

ENDOWMENT AND SIMILAR FUNDS

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ENDOWMENT AND SIMILAR FUNDS

"By pooling its endowments the University has provided to every donor of endowment moneys an ultimate assurance of safety, of absolute fairness of treatment, of productivity, and of permanence for the fund which he has created. This means that each endowment fund, the terms of which permit such action, is regarded as having a due proportional share in every investment made with the moneys which represent the total of the endowments thus pooled. Thus each endowment profits proportionately by each particularly favorable investment made, each is insured by the combined millions of the whole pool, and all alike share in the increase in productivity in the pool moneys...."

--Report of the Secretary to the Regents
for the Year Ending June 30, 1905

I. INTRODUCTION

The Endowment and Similar Funds group consists of true endowment funds, funds functioning as endowment, funds held in trust by others, deferred gifts (living trust funds, annuity trusts, unitrusts, charitable lead trusts, pooled income, gift annuity), and agency funds.¹

This chapter provides a general description of University's endowment management program and the types of funds that make up the endowment and similar funds group. A brief description of the pools in which the funds in this group are invested is provided in Section IV, Investment. (Accounting Manual Chapter I-582, Investments and Investment Income, provides an overview of the University's investment operations.) This chapter also covers accounting, reporting, and distribution of endowment income and principal appropriated.² In addition, the total return method of calculating the annual payout for certain funds, adopted recently by the Regents, is covered in Section V.D.

¹ Agency funds are reported separately in the University's Annual Financial Report, but are handled as endowments for investment purposes.

² Although endowment income and principal appropriated are actually recorded in the Current Funds group, they are covered in this chapter in order to complete the discussion of the Endowment and Similar Funds group.

II. ENDOWMENT MANAGEMENT

A. AUTHORITIES

The **Treasurer of The Regents** is responsible for managing the investments of the endowment and similar funds group.

The **President**, as stated in section 100.4(t) of the Standing Orders of The Regents, has the following responsibilities:

"The President is authorized to determine, consistent with any expressed intent of the donor, the purpose for which and the campus or other location at which a gift shall be used, to determine whether income and/or principal shall be used, and to make allocations and reallocations in accordance therewith, to the extent not specified by the donor of a gift."

The President has redelegated this authority to the **Provost and Senior Vice President--Academic Affairs**.

The President has redelegated the authority to designate the purpose and type of fund to the **Chancellor** if the donor has clearly specified the campus at which such funds are to be used.

The **Gifts and Bequests Review Committee** is authorized to allocate and reallocate gifts and bequests a) in accordance with terms specified by the donor, to designate the purpose for which, and the location at which the income/or principal shall be used; and b) consistent with any expressed intent of the donor to make the above determinations to the extent not specified by the donor of the gift. The Committee is also responsible for the review of accumulated endowment income that exceeds five years payout. (The Development Policy and Administration Office (DPA), University and External Relations, Office of the President (OP), performs the staff work for these functions.)

B. ESTABLISHMENT OF NEW FUNDS

The Chancellor may determine the fund designation when new funds are established from monies generated within the University and for new funds established by gifts or bequests, if restrictions are not stipulated by the donor, and the amount is not in excess of \$250,000. The Chancellor is granted the same authority for funds

II. ENDOWMENT MANAGEMENT (Cont.)B. ESTABLISHMENT OF NEW FUNDS (Cont.)

functioning as endowment for amounts up to \$500,000. Proposals for gifts in excess of \$500,000 should be referred to OP.

The fund designation for each new fund established in the Endowment and Similar Funds group has three components:

- 1) Type of fund (true endowment, fund functioning as endowment, etc.) (See Section III, Fund Types);
- 2) Campus or other location at which the fund is to be employed; and
- 3) Purpose for which the fund may be used (student aid, research, etc.).

The first designation pertains to the general restrictions associated with the principal of the new fund. The second and third designations govern the specific uses of the income, whether principal may be expended, and the conditions under which withdrawals may be made.

