

Advancement Services Training

SF State Foundation: An Overview

ADM 153L
January 30, 2015

Introduction

- Why this training?
 - To familiarize key individuals (i.e. DoDs, faculty, board members) with the Foundation and its operations.
 - To integrate the Foundation more into the Division and ensure more efficiency in our overall operations.
 - To help the Foundation refine and strengthen its operations and policies.

Presentation Outline

- About the Foundation
- Endowments
- Endowments FAQs
- Gift Agreements

About the Foundation

- Background/History: The SF State Foundation is a non-profit corporation that was founded in September 2007. Prior to 2007, the Foundation was a part of University Corporation.
- Purpose: To raise and manage gifts from individuals, foundations and corporations for the sole benefit of SF State.
- The Foundation is managed by a 33-member Board.

About the Foundation

- Board of Directors: The Board is comprised of the following members:
 - Officers (President, Chair, Vice-Chair, Secretary and Treasurer).
 - Ex-officio members (SF State President, Provost, VP University Advancement, and CFO/VP Administration & Finance).
 - Directors (all other board members, including the student and staff representatives).
- The Board meets four times per year (March, June, September and December).

About the Foundation

- Board Committees: The Board has seven committees working on key areas:
 - Executive Committee
 - Advocacy Committee
 - Audit Committee
 - Committee on Athletics
 - Committee on Directors
 - Development Committee
 - Finance & Investment Committee

About the Foundation

- Items requiring approval by the full Board must first be discussed and approved at the Executive Committee level.
- The Executive Committee makes recommendations to the full board for approval (i.e. new board members, operating budget, agreements, policy revisions, etc).
- The Executive Committee is comprised of the Foundation president, chair, vice-chair and the chairs from the remaining six committees.

About the Foundation

- How is the Foundation Funded?
 - A fee assessed quarterly on the endowments – also referred to as an Endowment Administration Fee.
 - This fee covers the Foundation's expenses, which include accounting and transactional costs, audit, insurance, legal, consulting and hospitality, among other things.
 - This fee is currently 1.25% PLUS investment management fees.

Endowments

- Per University policy, the Foundation receives all endowed gifts for the university. The gifts are used to establish endowments.
- An endowment is a financial asset donation made to a nonprofit group or institution in the form of investment funds or other property that has a stated purpose at the bequest of the donor. Most endowments are designed to keep the principal amount intact while using the investment income from dividends for charitable efforts.

Endowments

Types of Endowments

1. Permanent (true) endowment – Principal/corpus remains inviolate (not used). Accounts beginning with “60”. A minimum of \$25,000 is required.
2. Temporary (term) endowment – all or part of principal is used after a period of time or occurrence of specified purpose, per donor’s wishes. Accounts beginning with “53” and “64”.
3. Quasi-endowment – a board-designated endowment for a specified purpose (i.e. to purchase a building, furniture, equipment, etc). Accounts beginning with “55”.

Endowments

- Flexible Endowments: For donors who do not have the \$25,000 minimum to establish an endowment, a flexible endowment is available.
 - *Benefits*:
 1. Donation to SF State is made sooner than would otherwise be possible.
 2. Funding provides current financial support to support student, faculty and campus needs.
 - *Current Terms & Requirements*:
 1. Donor makes an initial minimum gift of \$5,000 towards the establishment of a flexible endowment.

Endowments

2. Donor agrees to make annual gifts to SF State to provide spendable cash equivalent to the amount the endowment would have generated were the endowment fully in place at the minimum threshold level and at the then-current payout distribution rate, e.g., \$1,000 annual gift for a \$25,000 endowment with a 4% payout distribution rate.
3. While making these annual, spendable gifts, the donor makes additional gifts of at least \$1,000 per year to build the principal of the endowment. The donor determines the amount of these contributions and they can vary from year to year, depending upon on the specific financial situation of the donor.

