AGB BOARD OF DIRECTORS' STATEMENT ON

Institution-Foundation Partnerships

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AGB ASSOCIATION OF GOVERNING BOARDS OF UNIVERSITIES AND COLLEGES

ABOUT AGB

Since 1921, the Association of Governing Boards of Universities and Colleges (AGB) has had one mission: to strengthen and protect this country's unique form of institutional governance through its research, services, and advocacy. Serving more than 1,300 member boards, 1,900 institutions, and 36,000 individuals, AGB is the only national organization providing university and college presidents, board chairs, trustees, and board professionals of both public and private institutions and institutionally related foundations with resources that enhance their effectiveness.

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Preface

For 125 years, affiliated foundations have supported public colleges and universities as fundraisers, stewards of private resources, and enterprise partners. The boards of affiliated foundations have provided guidance and counsel to institutional administrators, served as advocates and ambassadors on behalf of their institutions, and led fundraising efforts through their volunteer leadership and personal philanthropy. In recent decades, however, the long-standing compact between states and their public institutions has changed. State funding accounts for a diminishing proportion of institutional budgets, and private support and public-private partnerships are increasingly essential to both institutional excellence and financial sustainability. In this environment, partnerships between institutions and their affiliated foundations are also evolving. In many cases, foundations are becoming increasingly vital and engaged as fundraisers and entrepreneurial partners to their institutions. The same factors are leading institutional boards to devote increased attention to the activities of affiliates and prompting institutional presidents to assess and adapt the structure of advancement programs. In some cases, this is creating discord in institution-foundation partnerships.

AGB's 2014 National Commission on College and University Board Governance singled out oversight of affiliated organizations as an area in which institutional boards should be placing greater attention. In a subsequent *Trusteeship* article, John T. Casteen III, emeritus president of the University of Virginia, observed that "(b)ecause the work done by affiliated entities generally falls outside the core academic mission, independence can come to seem natural, and responsible trustees and presidents may feel this independence lends itself to better or less-costly operations. Yet when things go wrong, blame and responsibility come home to the [institutional] governing board. As fiduciaries, institutional governing boards and their officers need to know what their affiliates actually do for their institutions and how the institutional governing board satisfies its basic duties of care, loyalty, and obedience, with regard to them."[1]

[1] "Governing Boards and University-Affiliated Organizations: Risks and Rewards." John T. Casteen III, *Trusteeship*, November/December 2014.

From the perspective of foundations, independence may be seen as essential to fulfilling their stewardship obligations. As discussed below, courts have looked to independence in determining the applicability of state open records and meeting requirements and, by extension, the ability of foundations to safeguard the privacy of donor records. Foundation independence may also be seen as enabling foundation boards' ability to ensure that restricted funds are prudently spent in accordance with donor intent. This provides a potential check and balance in cases where institutional spending imperatives may conflict with foundations' obligation to maintain intergenerational equity and comply with donor restrictions. Ultimately, however, institutional governing boards' duties of care and obedience should inform decisions supporting prudence and good stewardship. Similar principles should guide institutional administrators. For foundation boards, mindfulness that their mission—in fact, their raison d'etre—is to support the institution with which it is affiliated should obviate courses of action that would be at odds with institutions' best interests.

The precepts of adherence to mission and good stewardship are not, however, always heeded. When institutional governing boards and administrators neglect their oversight responsibilities or when foundation boards lose sight of their primary mission of institutional support, costly reputational and financial damage can accrue. In one recent case, a foundation that had distanced itself from the institution became heavily invested in real estate and business ventures not directly tied to institutional priorities. Co-investment by members of the foundation board complicated the situation by creating a conflict of interest. As the investments began to fail, the foundation became increasingly secretive, drawing on endowed funds to offset losses and taking other actions that benefited co-investors but were likely not in the best interests of the foundation or institution. Ultimately, the state's attorney general intervened, taking the foundation into receivership and leaving the institution to explain to donors why endowments had been misused and depleted. In another case, a university president systematically misrepresented extravagant meals and travel as fundraising expenses and otherwise drew on foundation assets to an extent that compromised the foundation's capacity to fulfill its charitable purposes. While governance failures on such a scale and outright breaches between institutions and foundations are rare, ongoing conflicts or simple mismanagement of affiliated entities can undermine fundraising capacity and erode the trust of donors and other constituents.

