Honoring the Trust: Exploring the Relationship Between Higher Education Institutions and Endowment Donors

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Society has entrusted higher education institutions (HEI) with three specific functions: instruction, research, and public service. The unique nature of these functions makes communicating success in honoring the inherent social contract challenging. This study explores a novel combination of nonfinancial measures and financial indicators, and how they correspond with donations of gifts with perpetual restriction to HEI endowments. These unique gifts signal that the receiving HEI is fulfilling its social contract and this study helps scholars and practitioners alike understand the correspondence between the activities of HEI and this important funding source.

Keywords: higher education, philanthropy, charitable giving, endowment, donor restricted gift

INTRODUCTION

This study extends prior research on philanthropy in higher education by using a novel collection of three financial and three nonfinancial measures to explore the relationship of these six measures of higher education institutions (HEI) effectiveness and their association with the receipt of gifts with perpetual restriction to HEI endowments. The results of this study show that five of these six measures have a positive relationship with permanently restricted endowment gifts and the nonfinancial (i.e., student-centric) measures have a stronger association than do the financial measures.

This study provides insight into an important funding source for HEI and the findings are of interest to higher education leaders – including presidents, chancellors, deans, and governing board members – and a wide range of higher education stakeholders – including donors, students, parents – and others interested in the financial wellbeing of HEI including academics, ratings agencies, and state/federal watchdogs and agencies.

BACKGROUND

Higher education institutions have long played an integral role in our society. They are centers of knowledge where teaching and learning happen, and vital research is conducted to understand and address societal needs and concerns. They provide employment within their communities while also preparing students to become contributing members of society, and these social institutions are important agents of societal understanding and change. These institutions are on par with other vital social institutions such as the family, government, industry, and religion (Gumport, 2000) and have been a priority from the earliest days of this country. In 1636 – only sixteen years after arriving upon the shores of the New World – the

citizens of Massachusetts appropriated funds for a college in Newton that became Harvard University. These new settlers quickly set about establishing colleges and universities, and nine of the institutions chartered before the American Revolution remain vibrant and global leaders in higher education (Lucas, 2006).

The social contract between higher education and society is reciprocal: "[s]ociety provides resources, political support, raw materials, and a guiding influence. In return, colleges and universities educate students, serve as developers and repositories of knowledge, provide social critique, and contribute to the community" (Kezar, 2004, p. 436). American higher education leader and visionary Clark Kerr further describes this reciprocal social contract in the influential text "The Uses of the University" (1963), and how the mid-19th century led to a profound redefinition of U.S. higher education in which "…it was to serve less the perpetuation of an elite class and more the creation of a relatively classless society, with the doors of opportunity open to all through education." (p. 47).

As an important social institution interdependent with other societal institutions, higher education adjusts to the specific needs of its community. The way in which higher education performs its instruction, research, and public service functions changes over time, but these primary functions remain at its heart. Funding these essential functions has also changed over time and philanthropy is an increasingly important source of revenue. A recent Harvard University financial report (Harvard University, 2020) illustrates their increasing reliance on philanthropy and shows that 46 percent – almost half – of Harvard's 2020 operating revenue was provided by philanthropic sources, more than double the amount of revenue provided by student tuition.

A 2022 survey conducted by the Council for Advancement and Support of Education (CASE) reports that U.S. higher education institutions received nearly $53 billion in the 2020-21 academic year; almost 30 percent of this financial support went to the receiving institutions' endowment (Kaplan, 2022). Endowments generate annual earnings available to support the institution's operations, and this revenue source is vitally important to HEI. For example, the previously referenced Harvard financial report (Harvard University, 2020) reports that 37 percent of Harvard's total 2020 operating revenue comes from its endowment earnings (distributions from previous gifts to the institutions and investment earnings thereon).

RESEARCH QUESTION DEVELOPMENT

The National Association of College and University Business Officers (NACUBO) and financial services firm TIAA partner annually to survey and report higher education endowment performance, and their 2021 report (NACUBO & TIAA, 2021) summarizes responses from more than 700 institutions representing almost $640 billion in endowment assets. This report illustrates HEI reliance on endowment earnings to support the three functions entrusted to them: 47.9 percent of reported endowment distributions go to student financial aid (related to the duty of instruction), 17.4 percent go to academic programs and research (related to the duties of instruction and research) and 10.9 percent go to endowed faculty positions (related to the duties of instruction, research, and service). More than 75 percent of endowment earnings are used to support these essential functions. Endowments are critical sources of revenue for HEI, and it is important to understand what information is important to the providers of these gifts.

