



MCV Foundation

**Endowment
Report**

Fiscal Year

2019

Overview

The Medical College of Virginia Foundation was established in 1949 to inspire and steward philanthropic resources for our MCV Campus partners at VCU Health. We manage more than \$600 million in total assets to ensure VCU Health remains at the forefront of excellence and innovation in patient care, research and education as one of the top academic health centers on the East Coast.

Donors like you have established more than 1,700 funds that provide scholarships, professorships, research and program funds to support the lifesaving work occurring at VCU Health every day. This report includes a few stories as examples of your generosity and its impact. We are honored to partner with you in supporting the world-class health science units and amazing healthcare professionals at VCU Health who save lives, discover new treatments and train the next generation of healthcare providers to improve lives in our community and beyond.

Please visit www.MCVFoundation.org to learn more.

FY 2019 Results

Endowment Value

\$498.9_{MM}

Annual Endowment Return

9.22%

Fundraising Across MCV Campus

\$84.9_{MM}

Percentage of Total Raised for VCU

69%

Endowed Scholarships

452

Endowed Chairs and Professorships

214

MCV Campus Partners

VCU College of Health Professions

VCU School of Dentistry

VCU School of Medicine

VCU School of Nursing

VCU School of Pharmacy

VCU Massey Cancer Center

VCU Medical Center



Giving Begets Giving on the MCV Campus

Years after Henry Belcher, M.D.,

graduated from MCV in 1952, he began to learn about the incredible debt many students in healthcare were beginning to face each year upon graduation.

At the same time, he was learning about a growing need for doctors and nurses across the country.

Contemplating how their circumstances had changed, in 1993 Dr. Belcher and his late wife Margaret, a 1952 MCV School of Nursing graduate, decided they were in a position to make an impact. The couple established the H. Vaughan and Margaret D. Belcher Scholarships to provide a portion of tuition and fees for students at the VCU Schools of Medicine and Nursing. Later, Dr. Belcher honored his parents by establishing the Job O. and Harriet Belcher Scholarship at the VCU School of Dentistry, where his father was an alumnus.

Dozens of students across the MCV Campus have benefited from the reduced debt and burgeoning careers that these scholarships enable, and in 2018, one recipient decided to say thank you by paying it forward.

Benjamin Fox, M.D., who graduated from the School of Medicine in 2012 after receiving the Belcher Scholarship, found himself in a position to establish a fund of his own to help medical students. His wife Lauren's mother and father had been helping him with the expenses not covered by his scholarship, and as he paid



Henry Belcher, M.D., and Benjamin Fox, M.D., have remained in touch after Dr. Fox graduated from the School of Medicine in 2012 with the help of Dr. Belcher's scholarship. Dr. Belcher's generosity inspired Dr. Fox and his wife to pay it forward and establish a scholarship of their own in 2018 to help future family medicine physicians.

Photo: Eric Peters

them back, they suggested he think about helping the next generation. Dr. Fox and Lauren, along with Lauren's parents, decided to commit funds to create the Jones Fox Scholarship in Family Medicine.

"I wanted to give back for all the people who helped me over the years, and my family and I have always been thankful for scholarships," Dr. Fox said. "If you are fortunate enough to receive scholarships in school and then you have the means to do the same for another learner, there's no better feeling."

Giving

Brother ‘Rats’ Show VMI Brotherhood Endures 50 Years Later

On June 26, Virginia Military Institute’s Class of 1969 announced the Dr. Charles F. Bryan Jr. Parkinson’s Research Fund at a surprise reception in honor of Charlie Bryan, Ph.D., an MCV Foundation board member.

Charlie thanked his brother “rats” at the reception and said he survived VMI’s first-year rat line with the support of those in attendance, as well as many others. Now, 50 years later, the same friends are helping Charlie survive and fight Parkinson’s disease through the new fund.

Charlie has supported Parkinson’s research at VCU Health and the McGuire VA Medical Center since he was diagnosed with the disease more than a decade ago, but he has remained humble, always recognizing others for their work.

Thanks to the VMI Class of 1969, there is an instrument to honor Charlie and help other Parkinson’s patients.

It only took two weeks for 27 of his brother “rats” to raise \$30,000 for the fund, which has already grown significantly since then, thanks to MCV Foundation board members, additional VMI graduates and other friends.