When a new endowment fund is established, Financial Management prepares the endowment fund principal and income Account Fund Profiles (AFP) and the Fund Attribute Table (FAT). The AFP sets up the funds in the general ledger. The FAT contains investment instructions, fund restrictions, donor information, a brief synopsis of fund use, and special reporting codes.

C. ADMINISTRATION

The OP **Financial Management** office is responsible for verifying that endowment and similar funds are established in accordance with the terms of the fund. This office maintains the accounting records for principal and investment income, distributes principal appropriated and endowment payout to campuses or to the proper accounts for expenditure, and provides information to each accounting officer regarding the terms of funds distributed to his/her campus.

The **accounting officer** is responsible for ensuring compliance with the terms of a fund after appropriations have been transferred to the campuses.

D. ACCUMULATION OF ENDOWMENT INCOME

The University is legally required to administer the endowment funds it has accepted, in accordance with all the terms imposed by the donor. Since an implied requirement of the law is that the University must put endowment payout to use, income may not accumulate for an unreasonable period of time. To ensure compliance with this law, The Office of the General Counsel (General Counsel) has recommended that endowment income should not be allowed to accumulate beyond five years.

This policy does not apply to those situations in which the donor has implicitly or expressly authorized the accumulation of income for longer periods.

The Gifts and Bequests Review Committee is responsible for ensuring compliance with this policy. Accounting officers should review endowment income balances periodically and advise the Secretary of the Gifts and Bequests Review Committee when income from an endowment fund cannot be expended during the mandated period.

If the original terms of an endowment fund are so outdated that it is difficult to expend the income, the Chancellor should notify Financial Management, which will request the General Counsel's assistance in reviewing the terms of the fund. The Chancellor's request should include a proposal outlining an alternative use of the income that is as close to the donor's original intention as possible. If the outdated terms are impossible to satisfy, the General Counsel may seek to have the terms legally altered.

III. FUND TYPES

All funds in the Endowment and Similar Funds group are considered principal, since this fund group includes only those funds intended for investment.

The Endowment and Similar Funds group is divided into the following subgroups, according to the source of the principal or restrictions on use:

- True endowment funds
- Funds functioning as endowment
- Funds held in trust by others
- Deferred gifts
- Agency funds

III. FUND TYPES (Cont.)

A. TRUE ENDOWMENT FUNDS

True endowment funds are funds derived from gifts or bequests, the terms of which stipulate that principal must remain inviolate and that only the income may be expended. The use of income from endowment funds is either restricted by the donor or determined by The Regents.

The University has issued guidelines to gift officers and others regarding the acceptance of endowments (and other gifts) to ensure that the University will not be bound by restrictions that are difficult to administer or are in conflict with established University goals or policies. These guidelines are published by the Vice President--University and External Relations in the Development Policy Manual.

B. FUNDS FUNCTIONING AS ENDOWMENT

Funds in this subgroup are created by a gift or bequest where a donor does not explicitly instruct that it be used as either a current gift or an endowment. At its own discretion, the University may create a fund functioning as endowment. These funds are invested as if they were a true endowment; however, unlike a true endowment, the institution may authorize the expenditure of principal. The main source of funds functioning as endowment is private gifts and bequests. Other examples of such funds include indirect cost recovery on Federal and private agency contracts. These funds are invested as endowments; subsequent allocations for current use are made from principal.

C. FUNDS HELD IN TRUST BY OTHERS

Funds held in trust by others are derived from private gifts and bequests held in trust for investment by outside trustees. The terms of the trusts that established such funds vary; the University may be designated as income beneficiary, principal beneficiary, or both.

These funds are recorded in the general ledger. As income is disbursed to the University by the trustee, it is accounted for and used in the same manner as income from endowment funds.