Strong and continued financial support remains for HEI, but what compels donors to give to these important civic institutions? Intercollegiate athletics and its connection to donations is an active area of research within the academic community. Kelly and Vamosiu (2020) explore football teams' winning percentage and Holmes (2009) considers men's hockey team results, but intercollegiate athletics are not foundational to HEI existence.

Additional studies focus on other proxies for specific HEI activities but not the underlying activities themselves. In one study, Holmes (2009) finds "academic prestige" to have a positive effect on giving, but this variable reflects the popular US News and World Report rankings, not specific activities of the HEI. In another study, Nwakpuda (2020) analyzes donations to programs in science, technology, engineering, and math (STEM). These fields attract significant attention and investment, but this study considers only the presence of STEM programs at institutions receiving donations, not specific research or instructional

activities. While academic research is getting closer to connecting foundational and defining HEI activities to donations, a gap in the research remains.

There is limited research about how donors use financial and nonfinancial information when allocating their donations to nonprofit institutions, including HEI. Parsons (2003; 2007) and Mercado (2020) highlight the lack of empirical research in this area. Extant research focuses on spending ratios such as the program ratio – the ratio of program-supporting expenses to total expenses – in practice and academic research (Mercado, 2020; Yetman & Yetman, 2013; Trussel & Parsons, 2007). The program ratio and similar measures are important but do not reflect an organization's efficacy in achieving its mission.

Philanthropic support of higher education remains strong as reported in the previously referenced study conducted by CASE (Kaplan, 2022) and this same study reports that more than 75 percent of this philanthropic support comes from non-alumni individuals and organizations, donors with little to no involvement with or knowledge of the receiving institution's activities or the beneficiaries of their philanthropy. This limited knowledge creates information asymmetry and this incomplete information between donor and HEI must be addressed. As described in the theory of incomplete contracts, information is provided by the receiving organization (the HEI in this example) to address this asymmetry and provide feedback on the organization's performance (Christensen, Nikolaev, & Wittenberg-Moerman, 2016). This feedback illustrates the mediated philanthropy model described by Gordon and Khumawala (1999) in which feedback on the organization's performance is provided to facilitate donative support. This study builds on these models and addresses the literature gaps by exploring how HEI-provided nonfinancial information complements financial information to communicate stewardship of resources and how these measures enhance communication of HEI success in honoring its social contract.

Research Questions

This study considers six independent variables that measure HEI effectiveness, three nonfinancial indicators and three financial measures. The three nonfinancial predictor variables are identified as *Grad*, *Xfer*, and *Ret*. These three variables reflect how well an institution keeps the students who begin their academic career at the institution (*Ret*), attracts students who start elsewhere (*Xfer*), and keeps students until they complete their degree requirements in six or fewer years (*Grad*). High values for these variables suggest the reporting institution provides desirable goods and services (instruction, student life, etc.) that students are eager to consume.

Three financial predictor variables are considered in this study: *Inst%*, *Res%*, and *Srvc%*. These variables represent the three primary functions of higher education (i.e, instruction, research, and public service) and reflect their relative priority within the institution. These financial indicators reflect the percentage of total institutional spending devoted to each of these programmatic expense categories and a larger percentage reflects a greater institutional priority while a smaller percentage reflects a lower priority. For example, the variable *Inst%* is the ratio of the institution's instruction-related expenses to its total expenses. Its high value reflects an institutional priority for instruction-related activities.

This study also evaluates the association of these independent variables and the dependent variable *RGIFT*. *RGIFT* is the natural log of gifts with perpetual donor-imposed restriction to an institution's endowment expressed on a per student basis. *RGIFT* is expressed on a per student basis to normalize this variable and minimize the variable's magnitude and the variation in results.