Charlie Bryan, Ph.D., and his wife Cammy, along with John Ishon, one of Charlie’s brother “rats” from Virginia Military Institute, look over a resolution in appreciation of Charlie during a reception where the Dr. Charles F. Bryan Jr. Parkinson’s Research Fund was announced. *Photo: Kevin Schindler*

Research funds, such as this, provide critical resources for early investigation and ideas, helping researchers collect the necessary initial data that enables their work to move into large-scale clinical trials, and then into clinics and hospitals where they can improve and save lives.

“I am deeply touched,” Charlie said at the reception in his honor. “Parkinson’s is an awful fate to put on anyone. One thing that VMI teaches us is to face adversity. I survived the rat line, and with a wonderful woman like Cammy (Charlie’s wife) and good brother ‘rats’ like you, I can survive this.”

Survivor Honors Care by Endowing Cancer Research Fund and Professorship

Nearly 14 years ago, George Emerson received a grim diagnosis.

He had squamous cell carcinoma of the throat. George's medical team gave him a 50-50 chance of survival. He researched the best treatment options nationwide and decided to stay in Richmond for the care available at VCU Massey Cancer Center.

"Looking back on it, throat cancer is a very painful cancer. Every day I had three daughters and my wife waiting for me at my house. It was a brutal treatment, but it made me realize how lucky I was to have the MCV Campus in Richmond," George said.

Thankfully, George finished treatment in 2006 and has been healthy since, able to enjoy time with his wife, daughters and a growing group of grandchildren. His family's support was a critical part of his successful treatment.

Now, George wants to ensure future patients continue to have access to excellent, innovative treatments where they live.

"I've been lucky in life," George added. "My wife and I support a number of good causes, but the one I'm most passionate about is trying to find a cure for cancer."

That's why he's committed to creating both an endowed research fund at Massey and an endowed chair for head and neck cancers at the VCU School of Medicine.



George Emerson receives the MCV Foundation's Dowdy Award in recognition of his fundraising leadership in a volunteer capacity. He and his wife Darlene have created the Emerson Head and Neck Cancer Research Fund at VCU Massey Cancer Center and the Darlene and George P. Emerson Jr. Professorship in Cancer Research at the School of Medicine to advance research and treatment of head and neck cancers on the MCV Campus. *Photo: Kevin Schindler*

"They're doing research now that will move the needle on giving people options for treatment of head and neck cancers and giving them hope," George said. "And I want to be part of that."

George hopes the research fund and the professorship will advance the development of new therapies that can provide promising treatment options to future patients.

"Somebody helped fund the research that came up with the therapy that saved my life," George said. "The people we're going to treat in the future need someone to give on their behalf."

Pharmacy Class of '72 Rallies to Create Student Scholarship

Preston Hale considers himself lucky. He graduated from the VCU School of Pharmacy in 1972 with modest student loan debt and benefited from support his parents provided for tuition.

Today, though, he realizes that students face a more challenging set of realities. The cost of the school's world-class education is higher. Students increasingly benefit from developing research and working with faculty mentors outside of the classroom, and he knows that they could benefit from alumni donations that would allow them the opportunity to do so.

That's part of the reason why Preston is working with his classmates to create a scholarship. Earlier this year, he made a lead gift to start raising funds to endow the Class of P'72 Scholarship at the School of Pharmacy.

Preston and his classmates — Al Huffman, Nancy Williams and Empsy Munden — met and set a bold goal to raise \$100,000 for the scholarship before their 50th class reunion in 2022. They have been contacting fellow graduates to generate awareness and support.

Preston said, "This is all about P'72 paying it forward and providing a small payback for the opportunities pharmacy has provided us."



Preston Hale, a member of the MCV Foundation's Leadership Council, is leading a group of fellow 1972 graduates from the School of Pharmacy to build support for a scholarship to support students. He and his wife Barbara (right) — pictured with Marsha Rappley, M.D., VCU senior vice president for health sciences and VCU Health System CEO — are longtime supporters of the academic health center. *Photo: Kevin Schindler*

Supporting Veterans and Their Spouses Through Scholarships

After a decade as an intensive care unit nurse, Cindy (Wishmyer) Horner contemplated returning to school to advance her career. At the time, she was a single mother to her 5-year-old daughter and had planned on taking only a class or two to reacclimate to the rigors of school.

