

# UC Santa Cruz Foundation

## Finance Committee

### Glossary of Terms

**Above Water** – The status of an endowment fund whose current market value is greater than its historical dollar value (HDV – the sum of endowment gifts adjusted for inflation).

**Audit Opinion** – A statement (regulated by national oversight boards) that expresses whether the organization’s financial statements are stated fairly with respect to generally accepted accounting principles.

**Average Market Value (AMV)** - An average of annual market values, based on an average defined by policy. The UC Santa Cruz Foundation uses a 3-year moving average, computed by averaging the most recent three-year current values reported as of December 31. In the event an endowed fund is less than three years old, the average is computed over the number of years the fund has existed. The UC Regents uses a five-year moving average.

**Statement of Net Assets (SNA, or Balance Sheet)** – A point-in-time snapshot of the organization’s assets, liabilities, and fund balances.

**Book Value** – The total of all gifts and other accounting changes to an endowment fund balance, excluding adjustment(s) for the current market values of its investments. In general, this is not a useful term because it is easily confused with other factors, and it is primarily used by accounting and external auditing staff.

**Charitable Remainder Trust (CRT)** – a trust held for beneficiary income to the donor’s beneficiaries with the remainder interest to be distributed to the Foundation or UCSC in the future.

**Charitable Asset Management (CAM) Pool** – The SSgA-managed CRT investment pool established to mirror the General Endowment Pool (GEP) in securities composition, except for omission of real estate holdings per California law. The CAM was liquidated in September, 2011 and replaced by similar direct investments held at SSgA.

**Corpus** – According to Black’s Law Dictionary, it is the “principal sum or capital, as distinguished from interest or income.” In the context of an endowment, the term refers to that part of the fund that represents the sum of the gifts received for the endowment.

**Current Market Value (CMV)** – The value per share quoted for an endowment assets multiplied by its number of shares.

**Dean McHenry Fund** - The balance of a fund established within the UC Santa Cruz Foundation at the time of retirement of the founding Chancellor. This fund was augmented periodically by, now deceased, Chancellor McHenry. The Executive Committee on September 28, 1998 approved a resolution to specifically allocate one time only a portion of the fund to college Provosts, the Arboretum and OPERS. The balance of the fund is retained in a fund functioning as an endowment to be useful for projects recommended by the Chancellor that are in the general spirit of the areas described in the McHenry Trust.

**True Endowment** – An endowment fund, the principal of which is designated by its donor to be held in perpetuity or permanently, and the income/payout from which is used to support the specified purpose of the endowment.

**Founders Fund** – The remaining balance of the funds given to the UC Santa Cruz Foundation by the founding directors/trustees of the Foundation. The corpus of this fund may be invaded with a majority vote of the Foundation Trustees. On April 14, 2000, the Executive Committee adopted a resolution to allocate income from this fund to the Foundation’s General Operating Fund.

**Fund Functioning as Endowment (FFE)** – Also known as “quasi-endowment.” An endowed fund which has been invested and administered as if it were a true endowment, with one exception: funds functioning as endowments may be expended in their entirety, i.e. the corpus may be invaded.

**General Endowment Pool (GEP)** – The UC Regents’ primary investment vehicle for endowed funds. Established in 1933, and unitized in 1958, the GEP is a balanced investment portfolio that provides excellent diversification, risk management, and expense economies of scale. The UC GEP contains domestic, global, and emerging market equities and fixed income securities; private equity pools including hedge funds, venture capital funds, and other alternative investments; real estate funds and investments; and a cash liquidity portfolio. It is continuously reviewed, monitored, and adjusted by the Regent’s Investment Committee.

**Government Accounting Standards Board (GASB)** – GASB is an operating arm of the Financial Accounting Foundation that is independent of all other government and professional associations. The mission of the Governmental Accounting Standards Board is to establish and improve standards of state and local governmental accounting and financial reporting that will result in useful information for users of their financial reports and guide and educate the public, including issuers, auditors, and other users. The UC Santa Cruz Foundation financial reports comply with GASB reporting and accounting rules. The interpretation of the GASB rules is determined by the Foundation’s external auditors and the UC Office of the President’s accounting staff.

**Historical Dollar Value** - Also known spending floor “cap” or “ceiling”. It is the sum of all gifts and adjustments, adjusted for inflation.

**Income Statement (SRECNA – Statement of Revenues, Expenses, and Changes in Net Assets)** – A report of financial activity for a selected period of time that includes revenues, expenditures, and the resulting changes to fund balances.

**Long Marine Lab Toxicology (LML Tox)** – Founding UC Santa Cruz Foundation President Joseph Long gifted \$500,000 (unrestricted) to the Foundation. The trustees directed that 50% of the funds earned on the fund would support fundraising and costs for the facility. The remaining 50% of the funds earned would be transferred to the Foundation general fund.

**Ordinary Income** – A term usually used in connection with tax matters which refers to dividends, interest, rents, royalties, and similar investment revenue derived from principal, but not from unrealized gains.

**Payout** – Also known as endowment expenditure – the portion of endowment income and appreciated principal, which is transferred to the UCSC campus for the purpose specified in the establishing endowment letter of gift.

**Private Equity Investment Pool (PE)** – The UC Regents’ private equity pools, primarily composed of venture capital partnership interests. The UC Santa Cruz Foundation does not additionally invest in these PE pools because

the \$1 million minimum investment requirement is high, and PE pools are also represented in the GEP investments held by the Foundation.

**Restricted Funds Transferred to Campus** – Total of all other gifts designated to Foundation accounts, usually given for current use, the purposes of which are neither capital project nor endowment, and which are transferred monthly to accounts managed by UCSC.

**Rotating Endowment** – An endowment held by the UC Regents at the Office of the President, the distribution of which benefits all campuses in the system and “rotates” to a different campus each year.

**Short Term Investment Pool (STIP)** – Established in FY 1976 as a cash investment pool available to all UC fund groups. STIP allows fund participants to maximize the returns on their short-term cash balances by taking advantage of the economies of scale of investing in a larger pool. STIP consists primarily of current funds slated for payroll and operating/construction expenses for all UC campuses and medical centers. In addition, funds awaiting permanent investment in one of the long-term pools (such as endowments) are invested in the STIP to earn maximum daily interest until invested or transferred. It is continuously reviewed, monitored, and adjusted by the UC Regent’s Investment Committee. It is recorded in the Foundation’s financial statement as a cash equivalent.

**Spending Floor** – Also known as Historical Dollar Value, “cap” or “ceiling. It is the sum of all gifts and adjustments adjusted for inflation.

**State Street Bank (SSB), State Street Global Advisors (SSgA)** – State Street Bank is the stock and securities transfer agent for the UC Treasurer’s Office. State Street Global Advisors is the contract administrator for the trusts, annuities, and unitrusts of the UC Santa Cruz Foundation. SSgA is a subsidiary of SSB.

**Trusts and Unitrusts (as used in financial statement)** – the total market value of all charitable remainder trusts under management by the UC Santa Cruz Foundation for the Santa Cruz campus. Earnings and principal are repaid to beneficiaries for specific terms and at specified rates. Remainder interest proceeds follow the intention of the donor to establish endowments, support capital projects or fund operating expenses.

**Unrealized Appreciation** – the amount of investment market value appreciation in current fiscal year, and which has not been sold (liquidated). UC Santa Cruz Foundation endowment funds are invested with the UC Office of the Treasurer, primarily in the General Endowment Pool (GEP). For historical rates of return, refer to reports generated by the Office of the Treasurer on the UCOP website.