



UC San Diego

Policy & Procedure Manual

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GIFTS AND ENDOWMENTS

Section: 410-5

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Issuing Office: [Vice Chancellor – Chief Financial Officer](#)

POLICY ON TIMELY EXPENDITURE OF ENDOWMENT PAYOUT AND EXPENDABLE GIFTS

SCOPE

This policy applies to all employees at UC San Diego, including those who work at off-campus locations and medical center facilities.

POLICY SUMMARY

BACKGROUND/PURPOSE

The University, its faculty, and staff administrators who provide services for financial administration, including administrators who serve the Campus Foundations, have a responsibility under California law to fulfill the terms of charitable gifts. The same duty is present whether the funds are held in the name of The Regents or of the Campus Foundation and whether the gift is endowed or fully expendable. University policy also requires that any administratively prescribed terms related to reallocations to funds functioning as endowment (FFE) be respected.

Donors provide charitable gifts specifically with the intention that they benefit the institution and have impact. Expending the gift or 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.

In order to ensure proper donor stewardship and adherence to the terms of gifts and administrative requirements of FFE, UC San Diego benefiting units must use prudent methods to ensure timely and appropriate expenditures of expendable gifts and endowment payout. The campus must assure that such use is monitored by the budget, accounting, and audit functions, as appropriate.

DEFINITIONS

Endowment: A donor designated gift, where the principal is invested in perpetuity. Also includes Funds Functioning as Endowment (FFE), which are the result of allocation of donor funds or reallocation of campus funds with the intention that the principal will be invested in perpetuity or until such time as all or a part of the FFE designation is rescinded.

Endowment Payout: A calculated amount per The Regents or Campus Foundation policy-determined rate that is taken from the value of the principal of an Endowed Fund each year and provided for expenditure to meet the specified donor or campus use.

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Accumulated Payout: The balance of any unexpended Endowment Payout. The number of years of accumulation is computed using the balance divided by the payout received during the most recent fiscal year completed.

Expendable Gift: A non-endowed gift, given with the expectation that it will be fully spent.

POLICY STATEMENT

Endowed Funds:

- A. The annual payout generated by any UC San Diego endowed fund, whether Regents or Foundation-held, should be expended within two fiscal years of receiving the payout.
- B. Benefitting departments should budget for the use of Endowment Payout in their annual processes and review the uses for adherence to donor and campus allocation agreements, and this policy.
- C. Accumulated Payout balances will be reviewed annually as of each June 30. Any Accumulated Payout in excess of two years will be added to the principal of the fund within 90 days of the start of the following fiscal year, as long such addition is permitted by the donor agreement. A justification and plan for the overage must be submitted by the responsible Dean or Vice Chancellor within the 90 day period to the Office of Donor Stewardship, for review and approval by the campus Vice Chancellor/ Chief Financial Officer (CFO). Endowed chair Accumulated Payout is handled as noted in section D below.
- D. In conformance with endowed chair guidelines (issued January 1, 2015), for all endowed chairs with Accumulated Payout balances in excess of two years, whether the chair is vacant or filled, a Dean must submit a justification and plan if the Division desires permission for payout accumulation beyond two years. Such plans must be submitted to the Office of Donor Stewardship, for review and approval by the Executive Vice Chancellor, the Vice Chancellor of Health Sciences, or the Vice Chancellor of Marine Sciences (coinciding with the benefiting unit), as well as the Chancellor.
- E. In all cases, the addition of payout to principal may not be undertaken for more than three consecutive years without a comprehensive review of the purpose of the fund and the ongoing justification for such addition. Reviews will be performed by the Office of Donor Stewardship in consultation with the Vice Chancellor/CFO. The responsibility to carry out the terms of the gift or campus allocation and to use the payout as intended remains paramount.

Expendable Funds:

Balances in Expendable Gift funds must be spent within reasonable times specific to the unique circumstance of each gift. If no material spending occurs within five years of the receipt of a gift, a spending plan must be provided within 90 days of receiving notice from the Office of Donor Stewardship. If an acceptable spending plan is not submitted and approved as noted below, the Chancellor will be notified and the Chancellor may direct appropriate action to ensure that the funds are expended as the donor intended.

Any exceptions to this policy must be approved by the Vice Chancellor/CFO in consultation with the EVC, after input from the academic leadership as appropriate. Exceptions granted by the Vice Chancellor/CFO will be reported to the Chancellor annually.

RESPONSIBILITIES

- A. **Department Financial Personnel:** Inform and advise gift and endowed fund holders of this policy and ensure annual budgets include use of gift and payout plans; monitor balances and use at least semi-annually for adherence to this policy.

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- B. Vice Chancellors and Deans:** Review plans for expenditure in conjunction with financial personnel and assist with policy adherence; approve additions of payout to principal as appropriate.
- C. UC San Diego Office of Donor Stewardship:** Provide detailed information quarterly to all Deans and Divisional Chief Business officers and follow up on plans. Work with divisions and departments to review funds and plans, submit the approval actions to add payout to principal and/or to document the approvals to retain payout. Provide summary annually on expendable gift and endowment payout balances to Vice Chancellor/CFO and Campus Budget Officer related to funds not in compliance; contact department financial officers regarding pending actions. Submit justifications for requests to retain the use of accumulated endowment payout greater than two years and expendable funds greater than five years to the Vice Chancellor/CFO and/or the Chancellor for approvals. Prepare any annual status reports required by University California Office of the President (UCOP) policy.
- D. Campus Budget Office and Audit Management Advisory Services:** Assist in review and problem resolution as necessary for adherence to policy.

PROCEDURES

- A.** Department financial personnel should access the Advancement STAR system as well as the UC San Diego Accounting system to obtain information on UC San Diego Foundation and UC San Diego Regents-held expendable gifts, endowed fund values and accumulated annual payout.
- B.** Annual department and faculty budgets should include expendable gift and endowment payout use plans.
- C.** Training needs, questions, and issues of non-compliance should be referred to the Donor Stewardship Office of Advancement Services for assistance.

FORMS

None

RELATED INFORMATION

- A.** [UC Principles of Endowment Administration](#)
- B.** [Administrative Guidelines for Allocation, Reallocation and Administration of Gifts and Bequests Received by The Regents and the Campus Foundations](#)
- C.** [UC San Diego PPM -230-8 Endowed Chairs and Professorships](#); and [Guidelines issues January 1, 2015](#)

FREQUENTLY ASKED QUESTIONS (FAQ'S)

None

REVISION HISTORY

2024-09-30 Policy rescinded.

2018-04-01 New Policy issued.

2018-08-07 This policy was revised and reformatted. Revisions consisted of updates to gift language.

2021-08-11 This policy was routinely reviewed (3 year review) and assigned a new review date.