Her father, Russell Horner, had a different thought. He understood determination and how to encourage other people. After all, he'd served in the U.S. Navy and retired as an FBI agent. Russell had confidence his daughter could handle the challenges of the nurse anesthesia program while being present as a parent for her daughter. He told Cindy to set aside her worries and apply for the top-ranked nurse anesthesia program at the VCU College of Health Professions.

It turns out that her dad's push was just the one she needed. She graduated in 1987 with her master's in nurse anesthesia and hasn't looked back since.

"It's been a really great profession for me," Cindy says, reflecting on her career as a nurse anesthetist. "It's enabled me to do a lot of things that I wouldn't have been able to do in terms of taking care of my child and buying a house. And I'm feeling challenged at work every day. Being happy at work makes it all worthwhile."

Cindy is ensuring that others have the same support she did. She made a gift to fund the Russell Horace Horner Scholarship in Nurse Anesthesia for graduate students at the College of Health Professions. Cindy wanted to honor her father Russell, the service members in her family, and men and women in uniform she studied with as a graduate student.

"I admired what they were doing — coming to school and then going back on assignment to wherever the military was sending them," Cindy said.

Cindy hopes the scholarship will provide a welcome financial boost to a deserving student. "If somebody had handed me a little stipend every month or a little bit of help at the beginning of the year, I would have been very grateful," she said. "I think if each person just had a little bit of help to get through the program, it could be like my father standing behind them, pushing them a little bit."



Cindy (Wishmyer) Horner wants to ensure veterans and their spouses have a little extra support when going back to school to advance their careers in nurse anesthesia. To help, she created a scholarship to honor her father, who served in the U.S. Navy, and her classmates, who served in the military. *Photo: Allen Jones, VCU University Marketing*

MCV Campus Endowment

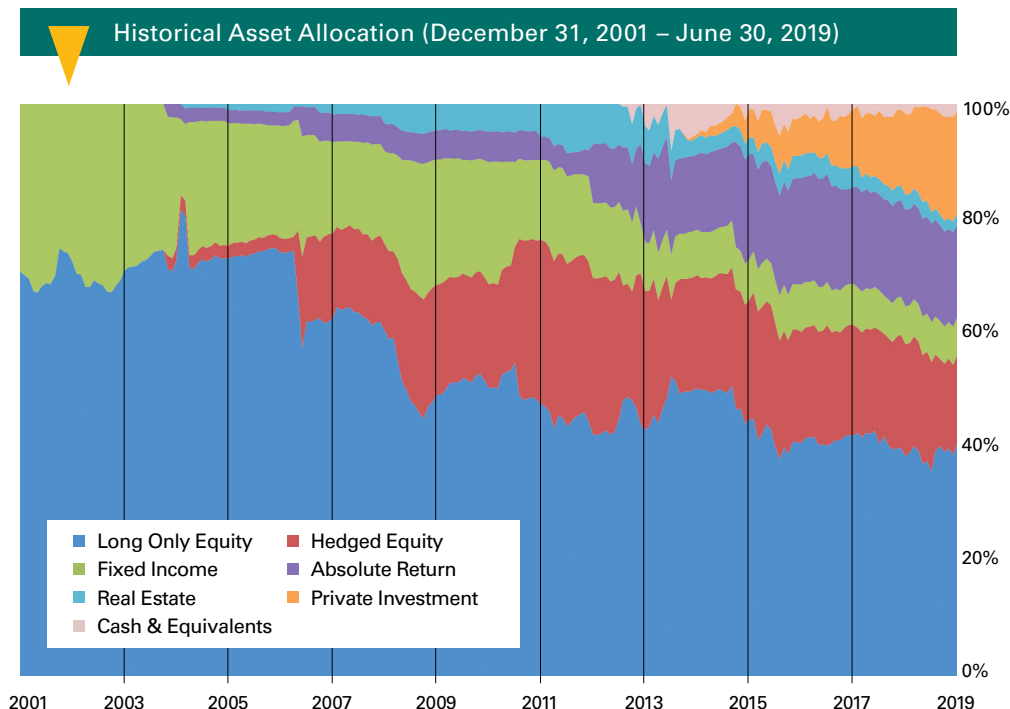
Investment Objective and Strategy

The MCV Foundation's endowment is invested in a long-term portfolio managed by Lowe, Brockenbrough & Company Inc. The primary investment objectives are to protect capital and grow the investment assets above the projected draw level and rate of inflation. These objectives focus simultaneously on: 1) preservation of capital and 2) earning an average real total return of at least 6% over the long term. We seek to achieve these objectives by investing in a strategic mix of asset classes that produces the highest expected investment return given our established risk tolerance. Generally, risk can be reduced through diversification at the security, strategy and asset class level.

