

ENDOWMENT RADAR

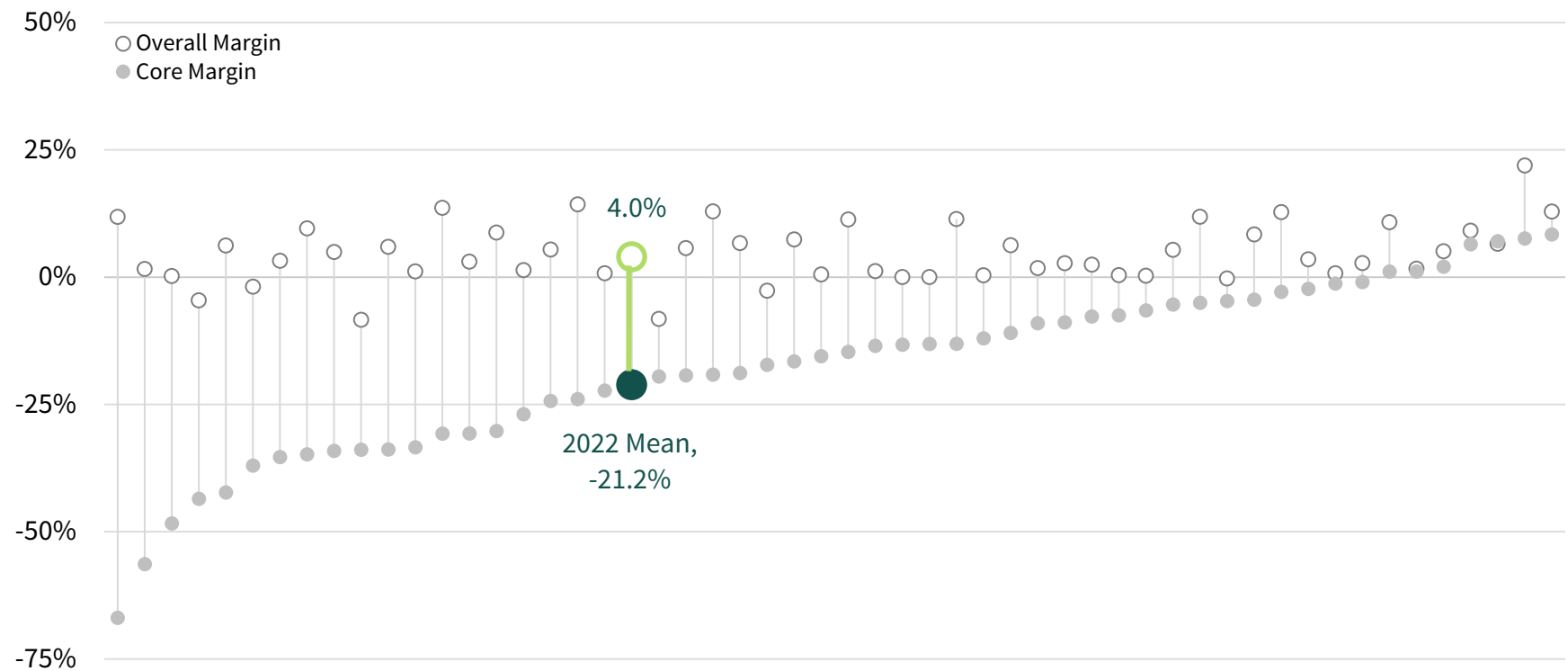
NATIONAL BUREAU OF ECONOMIC RESEARCH
FINANCING HIGHER EDUCATION



Subsidizing core operating margins

For nonprofit colleges and universities, the core mission is subsidized by endowment support and philanthropy. The “core operating” margin captures operating results before subsidies from endowment and gifts and highlights the reliance on these subsidies to balance operations.

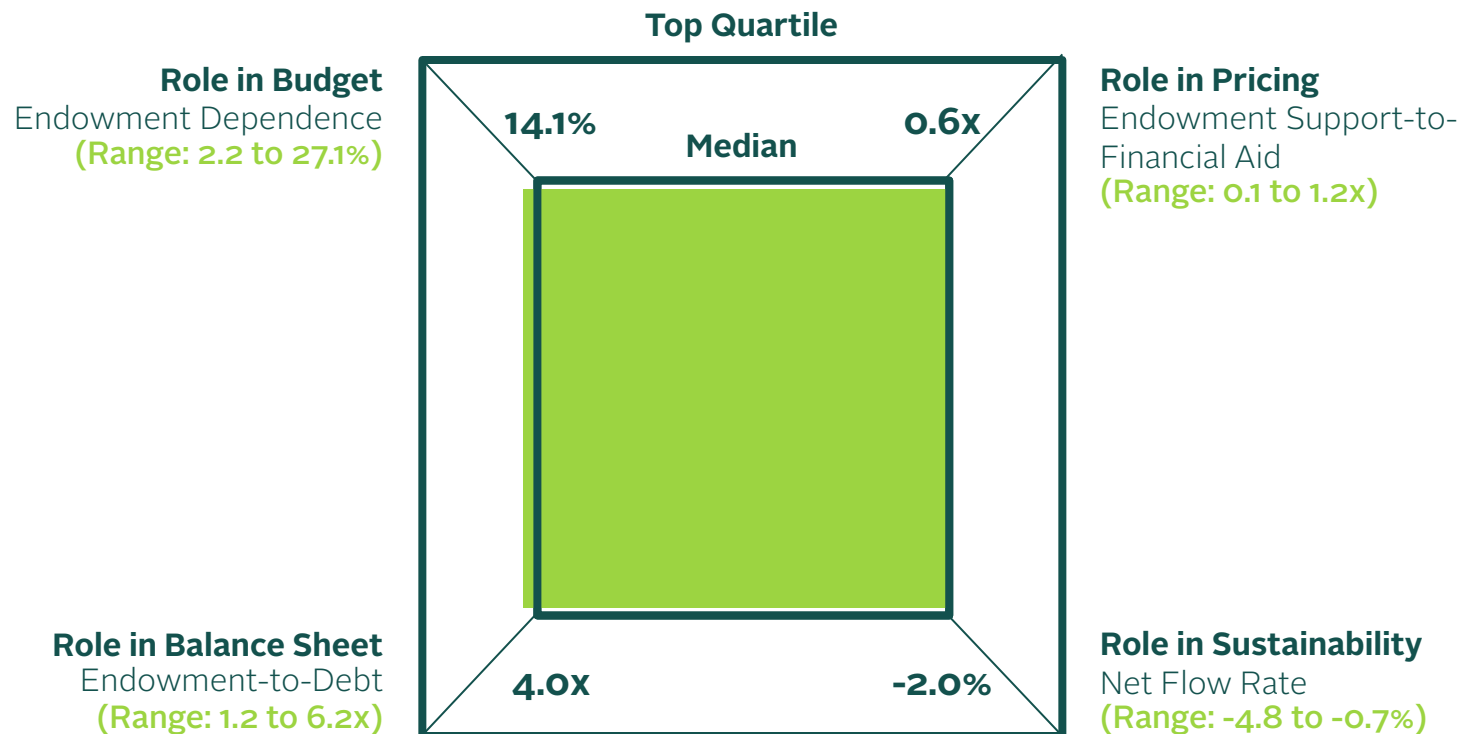
Core Operating Margin and Overall Margin: Fiscal Year 2022, n = 53



Endowment Radar 2022

Endowment Radar is designed to help colleges and universities assess the role of the endowment in their business model and chart a course for the future.

