



YOUR ENDOWMENT

WHAT YOU NEED TO KNOW



INVESTING IN THE FUTURE

WHY ARE ENDOWMENTS IMPORTANT?

Endowments establish a pact across generations: a promise from past and current donors to future students and faculty that UC San Diego will sustain certain commitments over time.






As a principal investigator, business officer, administrator, program manager or chair, you are a fund holder and are part of this pact. By spending the payout generated from your endowed fund, you are helping ensure that future generations of students and faculty share and build on the benefits of your life's work here at UC San Diego.

In many cases, donors who support endowments restrict the funding to one or several purposes and they expect this funding to be spent in a timely manner. That's where the Office of Gift Policy / Donor and Fund Stewardship comes in. Every year, we report on your fund to the donors who support it and share with them the exciting work that you are doing.

WHAT ARE ENDOWMENTS AND HOW ARE THEY CREATED?

Endowments are funds created by a donor or multiple donors in which there is a legal stipulation that the gift(s), or corpus, be invested in perpetuity. Endowments retain the corpus (also known as the principal amount or book value) and provide permanent sources of annual funding via payout for a designated purpose stated by the donor(s).

Endowments are established in several ways.

-  One-time gift for the full amount
-  Pledge, payable up to five years
-  Estate bequest or other planned gift
-  Gifts of securities or real property
-  Pooled gifts or memorial contributions from family, friends or colleagues

There are minimum gift levels for the establishment of endowments, which help the university ensure sufficient payout, or expendable funds, to support the designated purpose.

Please contact the Office of Gift Policy / Donor and Fund Stewardship at fundstewardship@ucsd.edu for more information.

HOW IS MY ENDOWMENT MANAGED?

Gifts to endowments can be made either to the UC San Diego Foundation or the Regents of the University of California. Most gifts are given through the UC San Diego Foundation. Regardless of which entity receives the funds, all gifts received benefit the university.

The UC San Diego Foundation is a charitable entity governed by a Board of Trustees. Campus foundations were created to allow each campus to have a local, deeply involved board to assist in advocacy and to raise and manage private support for each campus. The campus foundations are the only entities permitted by the The Regents of the University of California to hold funds for investment purposes.

The Regents of the University of California is a single legal entity that governs the entire 10-campus system and all operations and policies of the University of California.

Endowments are invested and managed in a diversified pool of assets including public and private equity, fixed income, alternatives and cash. New gifts buy units in the pool, like a mutual fund. Endowment investment pools are generally unitized and each endowment is tracked by the number of units it owns in the larger pool.

For example, if a donor establishes an endowment worth \$1 million, that gift will purchase units in the pool at the market value at the end of the month. The number of units a fund owns in the pool is how valuation is attributed and payout is calculated.

Please see Frequently Asked Questions on page 8 for more details regarding payout. **For more information regarding UC endowment investment performance, please visit ucsd.edu/ucop-financialreports.**

HOW WILL MY ENDOWMENT PAY OUT AND GROW OVER TIME?

Endowments managed by the UC San Diego Foundation pay out on a monthly basis, and those managed by the Regents pay out once annually during the fall.

Endowments are powerful because they deliver a dependable, perpetual source of funding. Below is an example of an endowment established with a \$100,000 gift and the projected impact and growth over a 50-year period.

PROJECTED ENDOWMENT GROWTH

Year 1

Endowment established with a **\$100,000** gift



Year 10

\$41,000 cumulative net payout
\$120,000 market value



Year 25

\$120,000 cumulative net payout
\$160,000 market value



Year 50

\$314,000 cumulative net payout
\$258,000 market value



Assumes 4.75% annual payout, including .55% cost recovery and 6.2% net rate of return. Amounts are rounded up to nearest whole number.

WHAT CAN I DO TO KEEP DONORS WELL INFORMED?

Principles of good stewardship

RESPECT THE DONOR'S WISHES

As the person spending the payout from an endowment, you have an obligation to adhere to the terms of the gift agreement.

SHARE YOUR SUCCESSES

Donors love to hear about the impact of their giving. From groundbreaking research and life-changing programs to experiential learning and award-winning teaching, donors want to know about your challenges and your successes.

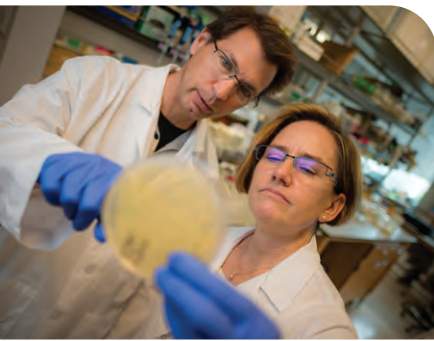
HOW YOU CAN HELP

Ensure milestones and reporting requirements are met, if applicable. Keep track of the stories or impacts you want to share with donors, name the hardworking people involved in your projects, and describe the challenges you have overcome, as well as the progress you have made toward your goals.

THE OFFICE OF GIFT POLICY / DONOR AND FUND STEWARDSHIP IS HERE FOR YOU

We include stories about your successes and challenges in an Endowed Fund Report, which we send to donors every year. Your story, or impact narrative, goes a long way to ensuring accountability and transparency of all gift fund information and activities.