D. DEFERRED GIFTS

Living trust funds, annuity trusts, unitrusts, pooled income, and gift annuity funds are derived from gifts and bequests, the terms of which stipulate that income must be paid to a designated beneficiary for a specified period, which in most cases is the duration of the beneficiary's life.³

The University currently accepts the following types of deferred gifts:

- 1) **Annuity trusts** - A fixed dollar amount payment is established at the time a gift is received, based on the market value of the assets.
- 2) **Unitrusts** - A fixed rate of payment (e.g., five percent of the net fair market value of the trust assets) is established and a valuation must be made at least once a year.
- 3) **Pooled income funds** - A share of the funds' net income is established, based on the number of units assigned when property is transferred to the fund. The Regents currently have two Pooled Income Funds, the Long Term Income Fund (LTIP) and the General Endowment Pool Balanced Growth Fund (GEPBG).
- 4) **Gift Annuity Funds (GAF)** - A guaranteed lifetime annuity is established, at a rate based on the beneficiary's life expectancy, in return for an irrevocable gift.⁴

At the end of a specified payment period, income from these deferred gift funds reverts to the University. The principal of such funds may then

³ Living trust funds established prior to 1969 required payment only of income earned by the assets of the fund, rather than payment of a set amount. The Tax Reform Act of 1969 limited the types of charitable funds that could be accepted by institutions, and sanctioned only the establishment of annuity trusts, unitrusts, and pooled income funds.

⁴ California GAF's are regulated by the California Department of Insurance. GAF's require that an institution set aside prudent reserves in a trust account equivalent to the amount required to cover future obligations on each contract.

III. FUND TYPES (Cont.)D. DEFERRED GIFTS (Cont.)

be transferred to the True Endowment, Funds Functioning as Endowment, or Current Funds group, depending on the terms stipulated by the donor and on the amount of principal available.

E. AGENCY FUNDS

Agency funds are funds invested by the University, in its capacity as the custodian or fiscal agent, for organizations that are not financially accountable to the University, such as certain campus foundations and UCSF Stanford Health Care. Such entities enter into a contractual arrangement with the Treasurer's Office, which stipulates the terms of withdrawal.

IV. INVESTMENT POOLS

The University invests Endowment and Similar Fund group funds in the following pools: General Endowment Pool (GEP), High Income Pool (HIP) or Short-Term Investment Pool (STIP). In addition, some funds may be held for separate investment. Refer to Accounting Manual chapter I-582, Investments and Investment Income, for more information.

A. GENERAL ENDOWMENT POOL

The GEP primarily holds long-term securities and thus is intended for funds that are to be retained permanently. The GEP is the default investment for true endowments and funds functioning as endowment.

B. HIGH INCOME POOL

Funds invested in the High Income Pool (HIP) include: deferred gifts, agency funds, and endowment funds where donors have stipulated that the income must exceed that provided by the GEP.

C. SHORT TERM INVESTMENT POOL

Endowment and similar funds are invested in the STIP under the following conditions:

- 1) Funds to be invested in the GEP that were not received on the valuation date will be invested in STIP until the next valuation date, so that income will accrue in the interim.

- 2) Funds held for separate investment (see Section D below) that do not hold a specific type of asset.

Endowment funds participate in STIP as dollar-day (Type 1) funds; STIP income earned is distributed monthly to designated revenue accounts (J-239590-3XXXX). Participation is based on a daily weighted average for the month--which is ascertained from the STIP history file. The total STIP income available for the month is distributed in proportion to the weighted average.

Endowment income balances, however, participate in STIP as dollar-month (Type 2) funds, and STIP income is distributed quarterly to designated revenue accounts (J-267911-3XXXX). Participation is based on month-end general ledger balances. To receive STIP dollar-month income, participating balances must average at least \$1,000 per month for the quarter.

For further information on STIP, refer to Business and Finance [Bulletin A-60](#), Short Term Investment Pool (STIP)--Distribution of Income.

D. SEPARATELY INVESTED FUNDS

Some funds in the Endowment and Similar Funds group are held for separate investment instead of being pooled in the GEP, e.g., funds with donor or Regents' restrictions that prohibit pooling or limit investment to specific classes of assets, such as bonds, stocks, etc. In addition, the assets of some funds (e.g., deferred gifts) are restricted to tax-exempt securities in order to limit a donor's tax liability. A separately invested fund may hold its own investments or be invested in STIP.

