



## **Drake's Endowment - What is it?**

Drake University established its formal endowment many years ago, and like most educational institutions, watched it grow at a middling pace until the early 1990s. At that point, gifts to the University increased, investment returns began to increase and the Endowment began to play a significant role in providing the resources to keep Drake a world-class institution.

An endowment is often a good gauge of the quality and health of an educational institution. The endowment differs from the annual fund in that the annual fund is intended to be spent in the short term and is an important revenue source in the institution's annual operating budget. Endowment funds, on the other hand, are invested with a view toward the very long term. The intention is that the Endowment itself will not be spent- only the earnings from the Endowment's investments will be spent.

It helps provide stability and flexibility to the University by providing financial "breathing room," as well as funds to support scholarships, the recruitment and retention of the best faculty and staff, new academic endeavors, student/faculty research projects, facilities improvements, and other initiatives in the community. Spending on these needs is, of course, supplemented by tuition income, by the annual fund and by other grants and gifts.

### **How does endowment make a difference?**

At Drake, a strong endowment will enable the university to better position itself for the future. It will:

- fund scholarships and other financial assistance to make it possible for the most deserving students to attend Drake.
- enable Drake to attract and retain gifted teachers and strengthen student learning.
- provide opportunities for faculty to continually update their knowledge and skills.
- enhance library resources.

### **If you can't spend all of it, how much do you spend?**

The Board of Trustees approves a spending policy for the Endowment, which typically is around 5%. The rate is then applied to a "rolling average" of the Endowments total assets over the last 12 quarters (three years). By using the Endowment's average balance, the University avoids wide swings in the actual dollar amount available to be spent.