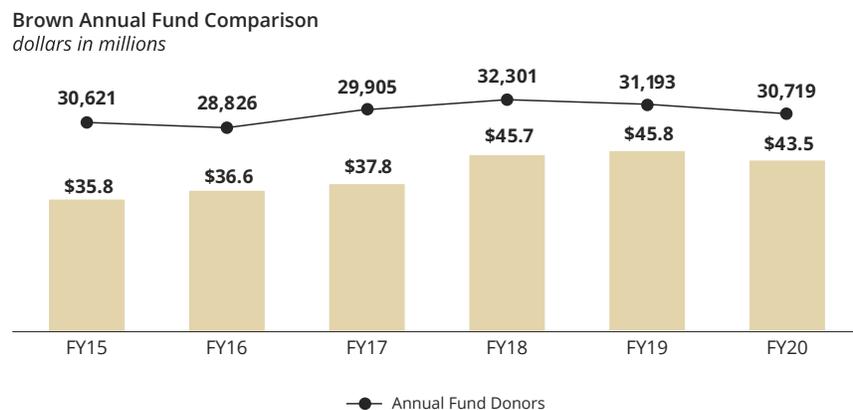
## BROWN ANNUAL FUND

**Goal: \$400 million**

**Raised as of June 30, 2020: \$288 million**

### FY20 Highlights

In fall 2019, the Division of Advancement launched a re-imagined Brown Annual Fund, transforming it into a family of funds that encompasses all annual giving opportunities. This includes The Brown Fund, which supports financial aid and provides immediate-use funding where it is most needed across the University; the Brown University Sports Foundation (BUSF) Athletics Annual Fund; and annual funds to support the School of Engineering, School of Public Health and Warren Alpert Medical School. In addition, three impact funds have been established under the Brown Annual Fund umbrella: the Pathways to Diversity and Inclusion Fund, the Campus Sustainability Fund, and the BrownConnect Fund. Despite the global pandemic, BrownConnect continues to take advantage of a digital platform that connects students with alumni for mentoring, advice and internships.



Overall, the Brown Annual Fund family of funds raised \$43.5 million from more than 30,000 donors in FY20. This total was boosted by a record-breaking Giving Tuesday on Dec. 3, 2019, during which members of the community donated more than \$3.7 million in a 24-hour period.

The Brown Fund finished at \$32 million for the year, surpassing the FY19 total of \$31.9 million. The Brown Medical Annual Fund raised more than \$1.5 million, making it one of the top three fiscal years in the fund's history, and the Athletics Annual Fund surpassed its goal of \$3.6 million. The Parents Annual Fund also had a strong year, raising more than \$7.6 million in current-use funding.