Endowment Radar Map: Fiscal Year 2022, Private C&U Data 5th to 75th Percentile Range



Endowment Dependence

Ratio

$$\frac{\text{Endowment Support}}{\text{Operating Expense}}$$

Measures the role in the role of the endowment in the annual budget

Endowment Support
to Financial Aid

Endowment to Debt

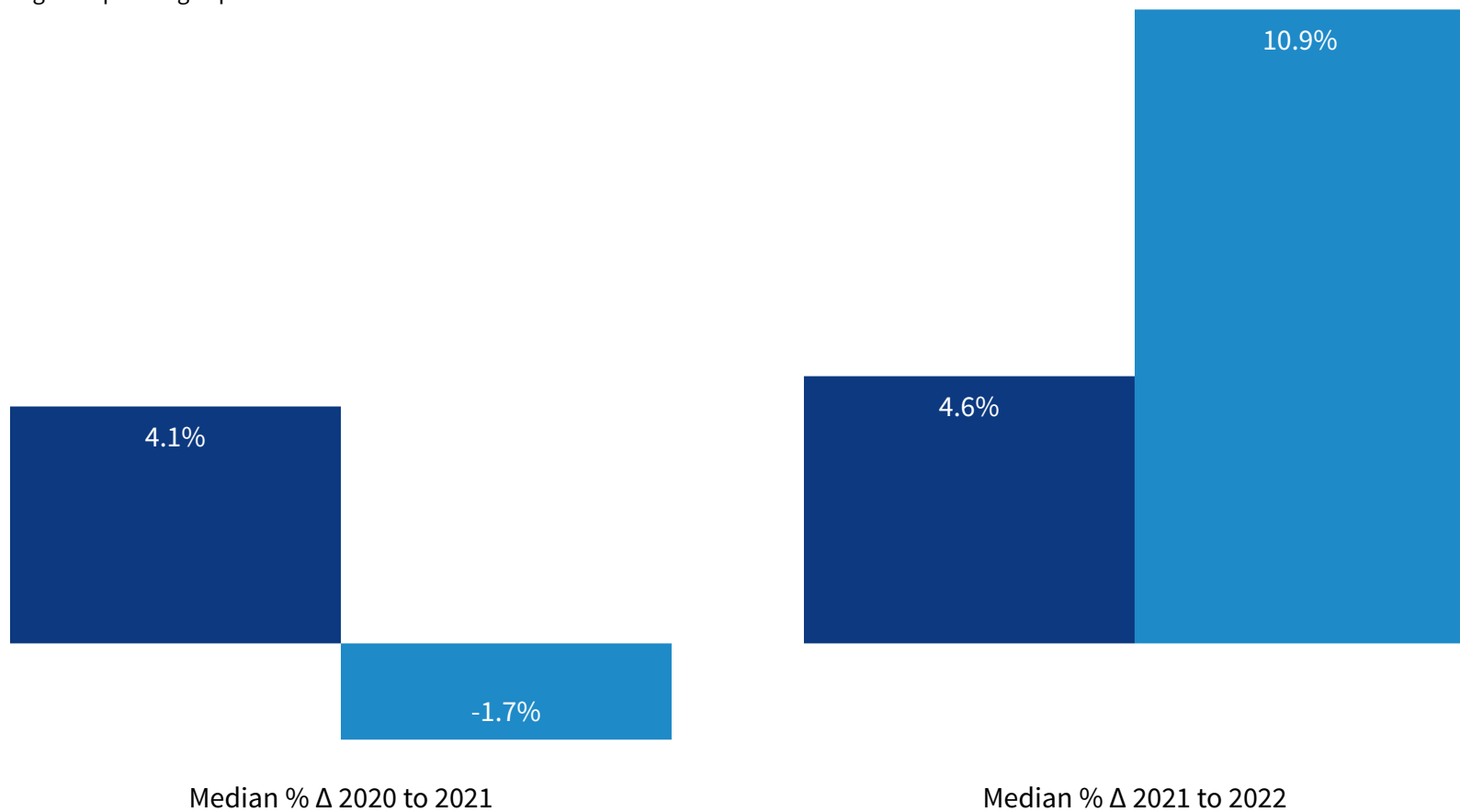
Net Flow Rate

Changes in endowment support and operating expenses

Median % change in endowment support and operating expenses

Fiscal Year 2020- 2022, Constant Universe n = 79

- Change in Endowment Support
- Change in Operating Expenses

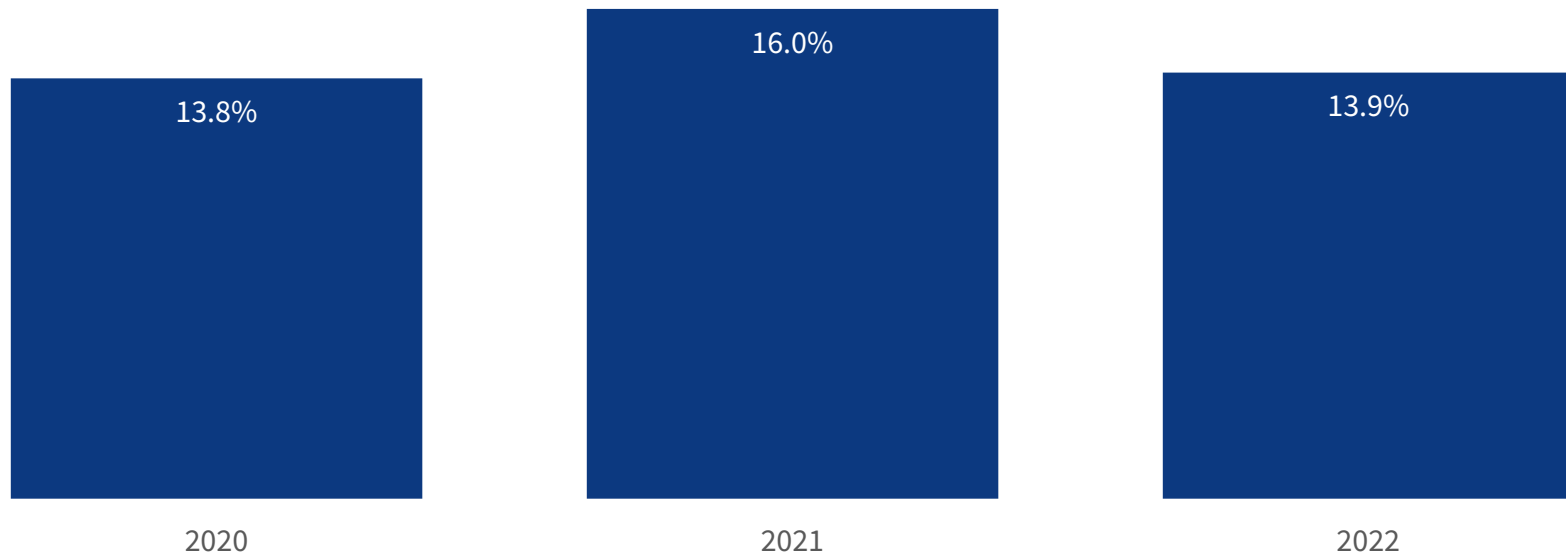


Changes in endowment dependence over the last 3 years

Endowment dependence 2020-2022

Fiscal Year 2020- 2022, Constant Universe n = 79

	Median % Δ 2020 to 2021		Median % Δ 2021 to 2022	
Endowment Support \$	▲	4.1%	▲	4.6%
Operating Budget \$	▼	-1.7%	▲	10.9%