Donations of gifts with perpetual restriction to HEI endowments are akin to a long-term investment in the organization and provide perpetual funding to ensure its charitable purposes continue. This form of investment in the institution is expected to have a positive relationship with the independent variables identified in this study.

Nonfinancial Measures

If an institution is fulfilling its obligations well, it should benefit financially in a way that provides reliable and consistent funding that enables it to continue fulfilling its mission in the long term. In the for-profit sector, this financial benefit often takes the form of additional investment by an organization's owners. While higher education institutions do not have owners to provide this additional investment in

their ongoing success, donations of gifts with perpetual restriction to an institution's endowment provide a similar investment in future success. These restricted gifts cannot be spent, but instead they are invested as part of the institution's endowment and a portion of the subsequent earnings are available to spend in support of the donor-specified purpose. This form of investment provides ongoing financial support vital to an institution's operations.

This leads to the first research question explored in this study, stated in the alternative form:

RQ1: *There is a positive relationship between an institution's funding from contributions with perpetual restriction and nonfinancial performance measures – specifically student graduation, student transfers, and student retention rates.*

Financial Measures

Another important indicator of how well an institution honors its social contract is how it allocates its finite financial resources. Said another way, an institution's allocation of financial resources should be consistent with its mission. This leads to the second research question explored in this study, stated in the alternative form:

RQ2: *There is a positive relationship between an institution's funding from contributions with perpetual restriction and spending ratios – specifically the ratios of spending in each of the three key areas of instruction, research, and public service.*

DATA AND RESEARCH METHODS

Each of these predictor variables is available through the Integrated Postsecondary Education Data System (IPEDS), a data collection system managed by the National Center for Education Statistics (NCES), a center overseen by the Institute of Education Sciences (IES) which is the data collection and analysis arm of the U.S. Department of Education. The NCES is authorized by federal law to "collect, report, analyze, and disseminate statistical data related to education in the United States...", and reporting is required of all institutions participating in federal student financial assistance programs, often referred to as Title IV funds (National Center for Education Statistics, 2021) .

These data are collected annually and are readily available to donors and any other interested party, and specific data (e.g., an institution's reported graduation rate and reported retention rate) are featured prominently in popular outlets such as the U.S. Department of Education's College Scorecard (U.S. Department of Education, 2020) and the U.S. News and World Report's annual "Best Colleges" rankings (U.S. News & World Report, 2021).

This study controls for forms of institutional governance to acknowledge fundamental differences between public and private HEI. Similarly, this study also controls for size of institution as indicated by the Carnegie Classification framework (The Carnegie Classification of Institutions of Higher Education). This control variable acknowledges the fundamental and material differences between and within doctoral institutions, masters institutions, and baccalaureate institutions. This study also considers the interaction effect of these control variables and explores results for private doctoral institutions and private masters institutions relative to public baccalaureate institutions.

This study includes three iterations of the model. Using ordinary least squares (OLS) regression techniques, the independent variables of interest are regressed on the dependent variable *RGIFT* (the natural log of donor restricted gifts to institution's endowment reported on a per-student basis).

The first iteration of the model tests research question RQ1 and the nonfinancial independent variables of interest in this research question (i.e., graduation rate, transfer rate, and retention rate). Ordinary least squares (OLS) regression techniques are used to regress the student-focused independent variables on the dependent variable *RGIFT* (the natural log of donor restricted gifts to institution's endowment reported on

a per-student basis). A positive relationship is expected between these student-centric variables and receipt of gifts with perpetual restriction to an institution's endowment.

$$RGIFT = \beta_0 + \beta_1 Grad + \beta_2 Xfer + \beta_3 Ret + Controls + \varepsilon \quad (1)$$

The second iteration of the model tests research question RQ2 and the financial independent variables of interest in this research question (i.e., spending in each of the three unique programmatic expense categories as percentage of total spending). Ordinary least squares (OLS) regression techniques are used to regress the financially focused independent variables on the dependent variable *RGIFT*. This iteration also includes the interaction effects of these financial variables. A positive relationship is expected between these financial variables and receipt of gifts with perpetual restriction to an institution's endowment.

