



BOARD OF REGENTS

SUMMARY OF ITEM FOR ACTION, INFORMATION OR DISCUSSION

TOPIC: Funding Affiliated Foundation and Development Operations

COMMITTEE: Advancement

DATE OF COMMITTEE MEETING: November 2, 2011

SUMMARY: Brian Flahaven, director of legislative, foundation and recognition programs for the Council for Advancement and Support of Education (CASE), provided a presentation on how institutionally related foundations across the country are funding their operations. Based on a recent CASE survey, institutions are seeing an upswing in imposing gift assessments, especially among comprehensive and research institutions. State support for development/foundation operations accounts for the largest amount of funding. A number of other options were discussed. This presentation will provide a useful basis on which to base future discussions regarding the funding of USM development operations.

ALTERNATIVE(S):

FISCAL IMPACT:

CHANCELLOR'S RECOMMENDATION: Provided for information only.

COMMITTEE ACTION:	none	DATE:
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BOARD ACTION:	none	DATE:
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SUBMITTED BY: Leonard Raley, lraley@usmd.edu, 301-445-1941

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Foundation Funding Sources

University System of Maryland
Board of Regents
Advancement Committee

November 2, 2011



COUNCIL FOR ADVANCEMENT AND SUPPORT OF EDUCATION®

About CASE

One of the largest international associations of educational institutions

- More than **3,400** colleges, universities, independent schools, and nonprofit organizations in 74 countries
- More than **64,000** advancement professionals at member institutions



Institutionally Related Foundation Programs

- What are institutionally related foundations (IRFs)?
- National Committee for Institutionally Related Foundations
- CASE Management & Governance Checklist for IRFs
- Annual Conference
- Dedicated Staff

2010 Foundation Funding Survey



- Update to 2009 Survey
- Input of IRF National Committee, Foundation CFOs
- Launched in Dec. 2010, Closed in Jan. 2011
- 184 Respondents
- Whitepaper Analysis

2010 Survey Respondents vs. Previous Surveys

Figure 1 - Participants by Institution Type

Institution Type	2010	2009	2006
Community college	29%	14%	19%
Bachelors	5%	17%	10%
Masters	24%	14%	19%
Research/Doctoral	40%	51%	50%
System/District	1%	NA	NA
Professional/Specialty	1%	4%	3%

1. Institutional support
2. Unrestricted gift funds
3. Gift funds restricted for foundation operations
4. Investment income on unrestricted gifts
5. Investment earnings or cash float on non-endowed restricted gifts
6. Management fee on endowed funds
7. Gift fees
8. Revenue from real estate under management
9. Other

Funding Sources - Overall

Funding Source	Percent for Which This is a Source	As a Percentage of Foundation Funding	
		Median	Mean
Institutional Support	51%	1%	20%
Unrestricted gift funds	63%	4%	20%
Gift funds restricted for foundation operations	19%	%	3%
Investment income on unrestricted gifts	46%	0%	7%
Investment earnings or cash float on non-endowed restricted gifts	51%	1%	9%
Management fee on endowed funds	73%	20%	27%
Gift fee(s)	33%	0%	4%
Revenue from real estate under management	21%	0%	4%
Other	39%	0%	6%



Funding Sources – Master's

MASTER'S (N = 37)

Funding Source	Percent for Which This is a Source	As a Percentage of Foundation Funding	
		Median	Mean
Institutional Support	38%	0.0%	17%
Unrestricted gift funds	60%	10%	26%
Gift funds restricted for foundation operations	19%	0.0%	2%
Investment income on unrestricted gifts	32%	0.0%	7%
Investment earnings or cash float on non-endowed restricted gifts	46%	0.0%	8%
Management fee on endowed funds	73%	13%	24%
Gift fee(s)	35%	0.0%	4%
Revenue from real estate under management	22%	0.0%	5%
Other	35%	0.0%	8%

Funding Sources – Research/Doctoral

RESEARCH/DOCTORAL (N = 65)