Endowments

4. If the donor fails to meet the minimum requirement or is unable to comply with the conditions of a flexible endowment, then the existing funds may be merged with another endowment fund that best meets the intent of the donor. If no endowment fund is available, then Foundation, in consultation with the donor to the extent possible, will deposit the funds in a general endowment fund account or place the funds in a current-use spending account to be used for the original purpose of the former endowment.
5. When the principal of the flexible endowment equals the prescribed level of funding, the endowment is considered fully funded and the donor's commitment is fulfilled.

Endowments FAQs

How are the Endowments Managed?

- The Foundation's endowments are managed by UBS Financials (custodian) according to the Foundation's Investment Policy Statement (IPS).
- The IPS is developed by the Foundation's Finance & Investment Committee (with approval by the Board) and lays out the Foundation's investment philosophy (i.e. targets, benchmarks, investment restrictions, etc.)

Endowments FAQs

How are Endowment Distributions Used?

Endowments are established for a number of purposes, including:

- Scholarships
- Fellowships
- Programs (salaries, expenses, travel)
- Chairs
- Construction of Facility

Endowments FAQs

How are Distributions Determined?

- Because endowments are intended to exist permanently, and because they are subject to market conditions, it is extremely important that the capital is preserved.
- Therefore, the Foundation has implemented certain policies to determine how much can be distributed from the endowments each fiscal year.
 - The maximum annual distribution from endowments is 4% of the average daily balance of the endowment for the specified quarter.

Endowments FAQs

How are Distributions Determined?

- The specified quarter is the March 31st quarter prior to the beginning of the upcoming fiscal year. For example, the payout amounts for FY 2015-2016 are based on the average daily balance of the endowments as of the March 31, 2015 quarter.
- There is no distribution when an endowment is underwater (i.e. when the balance is lower than the contributed amount). Reports are submitted to the donor(s), regardless of the endowment status.
- There is no distribution in the first year the endowment is established to allow for growth.

(NOTE. The endowment administration fee is charged during the first year the endowment is established and when the endowment is underwater).

Endowments FAQs

How are Distributions Determined?

- Each year, the Finance & Investment Committee approves the distributions (endowment payouts) for the upcoming fiscal year.
- The list of approved payouts is circulated to DoDs, deans, department chairs, project directors, and other key folks.

Endowments FAQs

How are the Approved Distributions (aka Payout) Accessed?

- All payments and transactional activities for the Foundation are processed by University Corporation (UCorp).
- Each Foundation account has a corresponding “spending” account that sits on the UCorp side.
- Funds must be transferred from a Foundation account to the spending account before it can be paid out. Transfers are not automatic.
- A “Request for Transfer of Funds” form must be submitted to the Foundation Treasurer for approval. The approved form is then submitted to UCorp to process the transfer and make disbursements.

Gift Agreements

- A gift agreement or an MOU is required to establish an endowment.
- A gift agreement is used when there is one or more donors involved.
- An MOU is used when there is no donor but the terms and conditions of the endowment need to be documented for implementation. For example, trust gifts or quasi-endowments.

Gift Agreements

- A gift agreement or MOU is the instrument that outlines the donor's wishes as well as terms and conditions of the gift, including criteria for use and eligibility requirements.
- Gift agreements are signed by the donor, dean of the college, AVP for University Development and the President of the Foundation.
- MOUs are signed by the Dean and President or Treasurer of the Foundation.

Gift Agreements

Non-Foundation Gift Agreements

- Non-endowed gifts (aka current use gifts) are managed by UCorp, not the Foundation.
- A gift agreement is still required for non-endowed gifts.
- Non-endowed gift agreements are signed by the donor, dean of the college, the AVP for University Development and the Executive Director for UCorp (Jason Porth).

Resources

- For more information on the San Francisco State University Foundation, go to:
<http://sfsufdn.sfsu.edu/>
- For more information on the University Corporation, San Francisco (UCorp), go to
<http://ucorp.sfsu.edu/>

Questions??

Thank You!

Updates & Announcements

- New Advancement Services & Operations website is now live. Visit our site at: <http://advservices.sfsu.edu/>

Upcoming Trainings

- February 27, 2015 – Scholarships & Account set-up (SPAs, EFAs & more)
- March 27, 2015 – Crystal Reports & Clipboard Functions
- April 24, 2015 - Travel and Hospitality Policies