$$RGIFT = \beta_0 + \beta_1 Inst\% + \beta_2 Res\% + \beta_3 Srvc\% + \beta_4 InstRes + \beta_5 InstSrvc + \beta_6 InstResSrvc + Controls + \varepsilon \quad (2)$$

The third iteration of the model combines the nonfinancial measures found in research question RQ1 and the financial variables found in research question RQ2 into a single model. Ordinary least squares (OLS) regression techniques are used to regress the independent variables on the dependent variable *RGIFT*. A positive relationship is expected between these variables and receipt of gifts with perpetual restriction to an institution's endowment.

$$RGIFT = \beta_0 + \beta_1 Grad + \beta_2 Xfer + \beta_3 Ret + \beta_4 Inst\% + \beta_5 Res\% + \beta_6 Srvc\% + \beta_7 InstRes + \beta_8 InstSrvc + \beta_9 InstResSrvc + Controls + \varepsilon \quad (3)$$

RESULTS

Descriptive Statistics

This study analyzes a sample of 11,648 institution years for 1,195 unique HEI in the United States, covering academic years 2007-08 through 2019-20; see Table 1 for the summary statistics. The largest number of unique institutions are private institutions (n = 909) and they represent 76.1 percent of the HEI in the sample. It is not uncommon for HEI to reclassify to a different Carnegie classification over time but in 2019-20, the number of unique HEI were fairly evenly distributed across the three classifications of baccalaureate institutions (n = 496), masters institutions (n=454), and doctoral institutions (n=245).

TABLE 1
SUMMARY STATISTICS - PANEL A

Panel A: Summary statistics for dependent variable (*RGIFT*)

variable	N	mean	min	p25	p50	p75	max	sd
RGIFT	11648	5.73022	-9.4954	4.7046	6.01043	7.09201	13.9493	2.17818
BY FORM OF INSTITUTIONAL GOVERNANCE								
	N	mean	min	p25	p50	p75	max	sd
Public	2390	3.90562	-9.4954	2.62561	4.34857	5.79214	10.3701	2.70942
Private	9258	6.20125	-2.8105	5.2339	6.30063	7.32277	13.9493	1.73016

BY CARNEGIE CLASSIFICATION

	N	mean	min	p25	p50	p75	max	sd
Baccalaureate	4618	6.1746	-8.3932	5.17816	6.4396	7.48989	13.9493	1.95516
Masters	4439	5.32091	-9.3775	4.5035	5.61388	6.5135	11.2003	1.8288
Doctoral	2591	5.63944	-9.4954	4.23781	6.16019	7.45411	12.7452	2.85353

Panel B: Summary statistics for independent variables

	N	mean	min	p25	p50	p75	max	sd
Grad	11648	0.57751	0.05556	0.44276	0.57763	0.70938	1	0.18625
Xfer	11648	0.07136	0.00278	0.03377	0.06062	0.09656	0.59304	0.0539
Ret	11648	76.3674	9	69	77	85	100	11.933
Inst%	11648	0.35342	0.03967	0.30374	0.35643	0.40367	0.75249	0.08042
Res%	11648	0.03035	0	0	0.00077	0.02221	0.25288	0.06041
Srvc%	11648	0.01532	0	0	0.00133	0.01904	0.17755	0.02752

Private institutions make up 79.48 percent (n = 9,258) of the institution years analyzed in the sample, and baccalaureate institutions make up 39.65 percent (n=4,618). More than one-third of the sample are private baccalaureate institutions (n=4,273) and more than two-thirds are private baccalaureate or private masters institutions.

In the sample, the median value of *RGIFT* is 6.01, ranging from a minimum value of 0 to a maximum value of 13.95. The median value of RGIFT is greater for private institutions than for public institutions (median value is 6.30 and 4.35, respectively), and is greater for baccalaureate institutions (median = 6.44) than for either masters (median = 5.61) or doctoral institutions (median = 6.16).

Panel B of Table 1 illustrates the summary statistics for the independent variables.

Nonfinancial Measures

The median value for the graduation rate (*Grad*) in the sample is .578, meaning 57.8 percent of students in the sample graduate within six years of starting their studies. The median value for *Grad* is larger for private institutions than public institutions (59.30 percent versus 49.43 percent, respectively), and is largest for doctoral institutions (67.19 percent).

