

AN OVERVIEW OF COLLEGE AND UNIVERSITY ENDOWMENTS

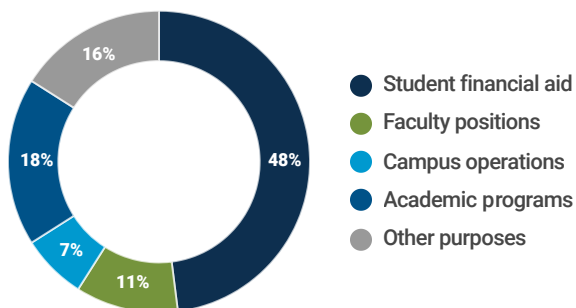
The American Council on Education's *Understanding College and University Endowments* answers commonly asked questions regarding the purpose, history, and functionality of endowments. Some highlights are included here.

WHY DO UNIVERSITIES NEED ENDOWMENTS?

- Endowments **provide student aid, bolster academic programs, and foster innovation** at institutions of higher education.
- Endowment assets **ensure the long-term well-being of colleges and universities**. They are managed so that, for example, a fund supporting a scholarship today will still be able to support students many years from now.
- Endowments comprise **hundreds or thousands of individual fund accounts**, often aggregated from individual donations. Some donations are **restricted by donors** for specific charitable activities, with the original gift serving as the principal that provides income for these specified activities across time.
- Institutions strive to spend the maximum amounts they can now without diminishing the amounts that will be available decades from now.

HOW ARE ENDOWMENTS USED?

FIGURE 1. FY 2023 ENDOWMENT SPENDING



Source: Data from NACUBO (National Association of College and University Business Officers) and Commonfund Institute, *NACUBO-Commonfund Study of Endowments 2023* (NACUBO and Commonfund Institute, 2024).

- Endowments allow institutions to **deliver greater value and attain higher levels of quality** than would otherwise be possible.
- About two-thirds of endowment spending is allocated to **boosting financial aid and academic programs**.
- Even in difficult financial times, endowments can **sustain institutions' teaching and research missions**, allowing them to provide essential support for faculty and students.
- Spending policies aim to provide **stable, increasing support for core charitable activities** year after year—even in times of market downturns.
- Institutions with bigger endowments tend to have higher expenditures and spend greater shares of their endowments as a percentage of their expenditures than those of lesser endowed institutions.
- Endowments are used to **keep postsecondary education affordable** for low- and middle-income students through scholarships and other forms of financial aid, **bolster funding** for an institution's educational activities, and **advance research programs** that drive innovation.