A number of endowment funds hold separate investments in real estate or mortgages that are acquired through gift or bequest.

Certain funds retain investments in oil and gas leases, savings accounts, equities held in trust by others, patents, copyrights, royalty assignments, etc., when the investments are especially attractive, or when retention is required under the terms of a fund.

Certain funds functioning as endowment are invested separately for use as loans to other fund groups for financing construction projects or other University

IV. INVESTMENT POOLS (Cont.)D. SEPARATELY INVESTED FUNDS (Cont.)

programs. The loans, which normally bear interest, are recorded as investments on the balance sheet of the Endowment and Similar Funds group under the heading Advances to Other Funds.

V. ENDOWMENT INCOME ACCOUNTING AND REPORTINGA. RESTRICTION CODES

A series of restriction codes precede endowment principal account titles in the general ledger to specify restrictions (or the absence thereof) on the use of the income. These restrictions, which are stipulated by the donor or The Regents, relate to general use, specific purpose, and campus location. (See Appendix I-A for a list of restriction codes.)

The five-digit restriction code is broken down as follows:

- 1) The first two digits, or the **specific restriction code**, indicate the subgroup to which a fund belongs--true endowment, funds functioning as endowment, annuity funds, etc. It also indicates whether the restriction was stipulated by the donor or The Regents and designates the general use of the fund.
- 2) The second two digits, the **purpose code**, identify more specific uses for the endowment income, as shown in the table in Appendix I-B. These purposes may include research, scholarships and fellowships, purchases of library books, endowed chairs, etc.
- 3) The last digit indicates the **location**, i.e., the campus to which the endowment income is to be distributed, as designated by the donor or The Regents. (For a list of campus codes, refer to Accounting Manual chapter [A-115-2](#), Accounting Codes: General Ledger.)

The letter J is used to designate OP, multi-campus funds, rotating funds, or funds for nonspecific locations.

B. AVAILABILITY OF INVESTMENT INCOME FOR EXPENDITURE

Endowment fund investment income is recorded in revenue accounts during the year in which the income is earned but is not made available for expenditure by the campuses until the following year.

C. ACCOUNTING FOR INVESTMENT INCOME

Entries into the Endowment and Similar Funds revenue accounts are recorded via different methods, depending upon the source of the investment income. When income from stocks, bonds, and other securities is received, it is entered in the Treasurer's Investment System (TIS).

1. Income from Securities

Securities income earned from GEP investments is credited to revenue account J-238990-38990, and securities income earned by separately invested funds is credited to revenue accounts J-239591-34100 to J-239591-39997 (except J-239591-38990).

Securities income, rents, mortgages, and other types of income are entered into the OP General Ledger.

2. Security Lending

Occasionally, securities are loaned to brokers for specific periods of time. The income earned is distributed to the funds from which the securities were loaned.

3. Advances

Income from loans to construction projects is recorded as part of the advances subsystem of the TIS. The advances subsystem credits income directly to revenue accounts, and also credits an investment account with principal payments.

For a complete table of account codes for GEP funds and separately invested funds, refer to Appendix II.

For funds whose terms require that income be added to endowment principal, investment income is transferred on a monthly basis for GEP, HIP, and

V. ENDOWMENT INCOME ACCOUNTING AND REPORTING (Cont.)C. ACCOUNTING FOR INVESTMENT INCOME (Cont.)

STIP income, and annually for all other income. The investment income for funds that make endowment income available for expenditure remains in revenue accounts through the June 30 final general ledger after which it is transferred to unexpended balances accounts during the post-closing process. Such balances are transferred to the campuses for expenditure or, in the case of OP programs, are appropriated directly to location J expenditure accounts.

D. TOTAL RETURN METHOD

The University uses the "income-only" method of calculating the annual payout for all endowment funds except funds invested in the GEP. Effective for the fiscal year beginning July 1, 1998, The Regents approved the total return method of calculating the annual payout for funds invested in the GEP.⁵ Under this method, institutions are permitted to distribute investment gains (both realized and unrealized) as well as investment income (traditionally defined as rents, royalties, dividends, and interest). Funds invested in other vehicles, e.g., HIP, separately invested, real estate, and oil and gas royalties, will continue to receive payouts based on actual income earned on those investments.

