
Commonfund
Study of
Independent
Schools

CSIS

RETURNS AND INVESTMENT OBJECTIVES
ASSET ALLOCATION | INVESTMENT POLICIES
FUND FLOWS | DEBT | GOVERNANCE

2018

2018
Commonfund Benchmarks Study®
of Independent Schools

Commonfund Institute and the National Business Officers Association annual report on independent schools investment performance and management practices.

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WELCOME

February 2019

It is our pleasure to share with you the 2018 Commonfund Benchmarks Study® of Independent Schools (CSIS). This report represents the 14th year of collaboration between the National Business Officers Association (NBOA) and Commonfund Institute. As in past years, our goal is to provide you with an authoritative and comprehensive annual survey of investment and governance practices at U.S. independent day and boarding schools, for the benefit of trustees and staff, as well as for the larger community of U.S. independent schools.

With the advent of the CSIS in 2005, the Institute and NBOA embarked on a rewarding research relationship. For FY2018 we are excited to release an enhanced and expanded Study, including an in-depth analysis of the data and a Viewpoint article studying 10 years of survey data from the CSIS. The result is a single, comprehensive source of information on

independent school endowments. We are pleased to note that the number of independent schools participating in this year's Study has grown to 223, up from last year's 213, a yearly increase of nearly 5 percent.

It is important to observe that this report contains data on U.S. independent school endowment funds only.

We wish to express our gratitude to the professionals and volunteers at participating independent schools for their invaluable contributions of time and knowledge. Both Commonfund Institute and the NBOA hope that the Study will serve as a valuable tool for independent school boards and senior staff as they make decisions shaping the future of their schools. As always, we welcome your comments and look forward to being of service to you in the future.



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Executive Summary

2018 Commonfund Benchmarks Study[®] of Independent Schools

Two hundred twenty-three U.S. independent boarding and day schools contributed data for the Commonfund Benchmarks Study[®] of Independent Schools (CSIS) for the 2018 fiscal year (July 1, 2017 – June 30, 2018), an increase over the 213 schools that participated last year. This year's Study comprises: 145 day schools, accounting for 65 percent of the Study universe; 35 day/boarding schools (16 percent); 26 boarding/day schools (12 percent); and seven boarding-only schools (3 percent). Eight schools (4 percent of the Study) self-selected the "Other" category.

Participating schools represented \$12 billion in combined endowment assets as of June 30, 2018, down moderately from last year's \$13.2 billion but ahead of \$11.5 billion in combined assets represented in the Study for FY2016. Breaking out this data by size:

- Fifty-nine schools with assets over \$50 million participated in this year's Study (representing approximately \$9.1 billion, or 75 percent of participants' combined endowment assets).
- One hundred nine schools with assets between \$10 and \$50 million participated (representing approximately \$2.8 billion, or 23 percent of participants' combined endowment assets).
- Fifty-five schools with assets under \$10 million participated (representing approximately \$223 million, or two percent of participants' combined endowment assets).

Seventy-five percent of schools in this year's Report also participated last year, an increase from 72 percent a year ago and 63 percent in FY2016. A high repeat participation rate generally indicates stability and integrity of the data from one Study to the next.

Eighty-six percent of participants (192 schools) that provided data for this year's Study self-identified as members of the National Business Officers Association (NBOA).

Returns

The 223 independent schools participating in the CSIS for FY2018 reported an average return on their endowments of 7.4 percent (net of fees)—placing FY2018 at the midpoint of annual returns over the five most recent fiscal years. For comparison, returns for the preceding four fiscal years were: 11.8 percent for FY2017; -0.8 percent for FY2016; 2.3 percent for FY2015; and 14.2 percent for FY2014.

When segmented by size, schools with assets over \$50 million reported an average return of 8.2 percent while those with assets between \$10 and \$50 million reported a return of 7.4 percent and those with assets under \$10 million reported a 6.2 percent return.

Longer-Term Returns

Longer term, schools with assets over \$50 million reported the highest return for all periods (three, five and 10 years). Three-year returns averaged 6.3 percent for schools with assets over \$50 million and 6.1 percent for the other two size cohorts.

For the trailing five-year period, respective returns across the three size cohorts (largest to smallest) were 7.6 percent, 7.4 percent and 6.7 percent.

For the trailing 10-year period, the largest schools reported an average return of 6.3 percent. For the same period, schools with assets between \$10 and \$50 million reported an average return of 5.5 percent while those with assets under \$10 million realized a 4.4 percent average return.

In past studies of the investment returns of independent schools, returns across size cohorts tended to compress as the reporting period lengthened. That was not the case this year, however. For the trailing three-year period, just 20 basis points separated the highest return from the two lowest (a tie among the two smaller size cohorts). For the trailing five years, the gap expanded to 90 basis points and for the trailing 10 years it widened still further to 190 basis points.