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.

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:

- **Endowment**
  - Large Institutions: 17%
  - Small Institutions: 9%

- **Annual giving**
  - Large Institutions: 4%
  - Small Institutions: 5%

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 Manager, should not be relied on, are subject to change due to a variety of factors, including fluctuating market conditions and economic factors, and involve inherent risks and uncertainties, both general and specific, many of which cannot be predicted or quantified and are beyond an Investment Manager’s or an Investment Product’s control. Future evidence and actual results (including actual composition and investment characteristics of an Investment Product’s portfolio) could differ materially from those set forth in, contemplated by, or underlying these Statements, which are subject to change without notice. There can be no assurance and no representation is given that these Statements are now, or will prove to be accurate, or complete in any way. The Investment Manager undertakes no responsibility or obligation to revise or update such Statements. Statements expressed herein may not be shared by all personnel of Commonfund.
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

Special appropriations from the endowment are growing

<table>
<thead>
<tr>
<th>Year</th>
<th>Made special appropriations</th>
<th>Percentage above spending rate policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>26</td>
<td>2.2</td>
</tr>
<tr>
<td>2018</td>
<td>32</td>
<td>4.8</td>
</tr>
</tbody>
</table>

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

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.

Source: 2018 NACUBO-TIAA Study of Endowments. Large institutions represent endowments over $1 billion while small institutions represent $51-$100 million unless otherwise indicated.

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