Along with your narrative, we include a financial summary created by our office pertaining to your funds. This combination of a financial report and narrative summary demonstrates that we are adhering to timely and proper spending in accordance with campus policy and gift agreement terms.



HOW DO I WRITE THE IMPACT NARRATIVE?

We invite you to draft an impact narrative using the questions below as a guide. The Office of Gift Policy/Donor and Fund Stewardship is here to help you convey your stories to donors. Please email us at fundstewardship@ucsd.edu if you have any questions.

- How were the funds utilized this fiscal year?
- What would you like to tell donors regarding the impact their funding has had on students, patients, research, your project and your team?
- If any funds were not expended, put yourself in the donor's place. What would you like to know if your contribution hadn't been spent yet?
- What operational or timeline challenges did you face when planning to spend the payout?
- How do you plan to spend the funding in the future?

Tell us your story. 

WHY ARE IMPACT NARRATIVES IMPORTANT?

Your story is one of the most engaging and personalized pieces of the Endowed Fund Report. What you provide in your narrative will be critical for cultivating positive and long-lasting relationships with our valued donors.

WHEN DO YOU NEED MY NARRATIVE?

In early summer, you will receive an email from our team in the Office of Gift Policy/Donor and Fund Stewardship. We'll ask you to email us your impact narrative by early August.

HOW SHOULD I SUBMIT MY NARRATIVE?

Email your impact narrative to us at fundstewardship@ucsd.edu, and please let us know if you have any questions.



FREQUENTLY ASKED QUESTIONS

HOW IS THE PAYOUT CALCULATED?

Payout rates are set by analyzing expected long-term returns and inflation balanced against preservation of principal. Endowment payout is calculated by multiplying the payout rate by the number of units a fund holds in the pool, multiplied by an average of the prior 60-month of unit market values.

The payout rate for the UC San Diego Foundation and The Regents of the University of California is set at 4.75%. Per policy, the Foundation and The Regents deduct a portion of the payout (endowment cost recovery) to cover administration of endowed funds. The use of the average creates an effective payout rate of approximately 4% per annum.

Payout is calculated and allocated monthly for the Foundation and annually as one lump sum for The Regents.

HOW DO I ACCESS THE PAYOUT?

To transfer monies from a Foundation endowment to a UC San Diego campus department account, your business officer submits a Request for Funds form. For questions regarding this process, please consult your business officer or visit foundation.ucsd.edu.

For Regents endowments, payout is allocated directly to the department account from UCOP annually as one lump sum. This payout usually occurs between September and October.

MAY I REQUEST PAYOUT RETURNED TO PRINCIPAL?

Yes, payout may be returned to principal unless not permitted by the gift agreement. The form to return endowment payout to the principal can be found at foundation.ucsd.edu/accounting/foundation-forms.html.

HOW CAN I ACCESS GIFT FUND FINANCIAL REPORTS?

Campus reporting tools are in place to help assist all departments. These tools are subject to change. Please contact the **Office of Gift Policy/Donor and Fund Stewardship** for any questions related to gift fund financials.

WHAT IS THE DIFFERENCE BETWEEN A CURRENT-USE FUND AND AN ENDOWMENT?

A **current-use fund** is fully expendable and provides the university with an immediately useable resource.

Current-use funds play a vital role in providing resources for creating new programs and providing start-up costs related to new research activities.

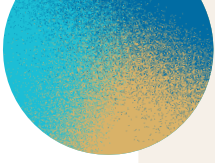
An **endowment** provides the university with an ongoing stream of funding in the form of payout. Endowments are created by a donor or multiple donors in which the gift(s), or corpus, is invested in perpetuity.

Endowments provide the university with long-term support, which is important for the continued success and growth of UC San Diego.

WHAT ARE THE GUIDELINES FOR SPENDING ENDOWMENT PAYOUT?

The fund holder is responsible for carrying out the gift agreement terms and adhering to the donor's intentions. Donors provide charitable gifts specifically with the intention that they benefit the institution and have impact. Expending the endowment payout not only carries out the donors' intentions, but provides the opportunity to steward the gift and ensure donors are aware of the impact of their philanthropy.

Effective August 2018, **PPM 410-5 Policy on Timely Expenditure of Endowment Payout and Expendable Gifts** states that annual endowment payout should be expended within two years and expendable (current-use) gift funds must be spent within a reasonable time. Accumulated payout in excess of two fiscal years (or carryforward) will be permanently added back to the principal of the fund 90 days after the start of the following fiscal year unless a carryforward request form is submitted by September 30 to the Office of Gift Policy/Donor and Fund Stewardship for review.



At UC San Diego, we believe that what we don't know today will forever change our tomorrows. Empowered by generosity and fueled by curiosity, we are unafraid to chase the unknown — to ask the questions no one has asked before and to push the boundaries of possibility. Together, we unite diverse people and unconventional perspectives to propel limitless impact. Because we know that when we come together, nothing is beyond us.

For more information, please contact the Office of Gift Policy/ Donor and Fund Stewardship at fundstewardship@ucsd.edu.

[Learn more at giving.ucsd.edu](https://giving.ucsd.edu).



UC San Diego

