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:

BOARD ACTION: none DATE:

SUBMITTED BY: Leonard Raley, lraley@usmd.edu, 301-445-1941

Foundation Funding Sources

University System of Maryland Board of Regents Advancement Committee

November 2, 2011





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



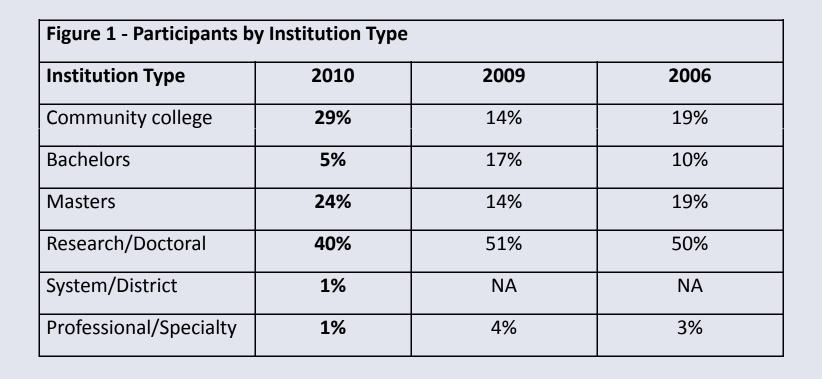
2010 Foundation Funding Survey



- 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





Funding Sources

- 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 nonendowed restricted gifts
- 6. Management fee on endowed funds
- 7. Gift fees
- 8. Revenue from real estate under management
- 9. Other



Funding Sources - Overall

As a Percentage of

	Percent for Which_	Foundation	Funding
Funding Source	This is a Source	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)		As a Percentage of	
	Percent for Which	Foundation Funding	
Funding Source	This is a Source	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)

As a Percentage of

	Percent for Which_	Foundation	Funding
Funding Source	This is a Source	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.

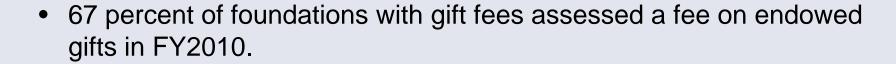


Gift Fees – Non-Endowed Gifts

- 93 percent of foundations with gift fees assessed a fee on nonendowed 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



- The average fee was 4 percent of the endowed gift. The most common fee as 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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