The chart to the right shows how the portfolio's asset allocation has evolved since 2001.

There was no significant asset allocation change during the fiscal year. At the end of the year, each of the asset class allocations was close to its respective target. The gradual and planned increase in private investments was funded from cash reserves and a slight reduction in long only and hedged equity. The increase in private investments is part of the long-term plan to build exposure to this class over several years. Private investments provide the opportunity for higher returns and further diversification of the portfolio through exposure to less correlated streams of investment returns.

The table to the right illustrates the foundation's current allocation.



Current Asset Allocation

Allocation as of June 30, 2019

Long Only Equity	41.6%
Hedged Equity	15.4%
Fixed Income	6.4%
Absolute Return	16.0%
Private Investments	19.5%
Investment Cash	1.1%

Performance of Endowment

The endowment portfolio increased by 9.22%, outperforming the custom benchmark's return of 5.38% over the past fiscal year. The portfolio also outperformed the 6.70% return of a passive portfolio invested 70% in the Morgan Stanley All Country World Index and 30% in the Barclays Aggregate Bond Index. Since the beginning of 2012, the portfolio's annual return of 8.35% remains above the 7.25% annual return generated by the custom benchmark.

During the fiscal year, all the major asset classes generated positive returns. Equity markets in the U.S. significantly outperformed international equity markets as earnings and economic growth remained steady in the U.S., while many international economies slowed during the year. The broad U.S. market, represented by the Russell 3000, rose 8.98% during the year, while the MSCI All Country World ex U.S. Index increased 1.29%. Private investments also enjoyed strong performance with the weighted Cambridge benchmark increasing by 13.97%. The HFRI Hedged Equity Index significantly lagged the equity markets with a 0.32% increase, and the HFRI Absolute Strategies benchmark's return of 1.54% underperformed the 7.87% return from the Barclays U.S. Aggregate Bond Index as interest rates declined sharply.

Interest rates fell from the recent peak seen almost one year ago. There is now about \$15 trillion of global debt trading with negative interest rates — an amount higher than experienced at the peak of the Great Recession. The U.S. Federal Reserve made a very strong pivot from raising rates early in the fiscal year to cutting rates by the end. Despite the Federal Reserve cutting short-term interest rates, much of the yield curve in the U.S. inverted (short interest rates higher than long interest rates) as longer term rates declined significantly.

