

ENDOWMENTS: FAQs and How To's

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Endowments are an excellent long-term strategy for ensuring an annual funding stream to sustain and grow programs. To receive a meaningful annual payout (essentially the “interest”), the principal balance must be significant in size and proportionate to the purposes of the fund.

Can I create an endowment to fund salaries, programs and research?

- Endowments are a great LONG TERM solution to provide funding to sustain your programs.
- They can be established for counties, for statewide programs, and RECs as well as for particular statewide initiatives and research areas.
- Unlike current use funds, endowed funds are designed to grow over time, the principal balance remaining untouchable.
- The annual payout for all UC endowments is based on 4.2% of the market value of the fund (rate established by the UC Regents). Therefore, for example, a \$100,000 endowment provides an estimated annual payout of \$4,200.

How can I establish an endowment?

- A minimum investment of \$10,000 is required to establish an endowed fund.
- Endowed funds can be established as a result of a targeted fundraising campaign, through an individual gift or gifts, or through a bequest or planned gift.
- In the case of a fundraising effort, the messaging must be clear - funds raised will go into an endowed fund for long-term sustainability.
- In the case of gifts and bequests, the donor must indicate clearly that the purpose of their gift is to establish and/or contribute to an endowed fund.
- We will work with you to define the purpose and goals for the endowed fund and determine the best strategies for securing contributions.
- Once you have hit the \$10,000 threshold, we will work with you to establish the endowment so that it will be part of the UC General Endowment Pool.

I have a surplus in one of my accounts – can I use it to establish an endowed fund?

- This is a complicated question. You will need to review those surplus funds to determine the source and purpose for which they were raised.
- To be eligible for transfer to an endowment, funds must have been raised with unrestricted or long-term intent.
- Funds raised from private Foundations are often not eligible as Foundations generally shy away from making endowment contributions.
- We can discuss the best approach to reviewing your funds and will work with the UC Office of Institutional Advancement to get the funds approval for a transfer.

How is my endowment invested – does ANR get to define the investment strategy?

- All endowments for the UC system are invested as part of the General Endowment Pool, overseen by the Chief Investment Officer of the Regents.

- UC ANR has 73 endowments currently valued at over \$256M with estimated annual payouts of more than \$8.8M.
- ANR – nor any of the campuses – is not involved in investment strategies. These are defined by the Regents and adjusted based on the overall return.

Is there an example of how an endowment can support my program over time?

- Assume:
Average 7% total net return, with a 4.2% annual payout
- Donation of \$25,000, 25 years ago:
Distributes \$1,791 this year
Has distributed \$34,727 cumulatively over the years
Fund is now worth \$42,644

Does ANR decide how it wants to use the annual payout from its endowed funds?

- Endowed funds can only be used for the purpose specified in the endowment terms; they cannot be appropriated for another program or purpose.
- ANR funds support specific counties, programs, research areas, and positions.

Can we “cash out” an endowment if we need additional funds?

- “True” or “Permanent” endowments are considered “inviolable” – once established, they are permanent and the principal cannot be invaded for any purpose.
- There is one exception to this, an endowment established as an FFE (Fund Functioning as an Endowment). The intent for these funds is clearly outlined in their terms.
- These funds can be used for largescale projects but require rigorous review and approval.
Example: Funds resulting from the sale of property with the intent to buy new property.

Once I have an endowment, can I raise additional funds to increase the principal balance?

- Yes, in virtually all cases, additional gifts can be made to grow an endowment. Generally, this is indicated in the endowment terms.

So, where do I start?

- Contact Andrea Ambrose, apambrose@ucanr.edu, in Development Services for assistance including:
 - Determination of appropriate fund for your situation
 - Development of fund language to ensure maximum flexibility
 - Support in developing fundraising messaging to secure gifts for your endowment
 - Approval and establishment of the endowed fund
 - Follow up regarding the establishment of an annual payout account