

Board of Visitors
Special Committee on Foundations
Final Report

September 14, 2007

Introduction

The University of Virginia's policy on the establishment, governance, financial responsibilities and mission of university-related foundations was adopted in May of 1992 by Board of Visitors resolution.

In the past 15 years, University-related foundations ("Foundations") have flourished (today there are 24, exclusive of subsidiaries) and now provide a host of varied but valuable services throughout the entire community. As Foundations have prospered and proliferated, a host of dedicated alumni have renewed their commitment and passion to the University by participating actively through their respective school or non-academic foundation. These individuals have provided philanthropy, leadership, guidance and support to the University in extraordinary fashion. And the Board of Visitors is both grateful and appreciative for the marvelous contributions of each of these Foundations and their representative members.

Concomitant with rapid growth and success at all strong institutions, however, comes the need to revisit critical elements of policy, governance, financial control, efficiencies and sensible strategy. And so the University's Board of Visitors, cognizant of the rapid growth and change in the University's 24 different Foundations in the past 15 years, deemed it appropriate to re-examine Foundation policy, procedures, governance, finances, strengths, weaknesses and efficiencies. To undertake this study, the Rector appointed a Special Committee on Foundations. The attached report reflects that Committee's findings and recommendations.

Methodology

The Chair of the Special Committee on Foundations and the Executive Vice President and Chief Operating Officer of the University scheduled one-on-one individual meetings with each of the 14 major University foundations to best understand their specific needs and requirements. Each such meeting averaged close to two hours and standard questions were posed in an interview format. Using information obtained from each Foundation's response to similar questions, a compendium of over 100 pages of type-written notes was created.

Several general observations were gleaned from that information:

Observations

1. There are substantial differences among the Foundations relative to scope of operations, experience, staffing stability, financial strength, fundraising capabilities, structure, effectiveness and vision.
2. The University's decentralized approach to fundraising invites some challenges to governance and management. Parameters of governance and control applicable to all foundations are even more important in a decentralized system. The Board of Visitors should enforce existing governance and control parameters if it is to fully

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perform its fiduciary and governance responsibilities while also allowing the foundations to achieve their full potential.

3. It is possible through legally acceptable strategies such as management of the use of the University's name, trademarks, good will and reputation; control of University space used by Foundations; and termination of services to Foundations, to influence Foundations to observe University priorities and policies. However, these steps should be reserved for application in only the most severe situations after all other collaborative efforts to resolve issues have failed.
4. There are areas of support by Development and Public Affairs (DPA) that are generally perceived as positive services by Foundation representatives – an example is the assistance provided by the planned giving office.
5. There are areas frequently cited as opportunities for improvement in the current operation of DPA – examples include preparation or training of new development officers and the regional development officers program.

Conclusions and Recommendations

The Committee recommendations are based on the information provided by the individual one-on-one foundation meetings, a review of the Policy on University-Related Foundations adopted by the Board of Visitors in 1992, and from extensive Committee discussion as to proper governance, financial control, efficiencies, policy and strategy.

The nine recommendations of the Special Committee on Foundations are:

1. Re-emphasize BOV and Foundation Policy Roles.

The Rector and Visitors of the University of Virginia (Board of Visitors), acting through the President, Provost and Deans, are responsible for the appointment of University employees, and management, oversight and operation of the schools of the University, including but not limited to academic affairs. University-Related Foundations are established and operated to solicit funds in the University's name consistent with priorities set by the Board of Visitors and the President, to manage and invest gifts and property for the University's benefit, and/or to promote or sponsor programs in support of the University's activities.

2. Establish a Council of Foundations.

- The Board of Visitors places priority on regular communication and connection with Foundations and intends to be accessible to volunteers who serve as members of Foundation boards. The Board of Visitors will convene a meeting of the Council of Foundations on an annual basis to discuss matters of common concern, including but not limited to strategic planning, future of the University, appropriate endowment spending policy, fundraising and other topics that cultivate common goals for the good of the University of Virginia. Membership would originally be offered to the 14 fundraising foundations listed at the end of this report, but could be expanded. Board of Visitors' and President's representatives on the Foundation boards will be expected to attend these annual meetings.