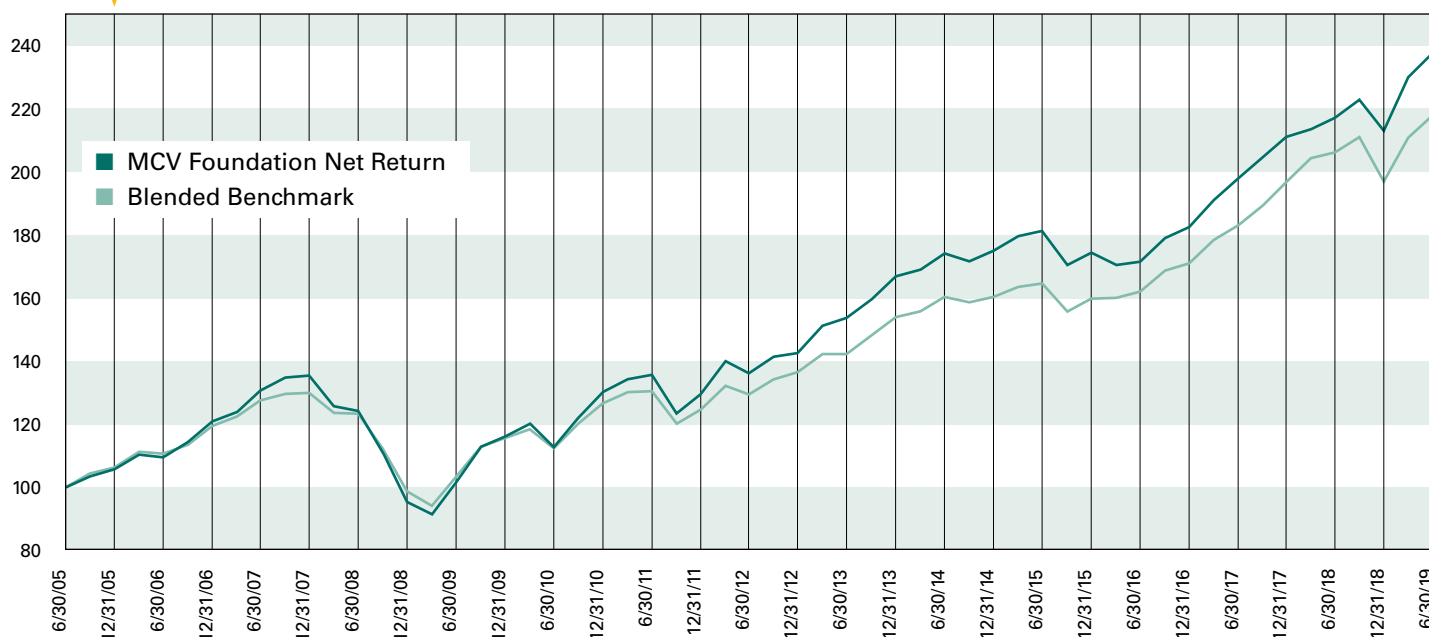
The U.S. economy is holding up reasonably well with the consumer and service sides of the economy performing well, while manufacturing is flat as concerns about tariffs and trade tension are having a significant impact on global trade. Trade negotiations are continuing with both sides seemingly dug in on their positions. Hopefully, some resolution will be reached before the impact becomes more severe.

Equity markets, especially in the U.S., performed reasonably well during the fiscal year, but with increased volatility. Equity markets around the globe declined significantly at the end of calendar year 2018 before reversing strongly as the U.S. Federal Reserve shifted their stance on interest rates to be more accommodative. Volatility returned toward the end of the fiscal year and we expect that is likely to continue until there is more clarity on trade tensions and the impact on global economic growth.

The outperformance relative to the custom benchmark was widespread during the fiscal year. Except for minor underperformance in fixed income, managers in all remaining asset classes outperformed their respective benchmarks. Hedged equity managers delivered the strongest outperformance, relative to their benchmark, and outperformed the long only equity managers who also delivered strong relative and absolute performance. The portfolio's real estate managers delivered excellent absolute and relative performance largely due to the performance of their multi-family investments. Private investment returns, while still early in their life cycle, are strong.

The following exhibits compare the foundation's return with the blended benchmark return over the long term, as well as the past fiscal year ending June 30, 2019.

MCV Foundation Cumulative Performance (June 30, 2005 – June 30, 2019)



MCV Foundation Trailing Performance as of June 30, 2019

Annualized Returns	1 Year	3 Years	5 Years	10 Years	Since Manager Inception 1/1/2012*
MCV Foundation Investment Portfolio	9.22	11.45	6.25	8.84	8.35
Custom Blended Benchmark	5.38	9.02	5.63	7.36	7.25