Xfer reflects the percentage of the undergraduate enrollment that transferred to the reporting HEI from another institution in the year reported to IPEDS. The median value for *Xfer* indicates six percent of the average undergraduate enrollment is made up of students who transferred into the reporting institution from another institution. The median value is greater for public institutions than for private institutions (7.2 and 5.6 percent, respectively), and is greatest for masters institutions (7.6 percent).

The median value for *Ret* indicates the average institution year in the sample reports that 77 percent of entering freshmen return to the same institution the following academic year (measured fall semester to fall semester). Said another way, almost one-quarter of freshmen do not return to the reporting institution for their second year. The median value for *Ret* is almost the same for private and public institutions (77 percent and 76 percent) and is highest for doctoral institutions (85 percent).

Financial Measures

Across all classifications, instructional spending as a portion of the total spending (*Inst%*) is the largest of the big three programmatic expense categories considered in this study. The median value for the sample indicates 35.6 cents of every dollar spent each institution year is directed to instruction-related activities. This result is especially significant compared to the other two pillars of higher education, research and public service: the median value of both *Res%* and *Srvc%* is 0.1 percent.

Main Findings

Table 2 illustrates the results of the analysis.

TABLE 2
MAIN RESULTS

PANEL A

	Association of Performance Measures and Perpetually-Restricted Gifts		
Performance Measure (IV)	**H1**	**H2**	**H1 + H2**
Grad	3.856***		3.749***
	(22.55)		(22.15)
Xfer	-3.372***		-3.141***
	(-9.32)		(-8.78)
Ret	0.011***		0.008***
	(4.38)		(3.15)
Inst%		2.499***	0.578**
		(8.74)	(2.15)
Res%		26.049***	17.331***
		(16.64)	(11.98)
Srvc%		30.249***	27.763***
		(8.64)	(8.65)
InstRes		-39.759***	-33.470***
		(-8.42)	(-7.74)
InstSrvc		-60.117***	-60.881***
		(-5.97)	(-6.59)
ResSrvc		-307.814***	-303.375***
		(-8.22)	(-8.86)
InstResSrvc		506.157***	649.647***
		(4.15)	(5.80)
N	11648	11648	11648
R-sq	0.370	0.269	
adj. R-sq	0.369	0.269	

***, **, * indicate significance at the 0.01, 0.05, and 0.10 levels, respectively

t statistics in parentheses

All variables are defined in Appendix A.

PANEL B

	Association of Performance Measures and Perpetually-Restricted Gifts		
Control Variables	**H1**	**H2**	**H1 + H2**
Private	1.778***	2.746***	1.999***
	(17.91)	(47.45)	(19.69)
Doctoral	0.398***	-0.230***	0.165
	(3.21)	(-3.45)	(1.26)
Masters	0.214*	-0.663***	0.151
	(1.89)	(-16.29)	(1.35)
PrivDoct	-0.095		-0.214
	(-0.75)		(-1.62)
PrivMast	-0.657***		-0.607***
	(-5.52)		(-5.14)
_cons	1.781***	2.646***	1.567***
	(10.45)	(22.21)	(8.38)
N	11648	11648	11648
R-sq	0.370	0.269	0.389
adj. R-sq	0.369	0.269	0.388

***, **, * indicate significance at the 0.01, 0.05, and 0.10 levels, respectively

t statistics in parentheses

All variables are defined in Appendix A.

The results from the combined model, the model that brings the non-financial and financial variables together into a single regression model, yields results similar to those seen in the respective individual models (those testing the non-financial variables separately from the financial variables) but the explanatory power of the combined model is greater than the explanatory power of either individual model: the R2 value for the combined model is 0.389, and 0.370 and 0.269 for model RQ1 and RQ2, respectively. The results from the combined model include a greater coefficient and greater t-value for the three-way interaction of the independent variables *Ins%*, *Res%* and *Srvc%* than is found for the same interaction in model RQ2, the model testing only the financial variables. This result yields two important observations: first, the interaction of these three financial measures has a greater effect on the dependent variable than does each measure individually. Second, the effect of this interaction is enhanced when considered in the presence of the non-financial measures: the financial measures correspond with donor restricted gifts to institution's endowment (reported on a per-student basis) and this relationship is strengthened when these measures are considered along with the non-financial measures.