Funding Source	Percent for Which This is a Source	As a Percentage of Foundation Funding	
		Median	Mean
Institutional Support	62%	9%	18%
Unrestricted gift funds	60%	2%	10%
Gift funds restricted for foundation operations	12%	0.0%	1%
Investment income on unrestricted gifts	49%	0.0%	6%
Investment earnings or cash float on non-endowed restricted gifts	68%	10%	13%
Management fee on endowed funds	94%	37%	40%
Gift fee(s)	43%	0.0%	5%
Revenue from real estate under management	22%	0.0%	2%
Other	59%	2%	6%

Institutional Support

- Half of respondents reported institutional support as a funding source for their foundation.
- While 61 percent of the respondents on the 2009 survey predicted that their foundations would receive institutional support for FY2010, the 2010 survey shows that only 50 percent of responding foundations actually received institutional support in FY2010.
- Respondents were asked to predict whether institutional support would increase, decrease or stay the same in FY2011. 21 percent predicted a decrease in support, which suggests that continued state appropriations cuts to public colleges and universities could affect foundation budgets. However, more foundations (25 percent) predicted an increase in institutional support. Most foundations (54 percent) predicted no change in the level of institutional support in FY2011 or do not rely on institutional support as a funding source.

Management Fee on Endowed Funds

- IRFs affiliated with masters (73 percent) and research/doctoral institutions (94 percent) were much more likely to assess a management fee on endowed funds than their community college foundation counterparts (48 percent).
- IRFs with a management fee on endowed funds reported that it is their most significant funding source (27 percent). This is especially true for foundations affiliated with research/doctoral institutions, which reported that the endowment management fee made an average contribution of 40 percent to their foundation operating budgets.
- Most respondents calculate their fees based on a three year/36 quarter average (36 percent), though a significant number of respondents (24 percent) do not calculate the fee based on a moving average.

Gift Fees

- Foundations affiliated with masters and research/doctoral institutions were much more likely to assess gift fees than foundations affiliated with bachelors institutions or community colleges.
- The average contribution that gift fees made to foundation operating budgets at all types of foundations was relatively small, ranging from 3 percent for community college foundations to 5 percent for research/doctoral foundations.
- Respondents who do not currently assess gift fees were asked if their foundations had considered introducing gift fees. Almost 40 percent indicated that their foundations had considered assessing gift fees while 60 percent said no.
- Interestingly, a majority (60 percent) of foundations affiliated with research/doctoral institutions said that their foundations had considered introducing gift fees.

Gift Fees – Non-Endowed Gifts

- 93 percent of foundations with gift fees assessed a fee on non-endowed gifts in FY2010.
- The average fee was 5 percent of the non-endowed gift. The most common fee was 5 percent. The minimum fee was 1.0 percent while the maximum fee was 15 percent.
- 98 percent of foundations with a gift fee on non-endowed gifts assessed the fee by taking a percentage at the time the gift was made, while the remaining 2 percent held the gift for a certain period and captured the earnings or assessed the fee in some other way.

Gift Fees – Endowed Gifts

- 67 percent of foundations with gift fees assessed a fee on endowed gifts in FY2010.
- The average fee was 4 percent of the endowed gift. The most common fee was 5 percent. The minimum fee was 1 percent while the maximum fee was 8 percent.
- 68 percent of foundations with a gift fee on endowed gifts assess the fee by taking a percentage at the time the gift was made while 15 percent held the gift for a certain period and captured the earnings.
- Around 17 percent assess the fee in some other way, including varying assessments based on the size of the gift or type of gift.

Overall Observations

- Management fee on endowed funds pivotal funding source.
- Market effect on major funding sources:
 - Endowment Management Fee
 - Unrestricted Gift Funds
 - Investment earnings on non-endowed restricted gifts
 - Institutional support
- Need for foundations and institutions to diversify foundation/development funding sources.



Contact Information

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Thank you!

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