The total return payout methodology approved by The Regents sets the payout formula as follows: up to 4.75% of the sixty-month moving average market value for funds invested in the GEP. This calculation is based on the market value per share of GEP and looks at the number of shares of GEP each participant fund holds for each month of the fiscal year. The sixty-month average concludes with the June 30 market value for each fiscal year.

At the end of each fiscal year after the average market value is calculated, an analysis is performed to determine the total amount of payout for each fund invested in the GEP. This figure is then compared to

⁵ Adoption of the total return method is predicated on the adoption of the Uniform Management of Institutional Funds Act (UMIFA), which The Regents approved in March 1998.

the actual income earned by the fund, and an augmentation (or reduction) is recorded in the general ledger. This augmentation/reduction is treated in the University financial statements as a non-mandatory transfer. The total return payout is transferred to the campus in the following fiscal year.

E. ENDOWMENT COST RECOVERY ASSESSMENT

In March 1999, The Regents passed a resolution to allow an endowment cost recovery fee assessment for funds currently invested in the GEP. The assessment is a campus unique rate limited to actual costs or .15% of the 60-month moving average (see Section D above). Campuses provide financial data annually to Financial Management to substantiate the rate assessed at the campus level. Each year, as income is transferred to the campuses the cost recovery fee is assessed and reported separately to each campus.

Exhibit A provides examples of a total return payout and a cost recovery assessment calculation. The total return payout rate in effect for the fiscal year ending June 30, 1999 is 4.35%. This rate will be reviewed annually and may change.

VI. DISTRIBUTION OF PRINCIPAL APPROPRIATED

When an appropriation is made from principal, the book value of the fund is permanently reduced; this is reflected by a permanent decrease in the balance sheet of the Endowment and Similar Funds group. An offsetting increase appears in the Current Funds group (if the appropriation is for current expenditures), in the Plant Funds group (for capital expenditures), or in the Loan Funds group (for loans). Thus, while it may be said that principal may be expended, the expenditure itself is not recorded within the Endowment and Similar Funds accounts but rather within Current, Plant, or Loan Funds accounts.

Principal appropriated for current expenditure is transferred by financial journal entry from the principal accounts of the Endowment and Similar Funds group to Unexpended Balances--Principal Appropriated (account J-119750, fund blocking 04100-09997) of the Current Funds group. From these J accounts, the balances are transferred (through financial control accounts) to local campus Unexpended Balances--Principal Appropriated accounts (local campus account X-119750, fund blocking 04100-09997). The

VI. DISTRIBUTION OF PRINCIPAL APPROPRIATED (Cont.)

balances are appropriated from the local Unexpended Balances--Principal Appropriated accounts to campus expenditure accounts for authorized purposes.

VII. TRANSFER OF INCOME TO CAMPUSES

The following guidelines govern the transfer of endowment income to campus accounts:

A. ESTIMATE OF ENDOWMENT INCOME

Each spring, Financial Management prepares the Budget of Estimated Endowment Income, which contains a projection of the distributable Endowment and Similar Funds group income available for expenditure during the next fiscal year. This estimate is used to establish a budget file for use in preparing campus operating budgets. A copy of the student aid portion of the budget (sections 3 to 9), which specifies the student aid funds permanently assigned to each campus, is also distributed to the Office of the Provost and Senior Vice President--Academic Affairs to assist in the equitable distribution of multi-campus funds.

On July 1 of each year, campuses make operating budget entries in the general ledger from their revised budget files. Adjustments to actual income are made in the general ledger several months later when endowment income is actually transferred to the campus ledgers. Endowment income assigned to a campus for only one year is established on the campus's general ledger, but not in its budget file.