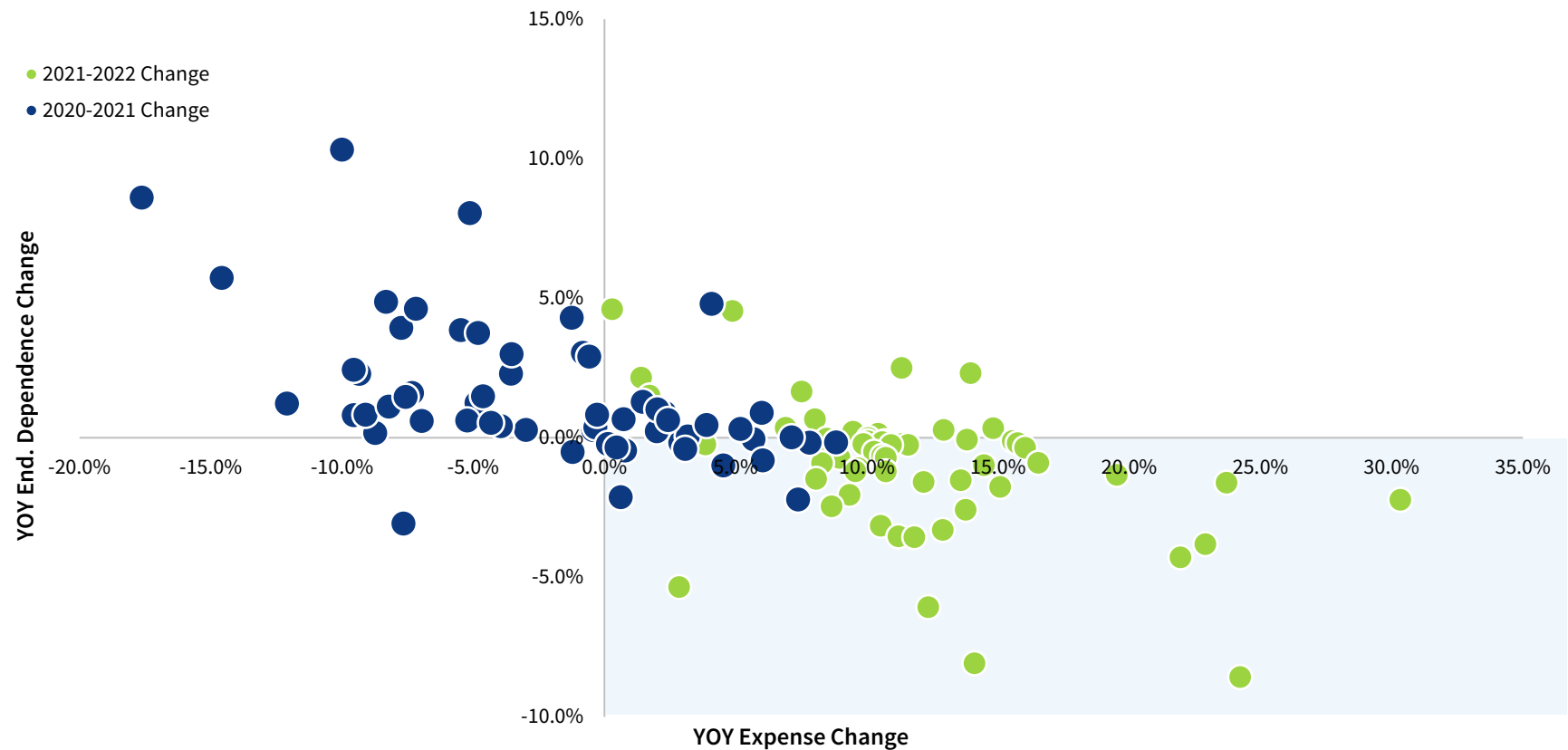


Change in endowment dependence vs change in operating expenses

Over 75% of private colleges saw a reduction in endowment dependence in 2022, all of which experienced increases in operating expenses.

Change in endowment dependence vs change in expenses

Fiscal Year 2022, n = 59

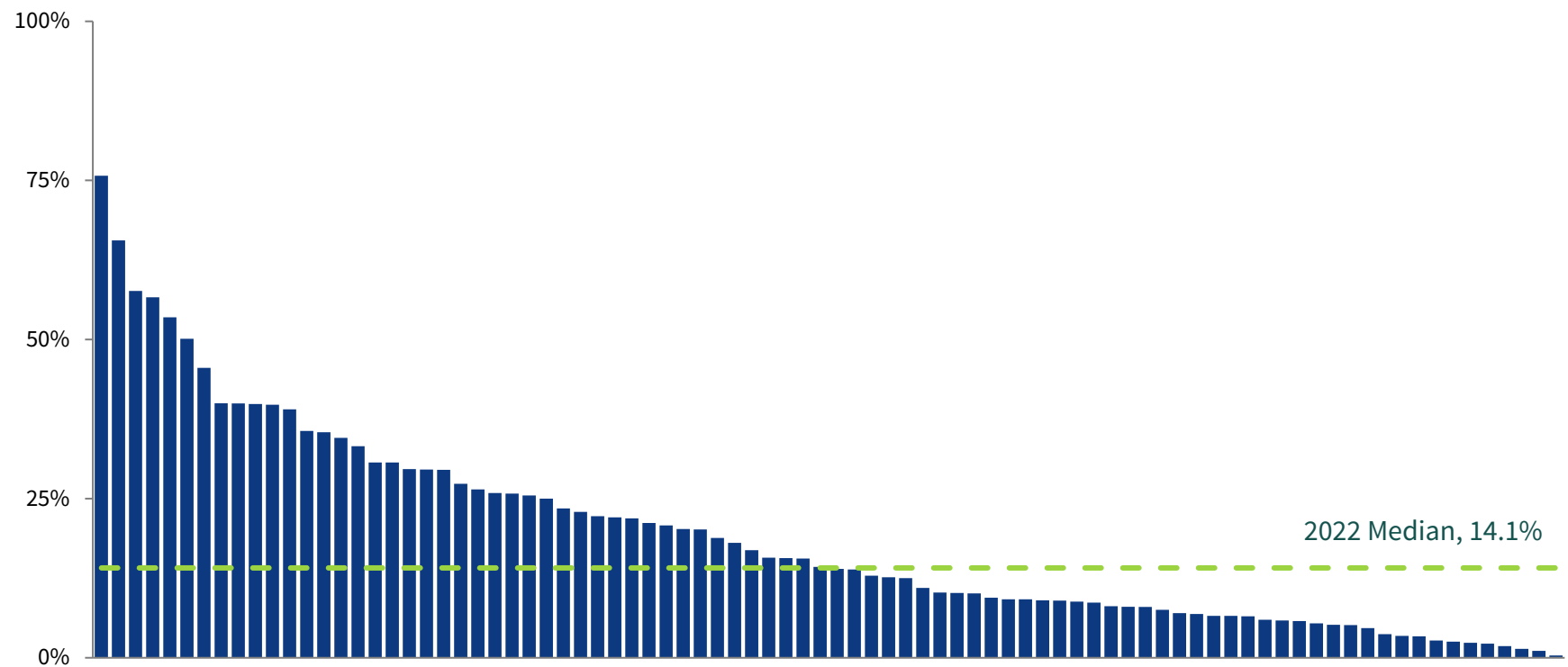


Endowment dependence by institution

For private colleges and universities, endowment dependence can range from less than 1% to more than 75%. At the high end, the endowment may be the largest source of revenue, meaning that the institution is more dependent on the long-term investment portfolio than student revenues.