This statement provides guidance for institutional governing boards; senior administrators of public colleges, universities, and systems; and the boards and staff of affiliated foundations on ways they can mitigate potential risks stemming from foundation activities, enhance the alignment of foundation activities with institutional priorities, and fulfill governing boards' fiduciary responsibility for oversight of affiliated entities. While public institutions may have many affiliated entities fulfilling various roles, this statement is intended to apply to foundations—typically 501(C)(3) publicly supported charities—that serve as gift repositories, invest and manage endowment funds, may be responsible for fundraising programs and real estate projects, and provide other services and support to their affiliated institutions. The principles and recommendations outlined here should not be taken as prescriptions. Institutional culture, financial considerations, state policies, and legal contexts may entail differing approaches to oversight, governance, and operations. Ultimately, a robust culture of collaboration, accountability, and trust will determine the effectiveness of institution-foundation partnerships. We hope this statement will serve as a catalyst, encouraging institutional and foundation boards to reflect on their relationships and develop a shared vision as well as the engaged, collaborative leadership our public institutions will need in the decades ahead.

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Current Contexts

THE GROWING IMPORTANCE OF FOUNDATIONS AS PHILANTHROPIC AND ENTREPRENEURIAL PARTNERS

The business model of public higher education is changing. State support for public higher education has, with intermittent ups and downs, been declining as a percentage of institutional revenues since 1980. Institutions have filled the gap by increasing tuition and cutting budgets, but concerns about rising student debt and skepticism about the return on students' investments in their degrees have led to public criticism and, in some cases, legislative caps on tuition. Public college and university leaders are envisioning institutions that continue to fulfill public purposes with increasingly privatized business models. Meantime, institutions' development programs have matured, yielding consistent growth in gift revenue and building endowments intended to support students, faculty, and other institutional purposes in perpetuity. Foundations are also fulfilling institutional infrastructure needs by financing and developing real estate projects and generating revenue through entrepreneurial ventures. Gifts, grants, and endowment distributions will not replace state funding in the foreseeable future, but, for a handful of top-tier public institutions, the "margin of excellence" funded by private resources has already outstripped state allocations. In the decades ahead, foundations' fundraising programs, their work as enterprise partners, and, perhaps most importantly, the philanthropic leadership of foundation boards, will be even more instrumental in enhancing public institutions' development capacity and financial sustainability.

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As fundraising has moved from the margin to the center of institutional agendas, relationships between institutions and their affiliated foundations have been changing, as well. Institutions both large and small are evaluating their advancement structures and, in some cases, transferring responsibility for development programs from campus to foundation or vice versa. Efforts to enhance efficiency and better align alumni relations and fundraising are leading some institutions to incorporate alumni relations under foundations or to merge alumni associations with foundations. Regardless of the foundation's responsibility for development programs, foundation boards are being challenged to provide more engaged and active philanthropic leadership. Boards are adjusting their priorities, assessing and adapting board composition, and elevating expectations regarding board giving and involvement in fundraising. The growing importance of alternative revenue sources for higher education and of foundations as philanthropic and entrepreneurial partners may also lead institutional presidents and chancellors to look for ways to more closely integrate foundation chief executives within campus administrative structures to assure alignment, efficiency, and accountability. All of these changes can pose challenges for foundation boards and administrators and create serious tensions between campus and foundation leaders unless accompanied by intentional efforts to ensure sound relationships.

A NEW CLIMATE OF ACCOUNTABILITY

In recent years, public perceptions of institutional inefficiency or extravagance (well-founded or not), suspicions that donors may be wielding inappropriate influence, and concerns that foundation funds are being used for private benefit have prompted state investigations of foundation expenditures and driven legislation aimed at enhancing foundation accountability and transparency. Even in cases where foundations and institutions are wholly blameless, social media has had an accelerant effect on perceived "scandals," resulting in significant costs to institutions, eroding faith in the integrity of administrations, and obscuring the enormous public benefits made possible by private support.