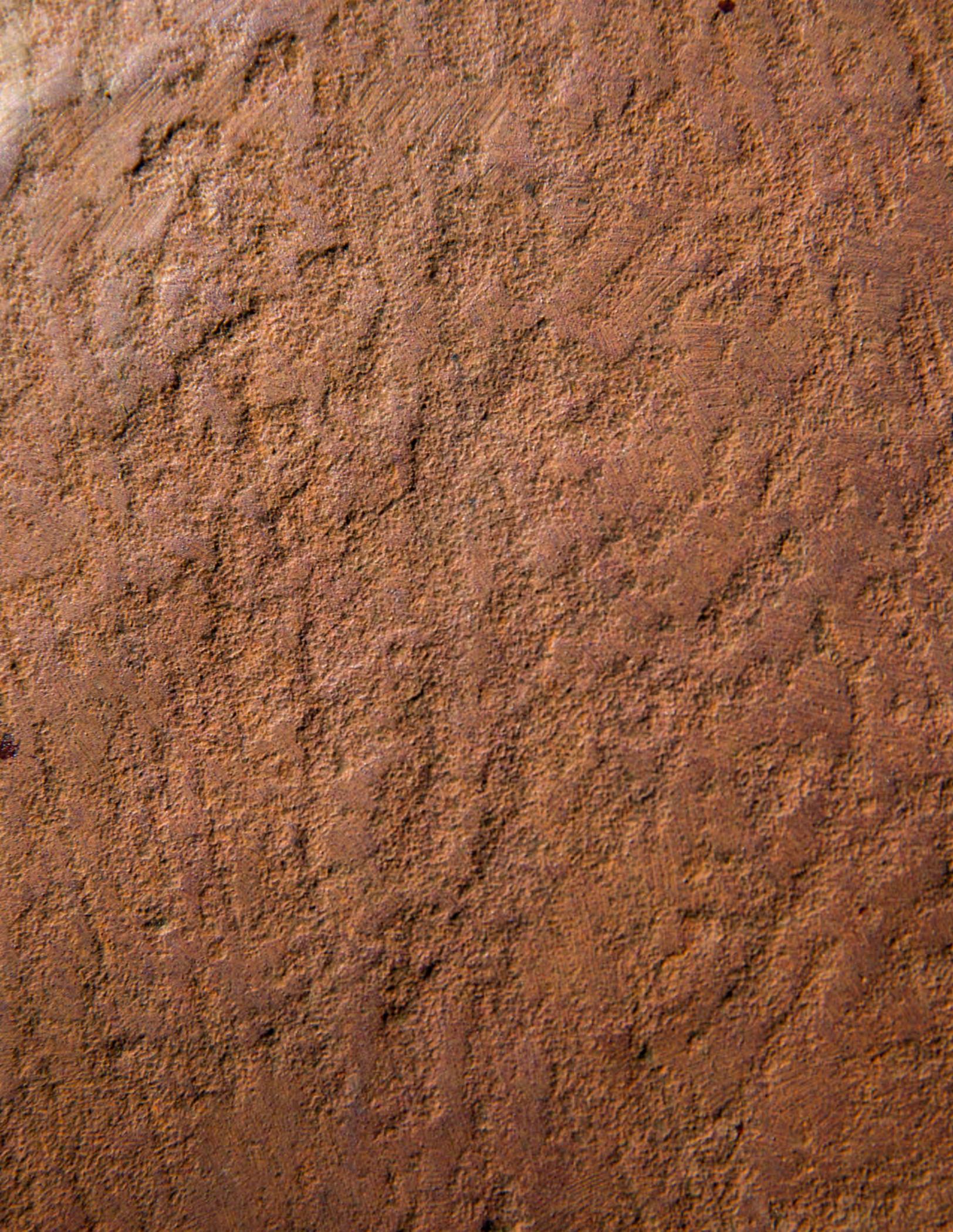
In addition, the Brown community raised \$625,000 for the Inman Page Black Alumni Council Brown Annual Fund Scholarship, more than quadrupling the \$131,000 raised for this purpose in FY19. This scholarship was established in June 2018 by the Inman Page Council to commemorate the 50th anniversary of the 1968 Black Student Walkout. This year, amid the backdrop of the pandemic, increased economic hardship, and protests worldwide against anti-Black racism, members of the Brown Class of 1995 stepped forward to substantially increase this fund. A Reunion honorary co-chair funded a \$250,000 2:1 challenge, inspiring 181 additional members of the class to join in supporting the scholarship. As a result, the IPC BAF Scholarship is supporting seven students during the 2020-21 academic year.

The generosity of Brown's donors continues to fund the University's investments in its people and its community during an unprecedented time.

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*Fundraising Report contributed by Brown University's Division of Advancement*





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Office of the President

**Excellence in Funded Research**  
Office of the Vice President for Research

**Financial Statement Overview**  
Division of Finance and Administration

**Endowment Report**  
Brown University Investment Office

**Fundraising Report**  
Division of Advancement



## ABOUT THE COVER

The cover is a depict details of “Slavery Memorial,” created by pre-eminent sculptor and National Medal of Arts recipient Martin Puryear. Installed on Brown’s Quiet Green in 2014, the granite, ductile cast iron and stainless steel piece recognizes the University’s connection to the transatlantic slave trade and the work of Africans and African Americans, enslaved and free, who helped build our University, Rhode Island and the nation. Creating a permanent memorial to recognize the University’s and the state’s ties to the slave trade was one among several recommendations made by a Slavery and Justice Committee formed under the direction of then-University President Ruth Simmons in 2003.

## **Brown University** **Annual Financial Report** **Fiscal Year 2020**

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