The form of institutional governance (i.e., public institutions versus private institutions) has a positive and statistically significant effect at $p<.01$ for private institutions relative to public institutions in each iteration of the model discussed in this paper. The Carnegie classification also matters and the results are also positive and statistically significant at $p<.01$ for doctoral institutions relative to baccalaureate institutions in each iteration of the model discussed in this paper. (See Table 2 – Panel B.)

Main Findings for Research Question RQ1

These results partially support research question RQ1 which posits a positive relationship between the nonfinancial variables of interest (i.e., the graduation rate, the transfer-in rate, and the retention rate). The

model tested in this analysis yields statistically significant results at p<.01 for each of the three student-centric measures, but only variables *Grad* and *Ret* are positively correlated; *Xfe*r is negatively associated which is inconsistent with the results anticipated in research question RQ1.

The results highlight the significance of student graduation and retention, though the magnitude of the t-value for *Grad* suggests it is much more strongly associated with *RGIFT* than *Ret* (coefficients: 3.856 and 0.011, respectively; t-values: 22.55 and 4.38, respectively).

The negative relationship for *Xfer* stands out as it is inconsistent with the expectations in research question RQ1. The results are statistically significant (p<.01) but the coefficient is negative (coefficient: -3.372; t-value: -9.32). This result suggests that an increase in the number of students transferring into the reporting institution as a percentage of the full-time undergraduate student population corresponds with a modest decrease in *RGIFT*.

The variable *Xfer* measures the percentage of the institution's full-time undergraduate population – measured at the institution's census day, often the twelfth day of the fall semester – that transferred into the reporting institution from elsewhere. The initial expectation is that a greater transfer percentage suggests the receiving institution (the school to which the student is transferring) appears to offer superior curricular and co-curricular experiences and the student is incentivized to transfer. While this incentive may be true, this regression result suggests the transfer rate has a negative relationship with *RGIFT*. This result may reflect that a transfer student is at the institution for less time than non-transfer students and is therefore unable to establish the same depth of connection to and affinity for the institution. This lower level of attachment to the institution may bear itself out in lower levels of giving among the transfer-student population compared to the population of non-transfer students.

Main Findings for Research Question RQ2

These results provide support for research question RQ2 which posits a positive relationship between financial variables (i.e., the ratio of the programmatic expense categories expressed as a percentage of total spending). The coefficient for *Srvc%* is the largest of the three variables tested in this iteration of the model (coefficient: 30.249) and the t-value for *Res%* is the largest of the three variables (t-value: 16.64).

Of note in these results is the relatively small (but statistically significant) relationship between *Inst%* and *RGIFT*. While the relationship is positive, it has the lowest coefficient (2.499) and the second lowest t-value (8.74) which is surprising for this defining function of any HEI. Additionally, the result for the three-way interaction between *Inst%*, *Res%,* and *Srvc%* is positive and statistically significant (p<.01) and produces a strong t-value. The effect of the interaction between these three variables is significant and reinforces the collective strength of these three pillars of higher education.

CONCLUSION

Student Measures Matter

The graduation rate stands out as being statistically significant at p<.01 in each of the iterations tested in this study. The relationship between *Grad* and *RGIFT* is positive and statistically significant throughout this study, suggesting that increasing graduation rates correspond with increasing *RGIFT*. This reinforces the implicit understanding that society, specifically donors in the context of this study, values this outcome and rewards institutions that graduate their students. The graduation rate is an important indicator of how well an HEI honors its commitment to society as it indicates the percentage of students who complete their degree requirements in six or fewer years, and this result reinforces the expectation that donors recognize and reward this important signal.

There is renewed focus across the industry on the retention rate as HEI work to ensure that students return to the HEI where they begin their academic journey. While this measure is important for many reasons, especially from an institution's operating revenue perspective, the magnitude of the positive relationship with *RGIFT* is modest throughout this study. The positive result is consistent with the expectation set forth in research question RQ1, but the order of magnitude stands out. While retention efforts remain important to HEI, these efforts do not appear to have a strong relationship with *RGIFT*.

