

PPM 206: Appendix V - Endowments

UC ANR Policy and Procedure Manual Section 206 Gifts to UC ANR	
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I. OVERVIEW

Endowments are an excellent long-term strategy for ensuring an annual funding stream to sustain and grow programs. They can be established for UC Cooperative Extension programs in counties, for Statewide Programs, and for Research and Extension Centers, as well as for particular statewide initiatives and research areas.

It should be emphasized that endowments are a long-term solution to provide funding to sustain programs. Unlike current use funds, endowed funds are designed to grow over time, the principal balance remaining untouchable. 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.

All endowments for the UC system are invested as part of the General Endowment Pool, overseen by the Chief Investment Officer of The Regents. The annual payout for all UC endowments as of January 2020 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. Note: The payout percentage is reviewed annually by The Regents and adjusted if determined to be necessary. The payout is calculated based on a 60-month rolling average in order to create stability in forecasting and to mitigate external economic factors.

Endowments are considered inviolate and once established, the principal cannot be withdrawn for any purpose. An alternative approach that may allow for “cash out” if needed is to establish an FFE (Fund Functioning as an Endowment). The allowable usage of principle is clearly delineated in the terms and conditions of an FFE. Development Services will consult with interested UC ANR units to determine if the establishment of an FFE would be appropriate.

II. ESTABLISHMENT OF ENDOWMENTS

A minimum investment of \$25,000 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.

Development Services will work closely with UC ANR units to define the purpose and goals for the endowed fund and to determine the best strategies for securing contributions. Once a UC ANR unit has reached the \$25,000 threshold, Development Services will work with the unit to establish the endowment so that it will be part of the UC General Endowment Pool.

In virtually all cases, additional gifts may be made to grow an endowment if desired. Generally, this is indicated in the endowment terms.

III. SURPLUS FUNDS

UC ANR units sometimes ask if they may use surplus funds in an existing account to establish an endowed fund. To answer this question, the surplus funds will have to be researched to determine the source and purposes for which they were raised. To be eligible for transfer to an endowment, funds must have been raised with unrestricted or long-term intent. Often funds raised from private foundations are ineligible as foundations may shy away from making endowment contributions. A UC ANR unit with this concern should contact Development Services. If the funds are eligible Development Services will work with the UCOP Office of Institutional Advancement to get the funds approved for a transfer.

IV. ENDOWED FUNDS PAYOUT

Consider this example of an average annual payout that assumes an average 7% total net return (based on UC investment policies and annual results), with an annual payout of 4.2%:

1. Donation of \$25,000, 25 years ago
 - a. Distributes \$1,791 this year
 - b. Has distributed \$34,727 cumulatively over the years
 - c. Fund is now worth \$42,644

V. USE OF PAYOUT

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

VI. QUESTIONS REGARDING ENDOWED FUNDS

Contact Development Services with questions about endowed funds. Development Services will assist UC ANR units to determine the appropriate kind of fund to establish for specific situations and goals. As well, Development Services can provide fund language to ensure maximum flexibility, support in developing fundraising messaging to secure gifts, approval and establishment of the endowed fund, and follow-up regarding the establishment of the annual payout account.