

Endowments – Frequently Asked Questions

WHAT IS AN ENDOWMENT?

- An endowment is a fund in which the original amount of the gift (endowment principle) is invested in perpetuity for appreciation. Only the expendable income (payout) may be spent on the purpose designated by the donor.
- Endowments support a wide variety of nonprofits including public and private universities, hospitals, museums, and arts groups.
- Endowed gifts may be restricted by donors for specific purposes and are particularly important due to their permanency. These gifts permit planning for programs into the far future.
- UC manages more than 21,000 individual funds in the Regents General Endowment Pool and the endowment pools managed by each of the 10 UC campus foundations.
- Endowments at UC support its charitable mission: teaching, research, and public service.

ARE CHARITABLE ENDOWMENTS GOVERNED BY LAWS?

- Charitable trust law requires that charities, including the UC Regents and the UC campus foundations administer gifts by the terms specified by the donor. Charities are subject to enforcement of these laws on behalf of the public by the Attorney General of California.
- In all states except for Pennsylvania, charitable organizations must abide by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA governs the management, investment, and use of endowed funds that charities hold.

WHAT ARE THE UC CAMPUS FOUNDATIONS AND REGENTS GENERAL ENDOWMENT POOL?

- Universities across the country have affiliated foundations that have been established to foster private giving, manage gift funds, and provide additional support in furtherance of the universities' missions. At UC, gifts can be directed either to the UC Regents or the applicable UC campus foundation.
- Each of the 10 UC campuses has a single UC campus foundation, which is organized and operated as an independent, tax-exempt corporation under relevant State and federal tax laws.
- Gifts made to the UC Regents for endowments are held in the Regents General Endowment Pool (GEP). UC campus foundations may also utilize the GEP for their investments – as of 2024, seven of the 10 UC campus foundations invest some, or all, of their endowed funds in the GEP.
- In fiscal year 2023-24, 52% of all the private philanthropy supporting UC (including current use, endowed funds, etc.) was given through the UC campus foundations. And 84% of gifts to endowed funds were given through the UC campus foundations.

HOW MUCH OF AN ENDOWED FUND CAN BE SPENT EACH YEAR?

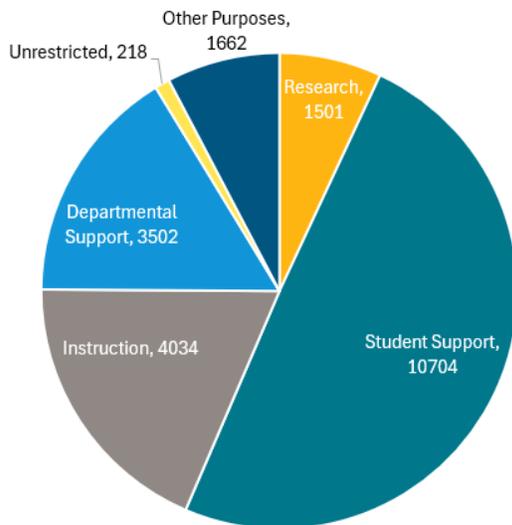
- Under UPMIFA, institutions may not spend the principal of an endowment. They may only spend the annual payout.
- Payout is the amount of money made available for expenditure from the endowment on an annual basis in accordance with the expenditure, or payout, rate. Payout may only be used for the purpose designated by the donor.
- The endowment “expenditure rate” or “payout rate” is set by the UC Regents and the board of trustees of each of the UC campus foundations. The UC Regents approve the payout rate for the Regents GEP each May.

- UPMIFA sets a legal standard that requires charities to only distribute a prudent amount of payout.
- Under UC policy, UC campus foundations do not spend any gift funds directly, other than for administrative costs. Payout from UC campus foundation endowments are transferred on a routine basis to Regental accounts at the applicable campuses for spending for the documented purposes.

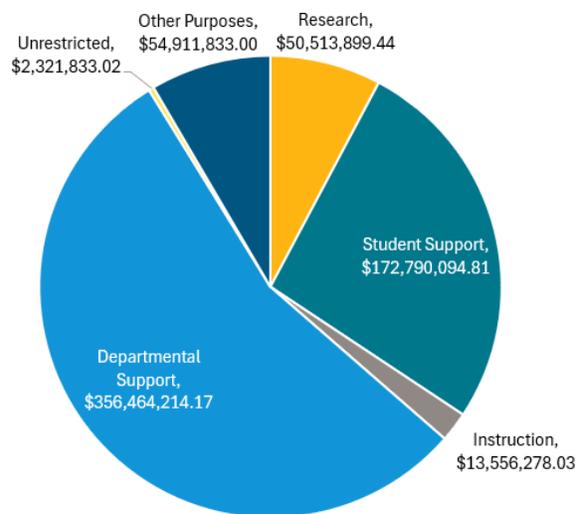
HOW MANY ENDOWMENT FUNDS ARE RESTRICTED BY DONORS FOR SPECIFIC PURPOSES?

- Only 1% of the 21,000+ funds in the Regents GEP and the UC campus foundations’ endowment pools are unrestricted. In terms of dollars, only 17% of the total market value of these endowed funds is unrestricted. The remainder of these endowed funds are restricted to specific departmental support and academic programs, student scholarships and fellowships, endowed chairs, or research.

**# of endowed funds
Regents GEP & UC campus foundations
FY 2023-2024**



**New gifts for endowed funds
Regents GEP & UC campus foundations
FY 2023-2024**



- Even when an endowed fund is unrestricted, the payout is allocated as part of UC’s budget process to support necessary activities.

HOW ARE ENDOWMENTS INVESTED?

- The UC Regents and the board of trustees of each of the UC campus foundations have fiduciary responsibility for investment of their respective endowments.
- Both the UC Regents and the UC campus foundations are guided by basic principles in endowment management as follows:
 - Maximizing long-term total returns.
 - Preserving and enhancing the real purchasing power of the endowment.
 - Maximizing the stability and predictability of the payout from the return generated.
- Both the UC Regents and the UC campus foundations invest their endowment using diversified portfolios of assets comprised primarily of equity, fixed income, and alternative asset classes (most of which are equity based).

HOW DO I GET MORE INFORMATION?

- Visit the [Annual Report on University Private Support](#).