Financial Measures Also Matter

This study focuses on higher education's big three expense categories – instruction, research, and public service. The results for each of these categories are statistically significant at $p<.01$ and positively correlated with *RGIFT*, suggesting that donors reward the financial priorities reflected by these variables.

More specifically, the result for *Inst%* stands out because no matter the size of institution, its focus (i.e., teaching or research), or its governance (i.e., public or private), instruction is a defining characteristic of higher education in the United States. As a defining function, it is reasonable to expect donors to reward an institution that prioritizes this function in its spending (i.e., a higher value for *Inst%*). While the result is positive and statistically significant ($p<.01$), an increase in instructional spending as a percentage of total spending corresponds with a somewhat modest increase in *RGIFT* (coefficient: 2.499; t-value: 8.74). This result may highlight the motivation of donors to support additive functions, programs or activities - those beyond the basic core activity of instructing students. Perhaps donors perceive instructional activities as "table stakes" and the tuition and fee revenue paid by the students to consume this core activity should cover these costs while donations of the type of gift analyzed in this study may be intended to cover other activities.

Notably, while these financial measures matter to donors, they matter less than non–financial measures, as reflected in their positive and statistically significant relationship with RGFIT. As Kaplan (2022) reports, 60% of the $52.9B in charitable contributions provided to higher education in 2020-21 comes from foundations (33.1% of the FY21 total), other organizations (13.9% of the FY21 total), corporations (13.2% of the FY21 total). Each of these three sources is akin to a "sophisticated investor" and as such is expected to rely upon financial information to inform its financial resource allocation decisions. Despite this concentration of donors, the results of this study seem to suggest that student centric – or non-financial measures – are more compelling to donors of this type of financial gift.

Society has entrusted to HEI three specific functions: instruction, research, and public service. Traditional measures of HEI success (e.g., the program ratio) utilize financial information, and an "excessive focus" on these traditional measures has developed in practice and research as donors seek to allocate capital efficiently within this important sector of our economy. Financially focused measures are insufficient for communicating how well an institution is fulfilling its social contract, and this study explores a novel combination of nonfinancial measures of success and financial indicators of an institutional priorities and how together they correspond with donations of gifts with perpetual restriction to an institution's endowment.

Higher education in the United States is a civic institution on par with government and religion. These institutions span the national map and provide important and necessary instructional, research, and service to their local, state, and national communities. Public financial support remains strong for these institutions, but the funding model is changing as colleges and universities rely on their endowments to provide consistent financial support. Funding from student tuition and fees is declining and the endowment is becoming an ever-growing part of HEI funding model. Donations of gifts with perpetual restriction to an institution's endowment serve to grow the endowment and provide consistent and reliable funding that solidifies HEI financial standing even when faced with declining tuition revenue and state funding.

Instruction, research, and public service are defining functions of HEI. Understanding how these essential functions correspond with an increasingly important funding source (i.e., institutional endowments) is of interest to scholars and practitioners alike. This study offers novel insight into how a select group of variables interact with financial contributions that increase HEI endowments, and these insights may be helpful to current and future scholars as well as HEI administrators and donors.

ENDNOTES

1. For this discussion, HEI includes both public and private non-profit colleges and universities.
2. In addition to Harvard University, the following colleges and universities were founded prior to the American Revolution and are thriving today (schools are listed using their current name): The College of William and Mary (1693); Yale University (1701); the University of Pennsylvania (1740); Princeton University (1746);

Columbia University (1754); Brown University (1764); Rutgers University (1766); and Dartmouth College (1769).

3. This redefinition of American higher education was facilitated by the Morrill Land-Grant Act, signed by President Abraham Lincoln in 1862. This act, and its subsequent extensions, also codified the three pillars of higher education: instruction, research, and public service (Congressional Research Service 2019).
4. The endowment reflects previous philanthropic gifts to the institution and these earnings are included in the total philanthropic sources referenced previously: 37 percent of Harvard's 2020 operating revenue comes from endowment earnings and 9 percent comes from current use gifts, in total accounting for 46 percent of total 2020 operating revenue.
5. The dependent and independent variables are defined in Appendix A.

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