DERBY ACADEMY

1784

Endowment FAQs

Derby's endowment ensures that the School remains strong, affordable, and mission-driven for generations to come. Every endowed fund, no matter its size, helps shape the School's future while honoring the generosity of those who make it possible.

Endowed Funds at a Glance:

- You set the purpose of your fund (e.g., tuition assistance, professional development, specific scholarships, faculty support, arts, athletics, etc.).
- Derby stewards the fund responsibly under a Board-approved Investment Policy Statement.
- Your endowed fund lives on in perpetuity creating intergenerational equity.

Common Questions:

1. **Why should I consider an endowed gift?**
   a. Endowed gifts are powerful because they last forever. Each year, your fund generates support for the area you care about most.
   b. It's a way to leave a legacy of learning and stability for future Derby students and teachers.
2. **Can I request a specific dollar amount each year?**
   a. No. The amount available to spend each year (called the annual draw) is set by Derby's Investment Policy. Derby's annual draw ranges from 3% and 5% of the fund's average value over the past few years. This method keeps spending fair and stable from year to year, even when markets change.
3. **How is the annual draw decided?**
   a. Each year, Derby's Finance Committee, Endowment Committee, and our investment advisors at Brown Advisory review the markets, the School's needs, and long-term

goals. Together, they decide what portion of earnings can be used while keeping the fund growing for the future.

4. **What happens if the market goes down?**
    a. We use a three-year average value of the endowment to determine spending. This helps smooth out market ups and downs so that distributions stay steady over time.
5. **Can Derby spend the principal?**
    a. No. The principal (original gifts) are invested permanently. Only the earnings from those investments are used to support Derby each year.
6. **When will my fund begin to be used?**
    a. In keeping with our Investment Policy, spending begins at the end of the third year after the fund is established. This timeline allows the fund to grow and align with the three-year average we use to calculate the draw.
7. **How do I know my fund is being used as intended?**
    a. You'll receive periodic stewardship reports showing your fund's performance and impact on how your gift is helping students, faculty, or programs you care about most. These reports can also be requested from our Advancement team.
    b. Reports will summarize fund performance and balance, annual spending and purpose, and the impact your gift made on the Derby community. You may also receive additional updates or invitations to special events celebrating your generosity.
8. **Can I change the purpose of my fund later?**
    a. Once a fund is created, its purpose is legally binding. If circumstances ever change (for example, if a program no longer exists), Derby follows state law (UPMIFA) to make sure your intent is honored as closely as possible. We will contact you, or your representative, before any changes are made.
9. **What's the difference between an endowed fund and an annual gift?**
    a. **Endowed fund:** Provides lasting support. Your gift is invested, and only a portion of the earnings are used each year. This creates intergenerational equity for current and future Derby students.

   b. **Annual gift:** Used right away to support the School's current needs and priorities and gives the School the flexibility to respond to emerging needs and new opportunities throughout the year.

10. **What is "intergenerational equity"?**
    a. It means that both today's students and future generations benefit equally from the endowment.
    b. Derby supports this by spending responsibly so that the fund continues to help students for generations to come.
11. **Can I add to my endowed fund later?**
    a. Yes. You can add to your fund at any time. Additional gifts help the fund grow and increase its annual impact.
12. **Who manages the endowment?**
    a. The endowment is overseen by the Finance Committee, Endowment Committee, and our investment partner, Brown Advisory. Together, they follow a written Investment Policy Statement that outlines how funds are invested, diversified, and monitored to balance growth and stability.
13. **What types of endowed funds does Derby have?**
    a. **Restricted endowed funds:** Donors choose a specific purpose, such as scholarships or faculty support.
    b. **Unrestricted endowed funds:** Support the School's greatest needs and strategic priorities.
14. **What happens if my fund's purpose becomes impractical in the future?**
    a. If the original purpose can no longer be carried out, Derby will work with you (or your successor) to find a closely related use. If contact isn't possible, the School follows UPMIFA guidelines to ensure your gift continues to serve its spirit and intent.
15. **What is the minimum amount to start an endowed fund?**
    a. Derby can establish a named endowed fund with a minimum gift or pledge of $100,000, as outlined in our current policy. For more information, please contact our Office of Advancement.
16. **Can the spending rate ever change?**

a. Yes, but only after careful review. The draw percentage is examined each year by the Finance and Endowment Committees to make sure it supports both current needs and long-term growth. Any adjustments are made gradually and thoughtfully.

17. What happens if investments or returns underperform?

a. If returns are lower than expected, Derby's three-year average helps keep the annual draw steady. The School also maintains reserves and may temporarily adjust spending to protect the endowment's long-term strength.

18. How much of Derby's annual budget is supported by the endowment?

a. The endowment draw provides meaningful, steady support to Derby's annual budget helping fund programs, financial aid, and faculty excellence.

b. This share ranges from 3-5% each year and is designed to supplement other key revenue sources like tuition and annual giving.

19. How much could my Endowment support annually?

Endowment $	Annual Support (3%)	Annual Support (4%)	Annual Support (5%)
$100,000	$3,000	$4,000	$5,000
$250,000	$7,500	$10,000	$12,500
$500,000	$15,000	$20,000	$25,000
$750,000	$22,500	$30,000	$37,500
$1,000,000	$30,000	$40,000	$50,000
$1,500,000	$45,000	$60,000	$75,000
$2,000,000	$60,000	$80,000	$100,000
$2,500,000	$75,000	$100,000	$125,000