Endowment Dependence by institution

Fiscal Year 2022, n = 86



Endowment Support-to-Financial Aid

Endowment
Dependence

Ratio

$$\frac{\text{Endowment Support}}{\text{Financial Aid and Scholarships}}$$

Compares endowment spending to institution's financial aid and scholarship discounts to students

Endowment to Debt

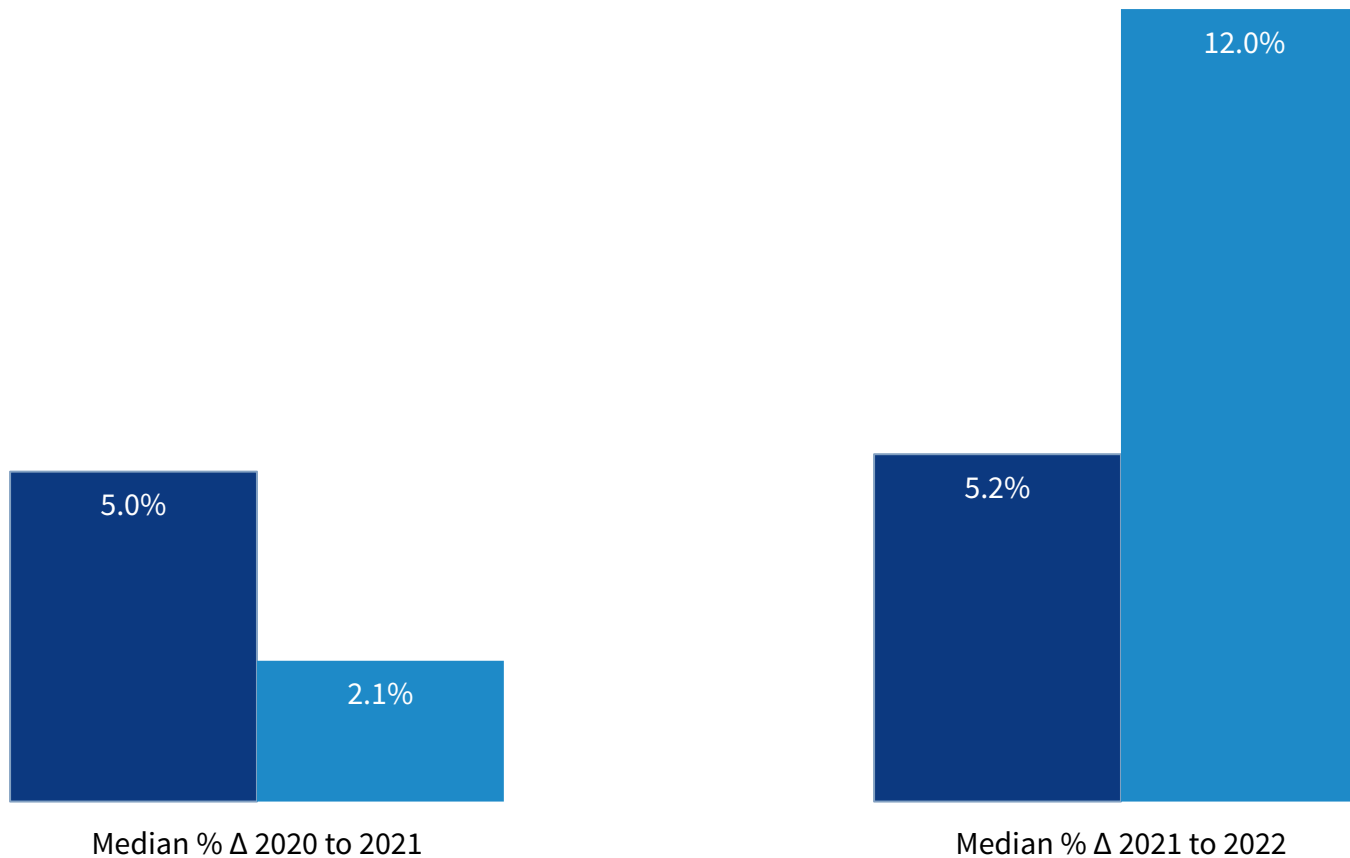
Net Flow Rate

Changes in endowment support and financial aid awarded

Median % change in endowment support and financial aid awarded

Fiscal Year 2020- 2022, Constant Universe n=55

- Change in Endowment Support
- Change in Financial Aid Awarded



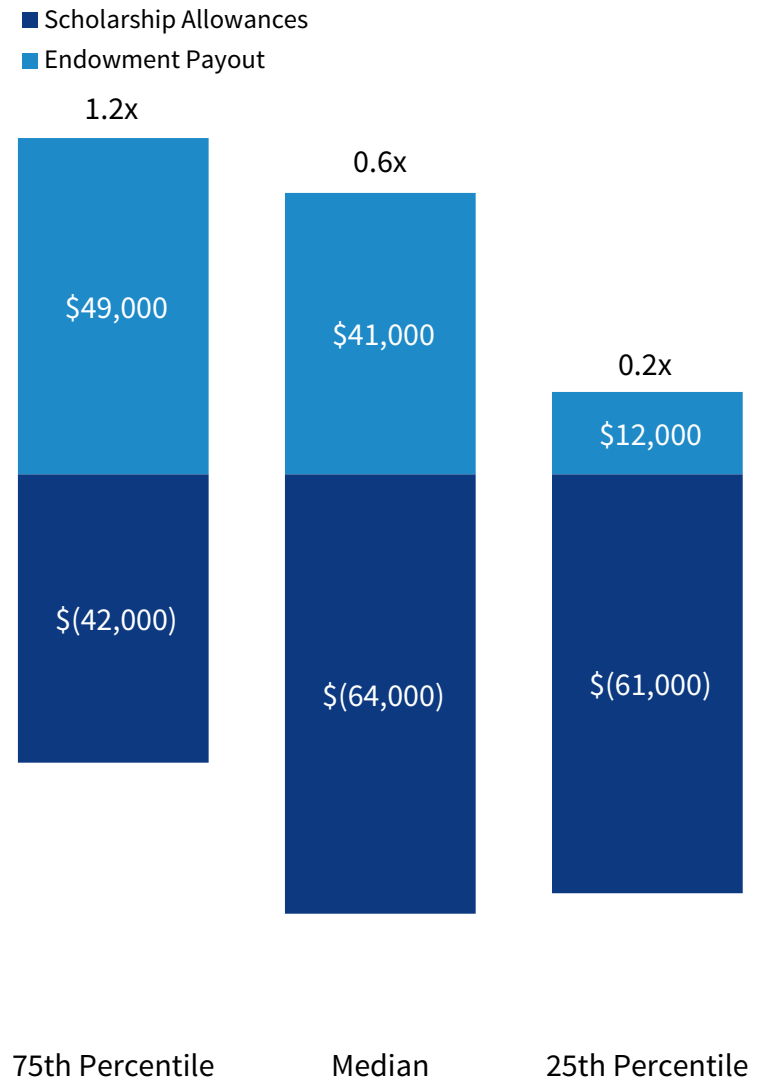
Endowment Support to Financial Aid

The charts represent the top, median, and bottom quartile for the endowment support to financial aid ratio.

When the endowment support to financial aid is 0.5x, the endowment spend covers half of the scholarships and financial aid awards.

A coverage ratio of 1.0x, means the endowment subsidy (a revenue line) and the student subsidy (a contra-revenue) are evenly matched.