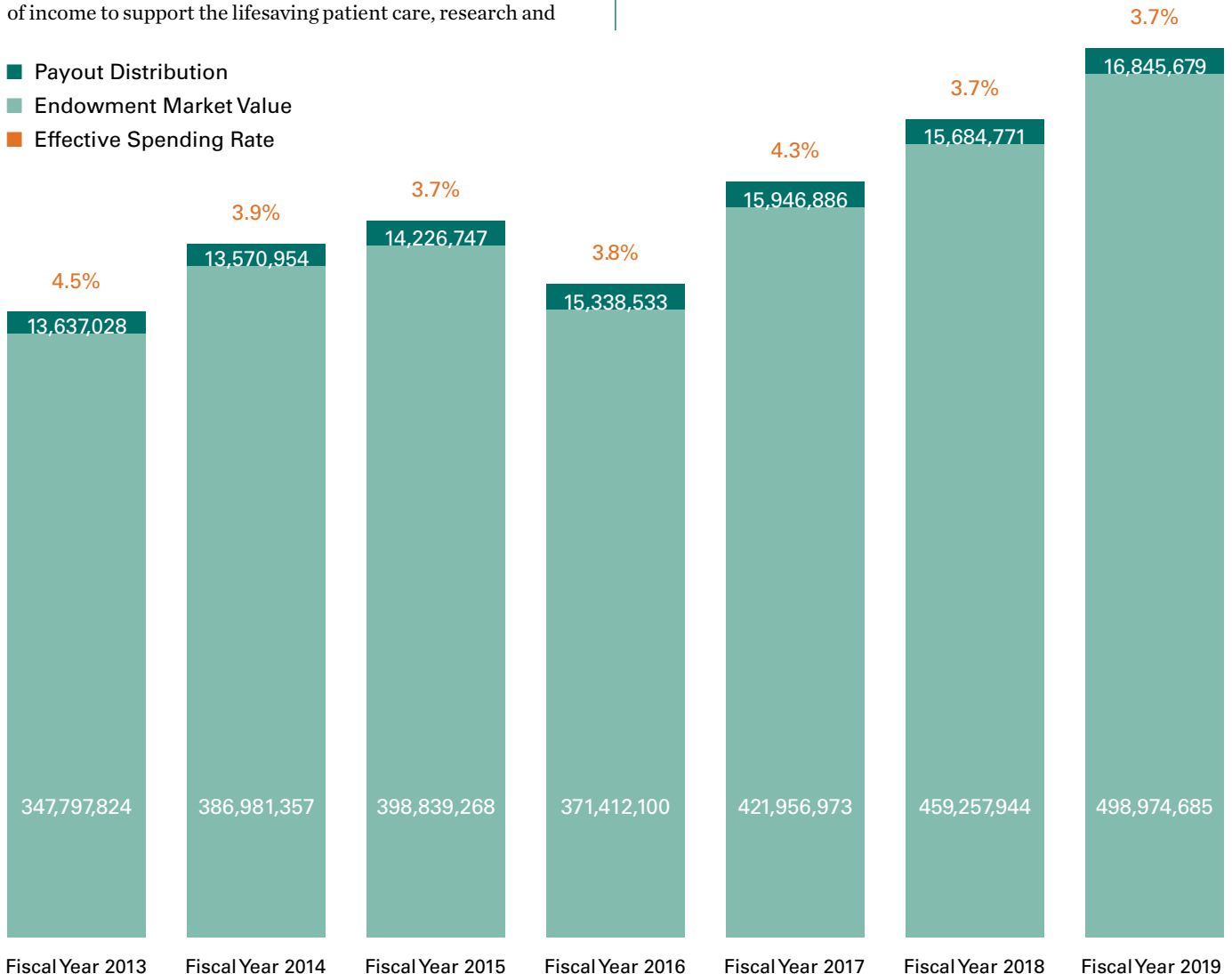
* LB&C was formally engaged to manage the portfolio on January 1, 2012. Prior to that it was managed by an ad hoc investment committee appointed by the foundation's board of trustees.

Distribution of Funds

The chart below shows the value of the endowment fund and the distributions made over the past seven years to support the mission of our MCV Campus partners at VCU Health. The long-term objective is to generate returns over an economic cycle sufficient to provide a predictable and sustainable level of income to support the lifesaving patient care, research and

education taking place at VCU Health, as well as to grow the endowment. The policy is structured to reflect best industry practices among endowment institutions to ensure we maintain a more consistent spending policy that is beneficial to the budgeting needs of our campus partners.