B. TRANSFER OF INCOME

Three types of income from the Endowment and Similar Funds group are transferred to the campus ledgers in August of each year:

- 1) Income from endowment funds permanently assigned to a campus;
- 2) Income from funds rotating among campuses each year; and
- 3) Income from multi-campus student aid funds allocated by the Office of the Provost and Senior Vice President--Academic Affairs.

Endowment income is transferred to the campuses via a computer-generated journal (02-D86), which identifies the campus location by the restriction code assigned to each fund. The 02-D86 journal does not require a manual response by the campuses. The income from multi-campus, rotating, and OP funds is manually transferred via financial journal by Financial Management or by the campus responsible for the administration of multiple campus funds. **These transactions require a campus response.**

All endowment income is transferred from Unexpended Balances--Endowment Income (account J-119820, fund blocking 34100-39997), through financial control accounts to the local unexpended balance accounts (local campus account X-119820, fund blocking 34100-39997). From these local accounts the funds are appropriated to campus expenditure accounts for authorized use.

C. COMPLIANCE WITH FUND TERMS

After endowment income has been transferred to the campuses, the campus accounting officer is responsible for ensuring that all expenditures are made in accordance with the terms of a fund. The accounting officer is also responsible for notifying a designated department that income from new endowment funds is available to that department for expenditure.

D. RETURN OF UNEXPENDED INCOME TO OP

Unexpended endowment income and principal appropriated at fiscal year-end are either retained by the campus (carried forward) or must be returned to OP. The following guidelines govern whether unexpended funds are retained or returned by campuses:

1. Income Always Retained by Campuses

Unless the return of unexpended income is mandated by the fund terms, unexpended balances of endowment funds are retained permanently by the campus. Campuses also retain the current year's income of any rotating funds allocated to them for that year.

VII. TRANSFER OF INCOME TO CAMPUSES (Cont.)D. RETURN OF UNEXPENDED INCOME TO OP (Cont.)2. Income Always Returned by Campuses

Certain funds require that unexpended income be added to principal; such income must be returned to OP by September 30 (three months after the fiscal year end). Financial Management provides accounting officers with a list of these funds each year, as part of the fiscal closing process.

3. Income Retained by Campuses for Specific Purposes

The income from some OP endowment funds is allocated to campuses to carry out specific projects or programs and may be expended *only* for these authorized purposes. At fiscal closing, Financial Management provides the accounting officers with a list of those funds from which specific allocations have been made. The campuses retain the unexpended income for any projects or programs that are still in progress; all other unexpended balances must be returned to OP.

VIII. DISTRIBUTION OF INCOME TO OUTSIDE RECIPIENTS

Living trust funds, annuity trusts, unitrusts, pooled income funds, and gift annuity funds require the distribution of income to recipients outside the University. This income is distributed by Financial Management in accordance with agreements with annuitants and trust beneficiaries, or as required by the terms of the fund. Some annuity funds specify that part of the income earned may be retained for the benefit of the University.

The income from agency funds is also distributed to recipients outside the University, since the University is merely acting as a custodian or fiscal agent for these funds. Agency funds income is distributed in accordance with the agency's requirements, or as soon as possible after June 30.

Living trust fund, annuity trust, and unitrust disbursements are charged to a nonreportable expenditure account, Payment to Beneficiaries (account J-804020, fund blocking 34100-39997). In the University's annual Financial Report, payments to beneficiaries are recorded as adjustments to funds balances in the Current Funds group.

IX. REPORTING RESPONSIBILITIES

Each campus is responsible for providing financial statements or reports, as required, to donors or recipients of income from endowments administered by the campus. Financial Management is responsible for providing financial statements or reports, as required, to donors or designees for funds whose income benefits more than one campus.

X. REFERENCES

Development Policy Manual, Development Policy and Administration, Office of the Vice President--University and External Relations.

Standing Orders of The Regents:

Section 100.4 (s) and (t): Duties of the President in regard to allocations of gifts.

Section 100.4 (dd): Duties of the President in regard to solicitation and acceptance of gifts.

The Regents, Minutes adopting the policy on endowed chairs, May 21, 1998.