When this relationship is greater than 0.5x, and closer to 1.0x, we believe institutions are discounting from a position of financial strength.



Note that the endowment distribution is not all designated for financial aid. We are simply comparing the subsidy from endowment to the forgone revenue of student aid. Also, we are using discount rate as a barometer of price, recognizing that it is an imperfect assumption.

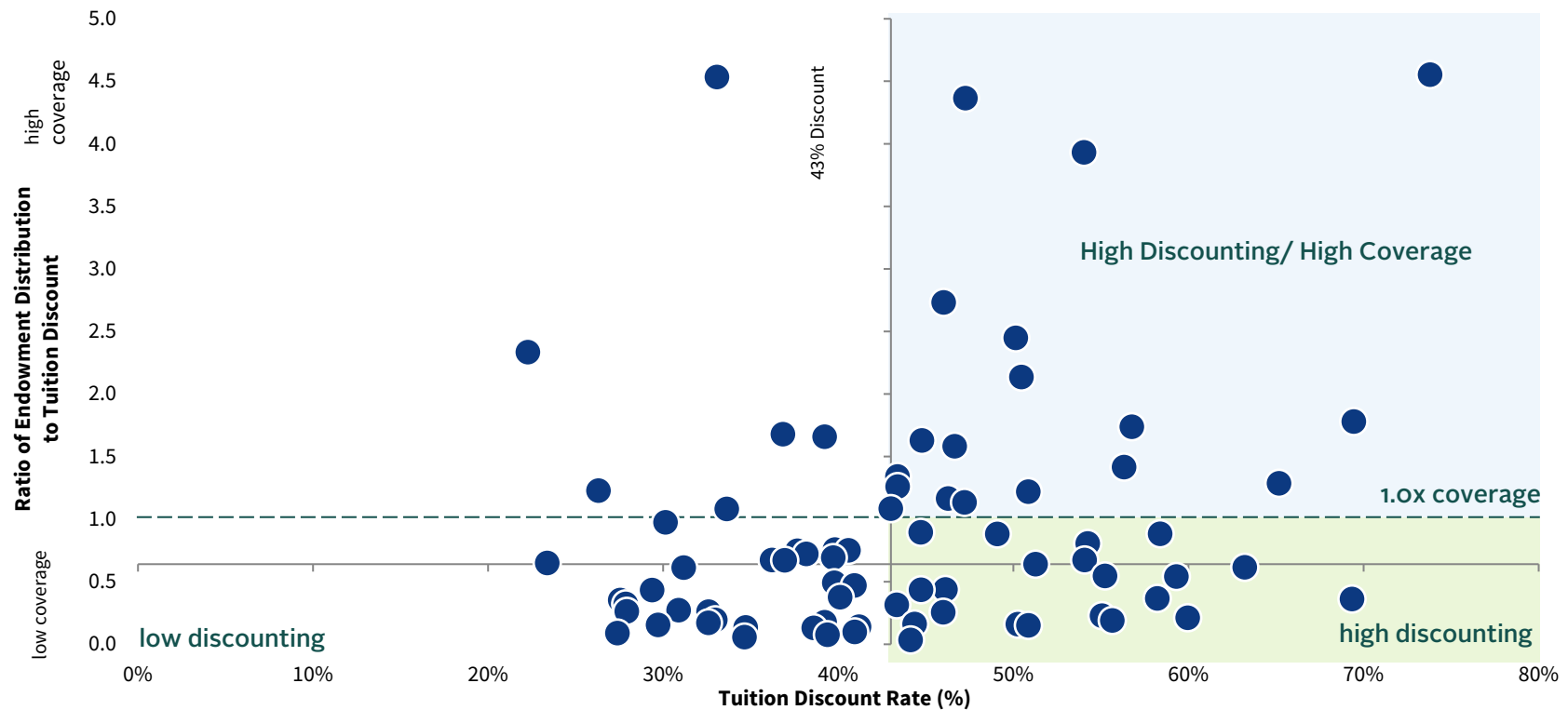
Source: Data as reported to Cambridge Associates, LLC or as reported in publicly available audited financial statements.

Discount rates vs coverage

Coverage for tuition discount is correlated with endowment support. A ratio of endowment support to institutional grants that exceeds 1.0 indicates "coverage" for discounted tuition revenue.

Tuition discount rate vs ratio of endowment support-to-financial aid

Fiscal Year 2022, n = 77



Endowment-to-Debt

Endowment
Dependence

Endowment Support
to Financial Aid

Ratio

$$\frac{\text{Endowment Market Value}}{\text{Total Outstanding Debt}}$$

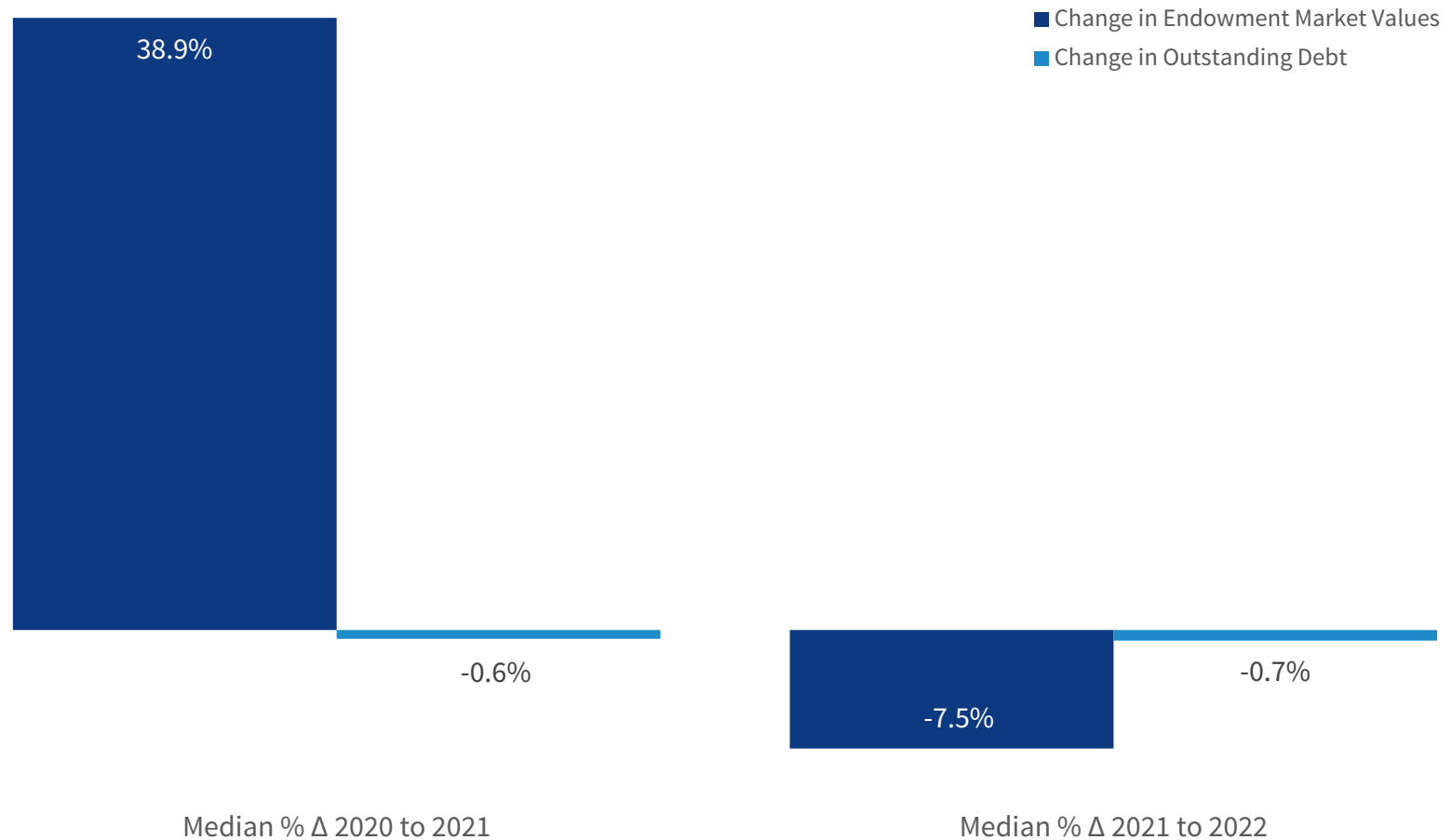
Focuses on balance sheet health
and the ballast the endowment
provides for borrowing