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- Elect three persons from among the lay membership of the Council of Foundations to each serve a two year term as a non-voting representative to a Board of Visitors Committee: External Affairs, Buildings and Grounds, and Finance. The selected individuals would have a voice at the table and would serve in an advisory role to the Board of Visitors committees. This arrangement should improve communications and give the Board of Visitors a better understanding of broader development and alumni engagement activities.
 - Appoint John Nau as the Council of Foundations' first non-voting representative to the External Affairs Committee of the Board of Visitors – after the initial two-year appointment, election should occur as outlined above.
- 3. Ensure active vigilance of Foundation operations through the Board of Visitors' representative and President's representative who serve on Foundation boards.**
- Establish a system of orientation for those who serve as the Board of Visitors' representative and President's representative on Foundation boards.
 - Ensure that BOV and President representatives regularly attend Foundation meetings, clearly understand Foundation needs, and communicate effectively.
- 4. Training.** DPA shall establish a system of development officer certification to ensure a base level of training of new staff and offer periodic training updates for all staff.
- 5. Adopt a "shared services" model that has been proposed for support of foundations by DPA which includes the following elements:**
- Schools, foundations and units participating in the shared services program enter into MOUs with DPA for specific services. The MOUs should include performance standards for DPA services. The MOUs will be negotiated, created and overseen by the office of the University's Executive Vice President and Chief Operating Officer.
 - Subject to such MOUs, DPA would ordinarily be expected to hire and train development officers, determine their compensation, conduct performance reviews, and assign "dedicated development officers" to individual schools and units participating in the shared services program.
 - Schools, foundations and units participating in the shared services program pay for agreed-upon costs associated with the direct services including the compensation and benefits of the assigned dedicated development officers.
 - DPA offers a menu of services (including services offered by the University of Virginia Foundation) that are available to schools, foundations and units participating in the shared services program that may be accepted or not accepted as the school/foundation/unit wishes. DPA (or University of Virginia Foundation) would charge for the cost of delivering these services. It is the intent of the Special Committee that the quality of services be such that there will be a demand for the services by the schools/foundations/units. The UVIMCO model is relevant.
 - DPA provides certain central services which are essential to the stability of the University's fundraising program and schools. Foundations and units that

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raise money are required to cooperate in the use of such services and to provide required information for use in the central donor data base and prospect management system. These services are provided at no cost to the school/foundation/unit.

6. **Ensure compliance with donor restrictions placed on gifts:** The University and its related foundations are committed to complete and absolute compliance with donor restrictions placed on gifts that are accepted by the University and its related foundations, subject in all cases to compliance with the law and University policy. To this end, the Special Committee concludes that the effectiveness and oversight of compliance with donor restrictions is strengthened through the use of the shared-services model described in this report. The shared services model permits the efficient application of critical resources to an effective system of oversight, review and reasonable assurance that donor-restricted gifts and endowments are used as the donor intended.
7. **Endowment Spending Consistency:**
Foundations shall adopt spending disciplines consistent with University policy. That policy calls for an annual distribution within a range of 3.5% to 5.5% of market value. If necessary, Foundations may seek the consent of the Board to divert from this policy. In all cases, donor restrictions accepted by the Board and/or the foundations will be honored.
8. **New Foundations:** As per existing policy, new University-related foundations should be approved only after thorough investigation and review by the Board of Visitors.
9. **Implementation:** Implement the new program and develop related MOUs on an individual (case-by-case) basis. It is recommended that the focus be on the following schools/units/foundations in the order presented:
 1. Virginia Engineering Foundation
 2. School of Education Foundation
 3. School of Architecture
 4. College Foundation
 5. Health Foundation
 6. McIntire Foundation
 7. College at Wise Foundation
 8. Miller Center Foundation
 9. Alumni Association
 10. Virginia Athletics Foundation
 11. Medical School Foundation
 12. Jefferson Scholars Foundation
 13. Law School Foundation
 14. Darden Foundation

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Before these recommendations are formally voted upon by the Board of Visitors, the Chair and the Executive Vice President and Chief Operating Officer plan to revisit each major foundation to be sure there is understanding and agreement.

The Special Committee on Foundations recommends that it remain as a special committee to the Board for one year. During this time, the Special Committee will monitor progress on the above recommendations and consider some additional issues pertinent to its work such as unrestricted endowment and annual giving.

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