Vice President Donald Swain, Memorandum to Acting Assistant Vice President J. A. Pastrone on the allocation of unrestricted gifts of \$1,000 or less, May 14, 1980.

Senior Vice President Frazer, Memorandum to Associate Vice President Pastrone on the allocation of unrestricted bequests, January 8, 1988.

Delegations:

President David P. Gardner, Memorandum to Chancellors delegating authority to allocate gifts, July 19, 1985 (See DA 1052).

President J.W. Peltason, Memorandum to Chancellors, Vice President--Agriculture and Natural Resources, and Vice President--University and External Relations delegating authority to solicit and accept gifts, March 23, 1994 (See DA 2011).

President J.W. Peltason, Memorandum to Provost Massey delegating authority to allocate gifts and bequests, January 12, 1995 (See DA 2030).

X. REFERENCES (Cont.)

President Richard C. Atkinson, Memorandum to Associate Vice President Hershman delegating authority to allocate operating funds, February 27, 1997 (See DA 2081).

Business and Finance Bulletin

A-60, Short-Term Investment Pool (STIP)--Distribution of Income.

Accounting Manual chapters:

A-115-1, Account Classification.

A-115-2, Accounting Codes, General Ledger.

A-115-3, Accounting Codes: Transaction Codes for Fund Balances Accounts.

I-582, Investments and Investment Income.

Historical note: Accounting Manual chapter first published 3/1/71. Revised 12/1/85, 9/30/99, and 6/30/00; analyst--Claudia Hardin.

APPENDIX I-A - RESTRICTION CODES--ENDOWMENT AND SIMILAR FUNDS

SPECIFIC RESTRICTION CODE (FIRST TWO DIGITS) 12114

Code No.	Restriction
	Endowment Funds
11	Unrestricted
12	Restricted by The Regents for educational and general purposes--allocated for general purposes or allocated to specific departments or activities
13	Restricted by The Regents for student aid
15	Restricted by donor for educational and general purposes
16	Restricted by donor for student aid
18	Restricted by donor for loan funds
	Funds Functioning as Endowment
21	Unrestricted
22	Restricted by The Regents for educational and general purposes--allocated for general purposes or allocated to specific departments or activities
23	Restricted by The Regents for student aid
24	Restricted by The Regents for auxiliary enterprises
25	Restricted by donor for educational and general purposes
26	Restricted by donor for student aid
27	Restricted by donor--purpose to be designated later
28	Loan funds
29	General Endowment Pool reserve
	Funds Held in Trust by Others
	Held by others with the University as beneficiary of income:
31	Unrestricted
32	Restricted by The Regents for educational and general purposes--allocated for general purposes
35	Restricted by donor for educational and general purposes
36	Restricted by donor for student aid
	Annuity and Living Trust Funds
**43	Gift Annuity Funds
45	Annuity Fund (1969 Tax Reform Act)
46	Unitrust (1969 Tax Reform Act)
47	Pooled Income (1969 Tax Reform Act)
48	Annuity funds
49	Trust agreements
50	Agency Funds
	Invested for affiliated organizations of the University as a service

APPENDIX I-B

PURPOSE CODE (SECOND TWO DIGITS) 1211 4

Code No.	Restriction
11	General purposes
21	Departmental purposes
**22	School purposes
	Professorships
31	Chairs
32	Other
	Research
41	Cancer research
42	Medical research
43	Other research
	Lectures
51	Committee on Arts and Lectures
52	Departmental lectures
	Libraries
61	General library
62	Departmental libraries
	Student Aid
71	Undergraduate scholarships
72	Graduate scholarships and fellowships
73	Graduate or undergraduate scholarships
74	Prizes and awards
75	Gifts and grants-in-aid
76	Loan funds held in trust--no income
77	Multipurpose student aid
	Various purposes
81	Multipurpose funds
82	Miscellaneous purpose funds
83	Income added to principal and principal withdrawn for use
84	Income added to principal to build up fund for ultimate use
85	Income added to loan fund
	Trust and agency funds
91	Annuity funds
92	Trust funds
93	Agency funds