- Payout Distribution
- Endowment Market Value
- Effective Spending Rate



New Endowed Funds Established in FY2019

Syed Mahtab Ahmed Resident Research Fund

Dr. George C. and Ms. Maria Assumpta
AKABOGU Sickle Cell Fund

Ruth Battig Memorial Scholarship Endowment

James G. Boisseau Scholarship Fund

Dr. Robert Richardson Bowen and Rebecca Peebles
Bowen Endowed Scholarship

Dr. Charles F. Bryan Jr. Parkinson's Research Fund

Burns/Svirsky Faculty Endowment

Craig and Nancy Canning Education
Enhancement Award

Congdon Family Cardio-Oncology Research Endowment

DeAngelis-Currey Endowed Scholarship

R. Randolph Duffer, M.D., Family Practice
Endowed Scholarship

Darlene and George P. Emerson Jr. Professorship
in Cancer Research

Sarah P. Farrell Legacy Research Endowment

Jones Fox Scholarship in Family Medicine

Joseph R. Gazala, M.D., Family Lectureship

Lauren Goodloe RN to B.S. Scholarship

Dr. Mary Helen Hackney Fund for Cancer Research

Hampden-Sydney Endowed Scholarship

Hayes Endowment

Russell Horace Horner Scholarship in Nurse Anesthesia

Jacqueline June Horsman Fund

Betty Sue and Todd LePage Family Fund

Lieb Family Fund

Saba Masho, M.D., M.P.H., Dr.P.H., Endowed Scholarship
in Epidemiology

Alexander McMurtrie Memorial Scholarship

MEDARVA Lecture in Orthopaedic Surgery

Medical School Class of 1969 Scholarship

Martha W. Moon RN to B.S. Scholarship

School of Medicine Class of 2007 Suzanne F. Munson, M.D.,
Memorial Scholarship

Bob and Susan Nash Forever Heartfelt Bereavement
Support Fund

Allen W. Pepple Scholarship Fund

Rogliano Family Endowed Chair

Rosin-Okusa Endowment for Pharmacology & Toxicology

Rosin-Okusa Endowment for Student Scholarship

Dr. Kevin Shimp Endowed Scholarship Fund

Dr. Cynthia M. Southern

James H. Starkey III and Family Research Fund

Sternberg Family Endowment

Cary G. Suter, M.D., Endowed Scholarship

Carol Tesiero Brain Tumor Research Fund

Drs. Deepak and Mareen Thomas Scholarship Fund

Tucker Memorial Endowment for Neurology

Vigneshwar Family Scholarship

VIPBG Distinguished Professorship Fund

Weil Family Foundation Endowment

Contact

All of us on the staff and board of the MCV Foundation thank you for supporting the clinical care, research and educational mission of VCU Health. If you have any questions or comments about the endowment or our investment reports, please contact David Silver, chief financial officer, at 804-828-2393 or david.silver@vcuhealth.org.

MCV Foundation



Notes on the 2019 Endowment Report

About the Enclosed Report(s)

The enclosed reports provide financial information for Fiscal Year 2019 (July 1, 2018 - June 30, 2019). If you made gifts to a fund after June 30, 2019, that information will be provided in next year's reports to allow time for measurable growth. If you contributed to a fund during this fiscal year, the amount of your gift(s) is included in the market value figures.

Definitions

Endowment market value is a measure of a fund's value in the foundation's endowment. It's based on the value of that fund's units on a particular date.

A **unit** is similar to a share in investment terms.

Payout distribution is the earnings that can be spent on a stated fund purpose during a fiscal year. Any funds not distributed or spent (if, for example, a professorship is vacant, a fellowship is not awarded or the funds criteria are not met) are retained in the donors' endowed fund and reinvested in the endowment pool for future growth.

Effective spending rate is a percentage of the endowment distribution for a given fiscal year divided by the market value of the endowment as of June 30 of the previous fiscal year. The effective spending rate in a given year may be lower than the distribution rate for that year due to funds not spent and retained in the donors' account.

Lifetime giving to a fund represents the total cash contributions to the fund received by June 30, 2019. Gifts made after June 30, 2019, are included in next year's report.

Date of last gift is the date of your most recent cash contribution.

Calculation of Funds Available for Current Distribution

Spending for a given year equals the sum of two factors: (1) 70% of spending in the previous year, adjusted for inflation as measured by the Higher Education Price Index (HEPI) for the 12 months prior to the start of the fiscal year; and (2) 30% of the trailing three-year average market value of the endowment investment pool multiplied by the long-term spending rate (currently 4.5%). Spending on gifts received in the previous fiscal year will be prorated based on the number of whole months each gift was included in the fund. For example, Year 2 payout from a gift received December 15 would be based on 6/12 of the spending target calculated under the formula above because the endowment held the gift for six full months (January through June) in Year 1. This spending is capped at 4.5% of the average quarterly market value of the endowment investment pool over the previous fiscal year.

This spending policy has two implications. First, by incorporating the previous year's spending, the policy eliminates large fluctuations, enabling us to plan efficiently for operating budget needs. Second, by adjusting spending toward a long-term rate (currently 4.5%), the policy ensures that spending levels will be sensitive to the portfolio's fluctuating market value, thereby stabilizing long-term purchasing power.

www.mcvfoundation.org/work/financials/endowment-fund-spending-policy