Net Flow Rate

Changes in endowment market values and outstanding debt

Median % change in endowment market values and outstanding debt

Fiscal Year 2020- 2022, Constant Universe n=55

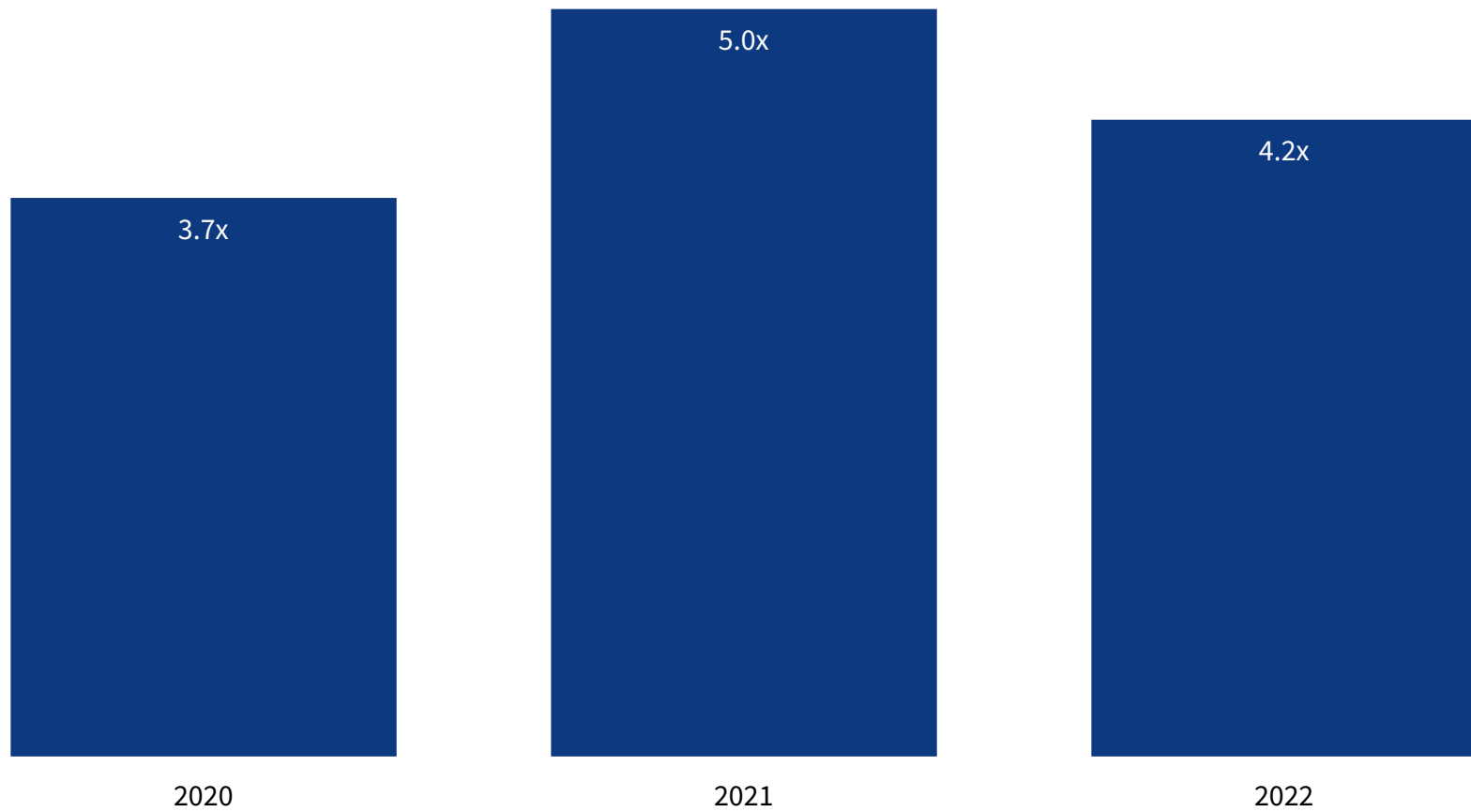


Median endowment-to-debt ratio over the years

Around 62% of colleges in this group reduced the amount of outstanding debt from 2021 to 2022.

Endowment-to-Debt

FY 2020-2022, Constant Universe n = 60



Net Flow Rate

Endowment
Dependence

Endowment Support
to Financial Aid

Endowment to Debt

Ratio

$$\frac{\text{Inflows minus Spending}}{\text{Beginning Endowment Market Value}}$$

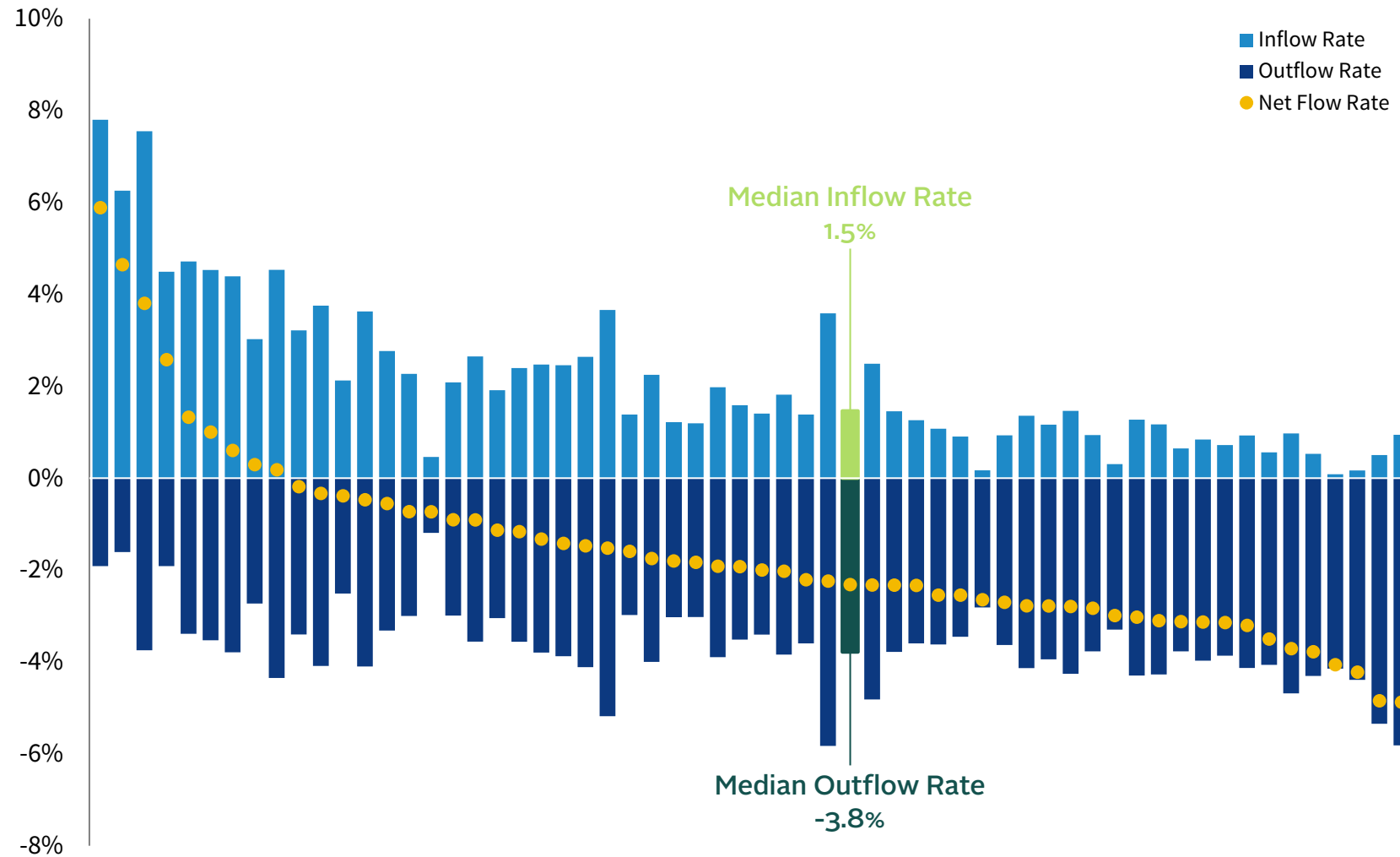
This is the net ratio of endowment
inflows to endowment spending