APPENDIX II

INVESTMENT INCOME--ACCOUNT CODES

<u>GEP ACCOUNTS</u>	<u>SEPARATELY INVESTED ACCOUNTS</u>	<u>INVESTMENT INCOME</u>
238992 - 38990	--	VA MORTGAGE LOANS
238999 - 38990	--	FHA MORTGAGE LOANS
238993 - 38990	239593 - 3XXXX	CONVENTIONAL MORTGAGE LOANS
238994 - 38990	239594 - 3XXXX	REAL ESTATE
238995 - 38990	239595 - 3XXXX	MISCELLANEOUS LOANS AND CONTRACTS
238996 - 38990	239596 - 3XXXX	OIL AND GAS LEASES
238997 - 38990	239597 - 3XXXX	SECURITY LOANS
238998 - 38990	239598 - 3XXXX	MORTGAGE PASS-THROUGH CERTIFICATES
238990 - 38990	239591 - 3XXXX	SEPARATE INVESTMENTS
239590 - 38990	239590 - 3XXXX	STIP \$ DAY
267911 - 38990	267911 - 3XXXX	STIP \$ MONTH
--	239592 - 3XXXX	ADVANCES

**Exhibit A: University of California
Examples of Endowment Total Return/Cost Recovery Calculations**

1. Endowment Invested at Same Level all Year

As of the End of Month:	Avg Mkt Value Per Share GEP	X	Endowment Shares in GEP	X	Monthly Total Return Rate = 4.35%/12	=	Total Return Payout Amount	Monthly Cost Recovery Rate =.15%/12	=	Cost Recovery Amount
JUL	12.39978				0.00363		\$619.10	0.000125		\$21.35
AUG	12.39978		13 773		0.00363		\$619.10	0.000125		\$21.35
SEP	12.39978		13 773		0.00363		\$619.10	0.000125		\$21.35
OCT	12.39978		13 773		0.00363		\$619.10	0.000125		\$21.35
NOV	12.39978		13 773		0.00363		\$619.10	0.000125		\$21.35
DEC	12.39978		13 773		0.00363		\$619.10	0.000125		\$21.35
JAN	12.39978		13 773		0.00363		\$619.10	0.000125		\$21.35
FEB	12.39978		13 773		0.00363		\$619.10	0.000125		\$21.35
MAR	12.39978		13 773		0.00363		\$619.10	0.000125		\$21.35
APR	12.39978		13 773		0.00363		\$619.10	0.000125		\$21.35
MAY	12.39978		13 773		0.00363		\$619.10	0.000125		\$21.35
JUN	12.39978		13 773		0.00363		\$619.10	0.000125		\$21.35
TOTAL								\$7,429.26		\$256.18

2. Endowment Established During Year with Additional Gifts During Year

As of the End of Month:		X	Endowment Shares in GEP	X	Monthly Total Return Rate = 4.35%/12	=	Total Return Payout Amount	Monthly Cost Recovery Rate =.15%/12	=	Cost Recovery Amount
JUL	12.39978				0.00363		\$0.00	0.000125		\$0.00
AUG	12.39978				0.00363		\$0.00	0.000125		\$0.00
SEP	12.39978				0.00363		\$0.00	0.000125		\$0.00
OCT	12.39978				0.00363		\$0.00	0.000125		\$0.00
NOV	12.39978				0.00363		\$0.00	0.000125		\$0.00
DEC	12.39978				0.00363		\$0.00	0.000125		\$0.00
JAN	12.39978				0.00363		\$22.47	0.000125		\$0.77
FEB	12.39978		500		0.00363		\$22.47	0.000125		\$0.77
MAR	12.39978		500		0.00363		\$22.47	0.000125		\$0.77
APR	12.39978		500		0.00363		\$32.50	0.000125		\$1.12
MAY	12.39978		723		0.00363		\$32.50	0.000125		\$1.12
JUN	12.39978		750		0.00363		\$33.71	0.000125		\$1.16
TOTAL								\$166.13		\$5.73