

Annual returns reported by some **800 colleges and universities** over the past decade demonstrate that even during a period in which volatility was relatively quiet, institutions still had to contend with **wide spreads in returns** as they implemented spending policies in support of their institutions.

**-18.7**  
Worst | FY2009

Best | FY2011  
**+19.2**

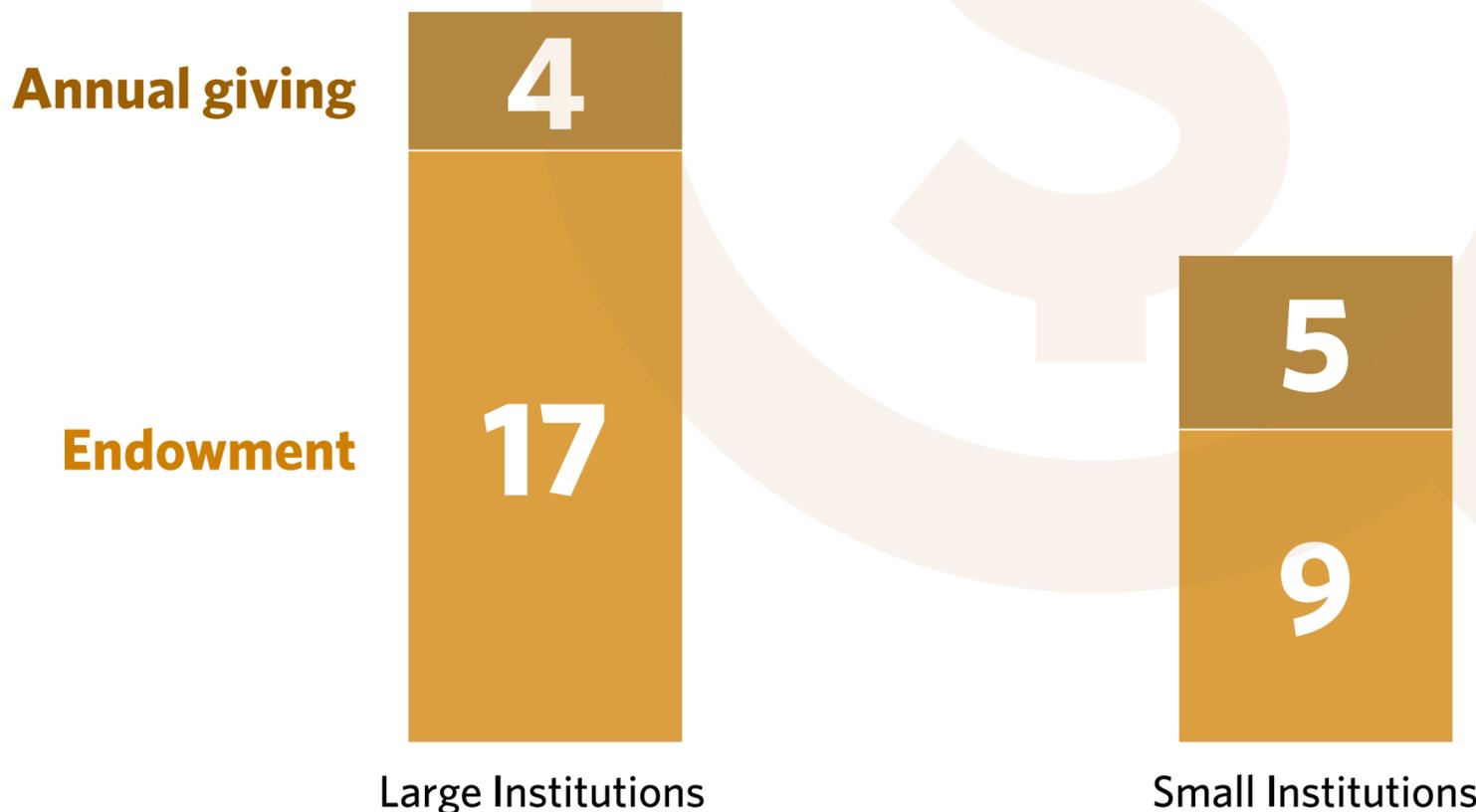
**380** bps  
Lowest YoY Change

Highest YoY Change  
**2020** bps

The degree of **dependency on endowment** is a related factor compounding the task before investment committees and financial officers. As this chart shows, **large institutions rely more on their endowments to fund operating expenses than do smaller institutions.**

### Percent of Operating Budget Support

Average percent (%) of operating budget funded by:



**Source:** 2018 NACUBO-TIAA Study of Endowments. Large institutions represent endowments over \$1 billion while small institutions represent \$51-\$100 million unless otherwise indicated. Any opinions, assumptions, assessments, statements or the like (collectively, "Statements") regarding future events or which are forward-looking, including regarding portfolio characteristics and limits, constitute only subjective views, beliefs, outlooks, estimations or intentions of an Investment

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## There are three main approaches to endowment spending:

- 1 Percent of a moving average of the endowment's market value
- 2 Fixed dollar amount that is adjusted each year by an inflation rate but bounded by upper and lower bands that are calculated as a percentage of the endowment's market value
- 3 Hybrid approach combines elements of the first two approaches

75%

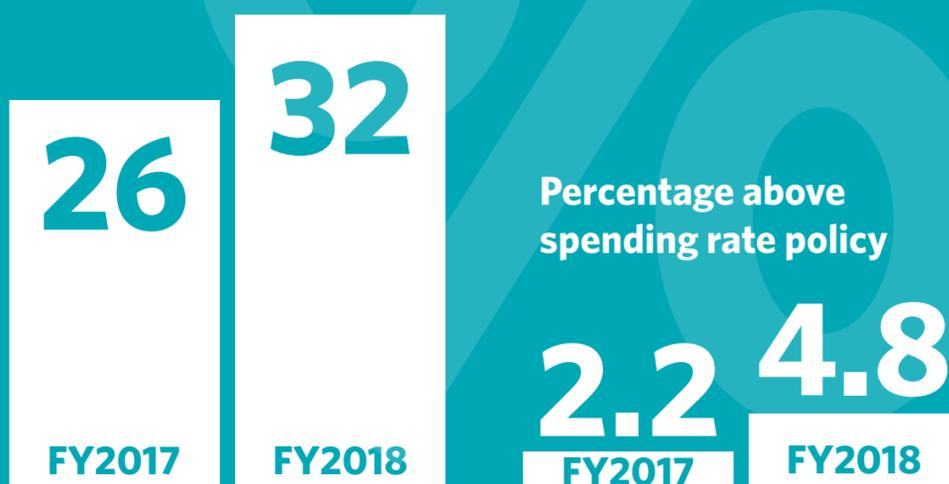
of endowments use a moving average spending rate method

20%

of large endowments use a hybrid approach

## Special appropriations from the endowment are growing

### Made special appropriations



Among the smallest schools, those with endowments under \$25 million, an average of **14.8%** made special appropriations above the spending rate.

**2 to 8%**  
average proportion of operating budget funded by annual giving

## How will annual giving be impacted by the Tax Cuts and Jobs Act of 2017, which effectively doubled the standard deduction?

This change is projected to possibly diminish giving to nonprofit organizations.

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