Net flow rate

Inflows to the endowment provide a source of liquidity and enable the endowment to support a growing enterprise.

Net flow rate

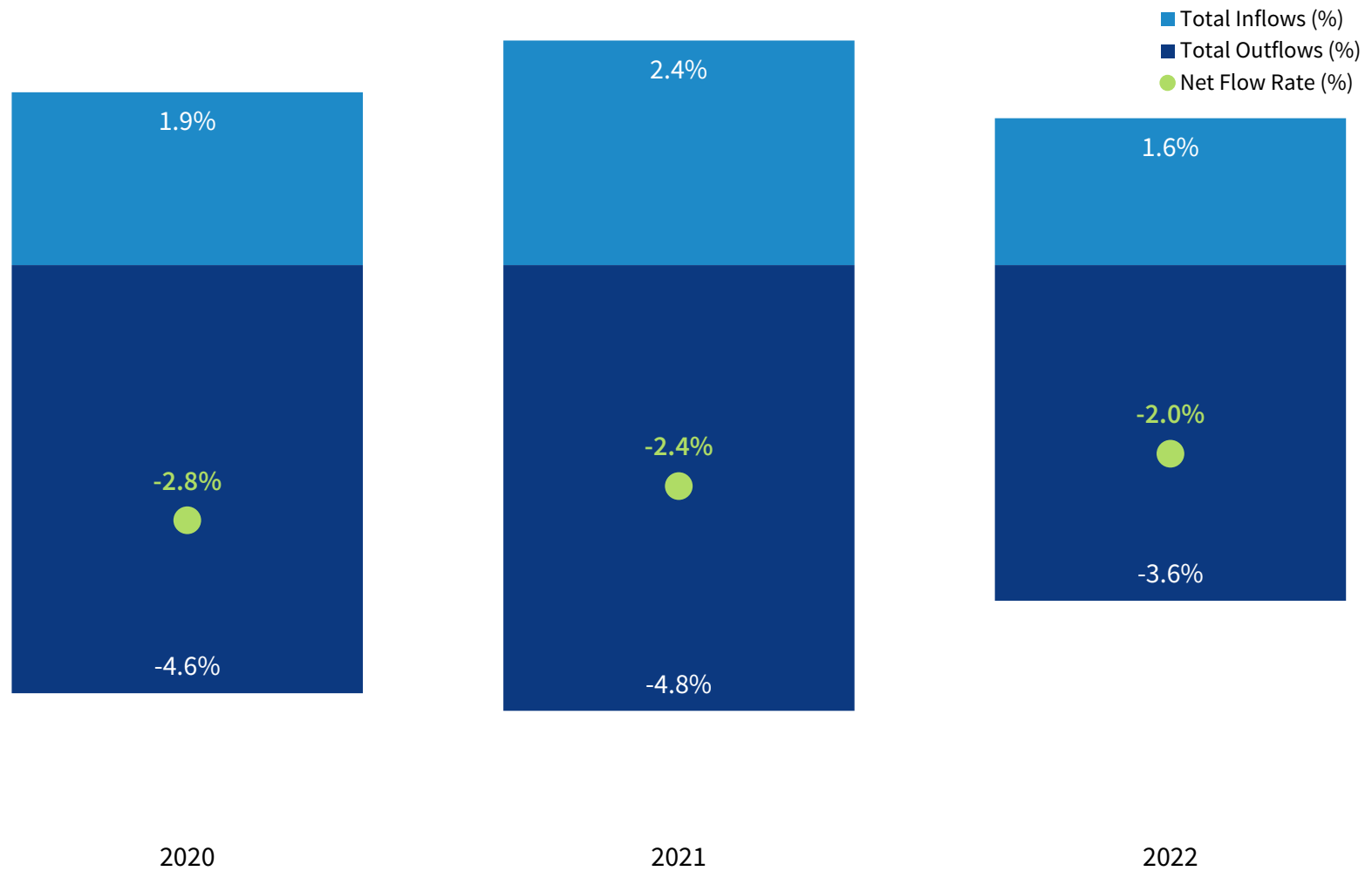
Fiscal Year 2022, n = 61



Net flow rate over time

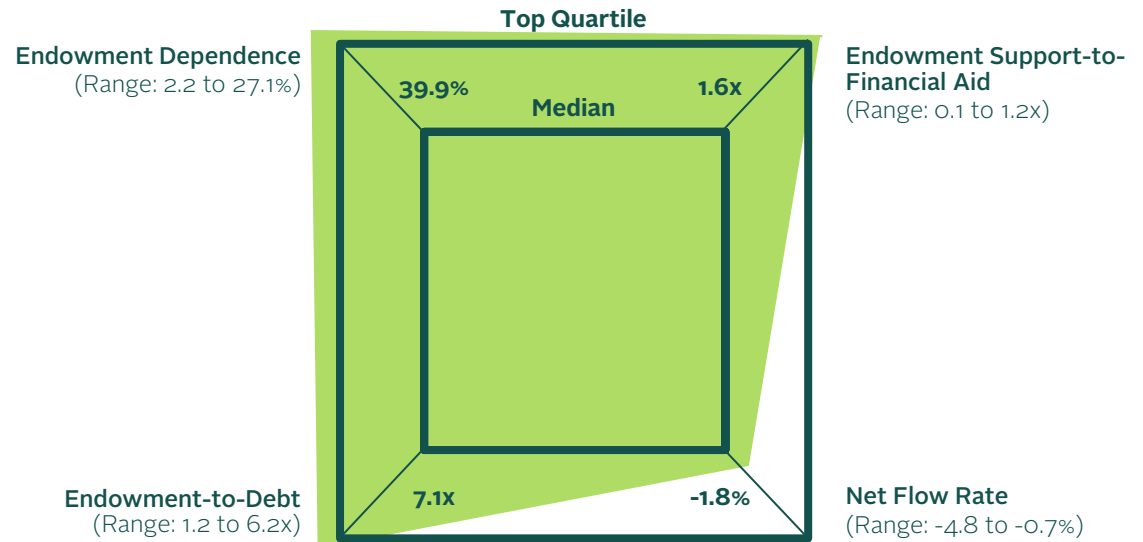
Median net flow rate 2020-2022

Fiscal Year 2020- 2022, Constant Universe n=39

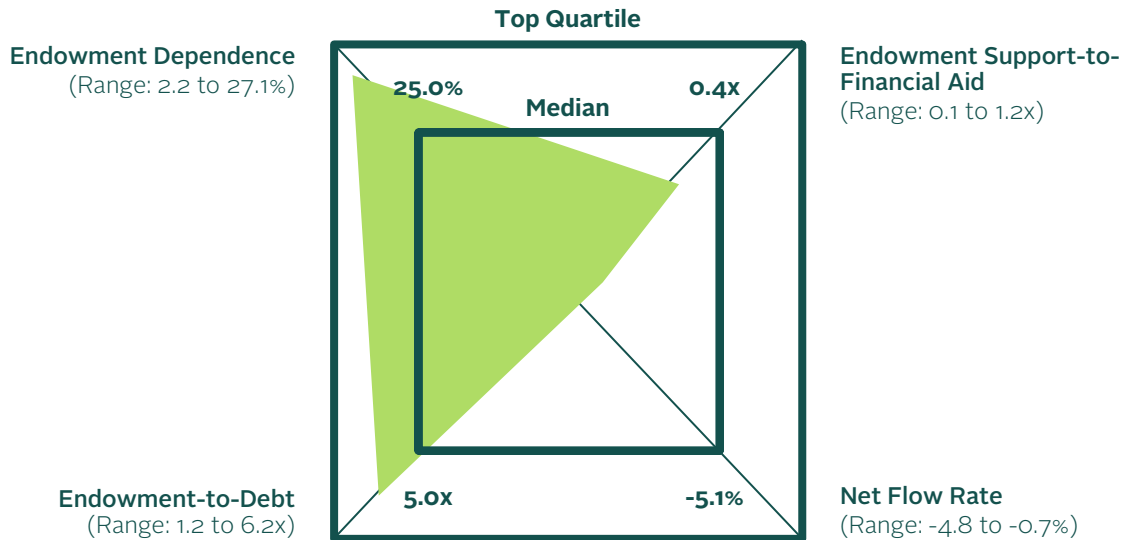


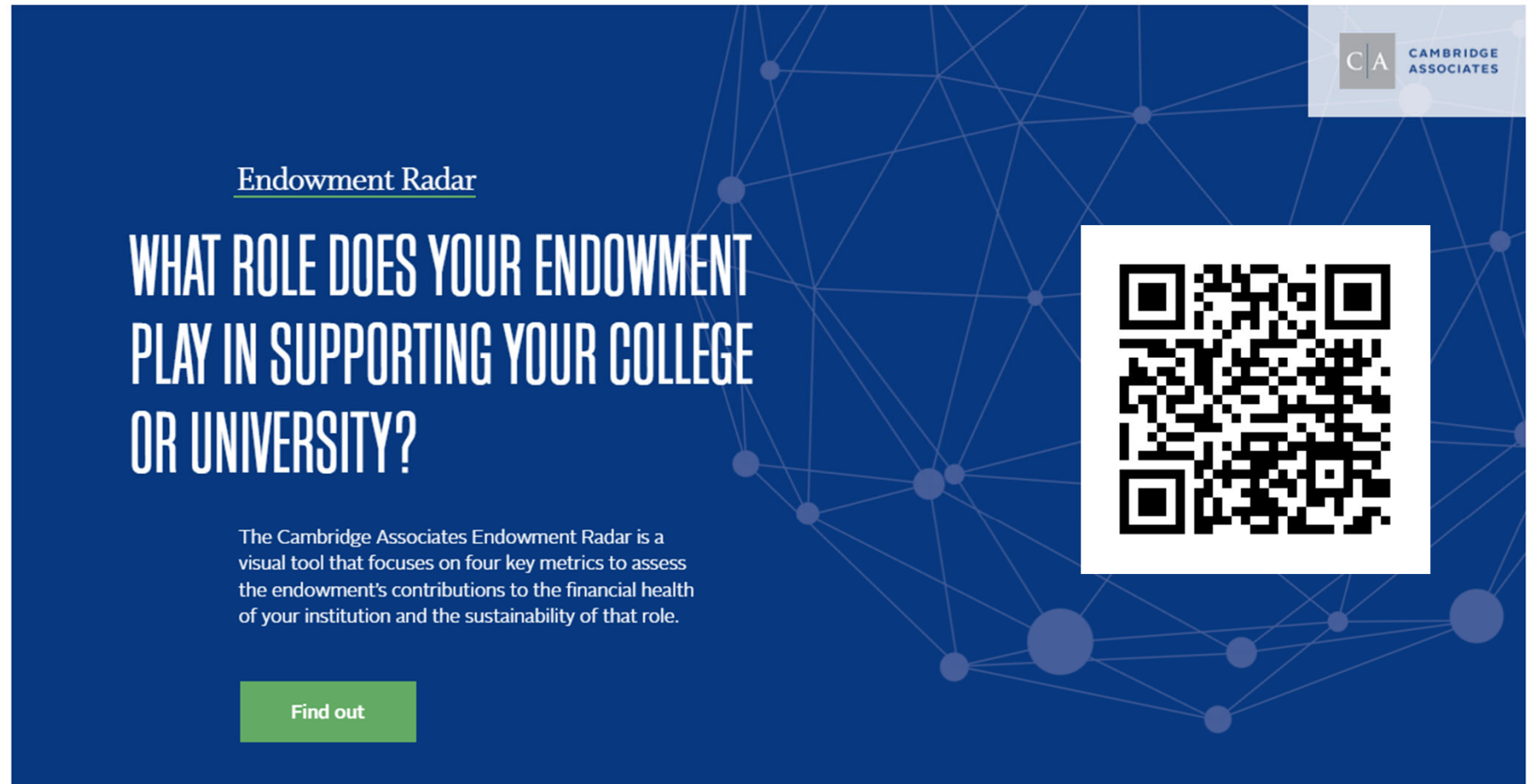
Role of the Endowment: Case Studies

Endowment Radar Map Significant Role



Endowment Radar Map Unsustainable Role




The graphic features a dark blue background with a network of white dots and lines. In the top right corner, there is a logo for Cambridge Associates, consisting of a grey square with 'C|A' and the text 'CAMBRIDGE ASSOCIATES' to its right. The main text is in white, with the title 'WHAT ROLE DOES YOUR ENDOWMENT PLAY IN SUPPORTING YOUR COLLEGE OR UNIVERSITY?' in a large, bold, sans-serif font. Below the title, a smaller paragraph describes the Endowment Radar as a visual tool. A green button with the text 'Find out' is positioned at the bottom left. A large QR code is located on the right side of the graphic.

Endowment Radar

WHAT ROLE DOES YOUR ENDOWMENT PLAY IN SUPPORTING YOUR COLLEGE OR UNIVERSITY?

The Cambridge Associates Endowment Radar is a visual tool that focuses on four key metrics to assess the endowment's contributions to the financial health of your institution and the sustainability of that role.

[Find out](#)





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