Endowment spending and investment management costs are also under scrutiny. In February 2016, the Senate Finance and House Ways and Means Committees sent a letter to institutions and foundations with large endowments asking for detailed information on spending rates, endowment management fees, and student financial aid. Policy makers have also floated ideas for legislation that would impose excise taxes on endowments of $1 billion or greater that fail to allocate a set percentage of endowment income to student financial aid. Donors too, may be questioning the value of endowments, opting to make incremental "investments" in projects rather than creating funds that will benefit the institution in perpetuity.

Foundations have long looked to "independence" as a means of ensuring exemption from state freedom of information laws, open meeting requirements, and other regulations applicable to state entities. There are compelling arguments that foundations should be able to safeguard the research and data required for fundraising and the sensitive information associated with investment decisions, real estate projects, and other entrepreneurial ventures. They must also be able to provide donors with the assurance that personal information will be kept confidential. Operational independence or maintaining arms-length financial relationships with institutions may enable foundations to make the case that they are not state entities and therefore exempt from open records and meetings requirements along with other regulatory and compliance burdens (such as state prevailing wage or contracting requirements, or caps on compensation and benefits) that would undermine their ability to be nimble entrepreneurial partners to their institutions. Steadfast defenses of foundation privacy can, however, fuel suspicions of wrongdoing and secrecy, undermining the public trust essential to effective fundraising and advocacy. Practically speaking, genuine financial and operational independence is not, realistically, within the scope of most foundation operations. Observing corporate formalities (conducting regular meetings; maintaining minutes; avoiding co-mingling of funds; documenting the exchange of goods, services, and resources on an arms-length basis, etc.) can help to maintain the legal distinction between private foundation and public institution while allowing for mutually beneficial collaboration. Going forward, institutions and foundations will need to strike a delicate balance to ensure that the corporate veil remains intact while embracing the highest standards of transparency commensurate with safeguarding institutional interests and donor privacy.

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THE RISK MANAGEMENT IMPERATIVE

Foundations contribute to institutional risk management by serving as independent stewards of charitable resources, ensuring compliance with donor intent, and prudently managing and spending endowments and other assets. Foundation boards bring valuable private sector expertise and can typically devote more time and attention to mission-related purposes, such as asset management and complex business ventures, than can institutional or system governing boards. As foundation endowments, real estate portfolios, prospect research, and other resources become more consequential to institutions, the potential risks associated with foundation activities increase proportionally. Divisions of responsibility among campus administrators and staff of affiliated entities have the potential to create gaps in risk management. The challenge of identifying and monitoring potential risks stemming from foundation activities is compounded for system governing boards responsible for overseeing diverse campuses with a complex array of affiliates. First and foremost, institutional and foundation boards should ensure that comprehensive policies and business practices are in place and implement internal controls and audit practices to verify that they are consistently followed. Second, institutional and foundation boards should work together to align and integrate enterprise risk management processes to ensure that risks stemming from foundation activities are understood by the institutional board and that the foundation board and administration are apprised of institutional issues that could adversely affect the foundation.

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CHANGING DYNAMICS AND THE POTENTIAL FOR TENSIONS IN THE INSTITUTION-FOUNDATION PARTNERSHIP AND THE FOUNDATION BOARDROOM

Reassessment of long-standing relationships and the prospect, or reality, of change always pose challenges for administrators and boards. AGB is seeing an increase in tensions and even outright conflicts over changing expectations for foundation roles, reporting or oversight of foundation administrators, and financial and investment decisions. Presidents, challenged to do more and more with less and less, and held accountable for fundraising goals by institutional boards, are increasingly looking to foundations to help generate the funds to advance their strategic visions. Financial pressures are also prompting institutional governing boards, finance officers, and other campus and system administrators to take a greater interest in foundation activities that may, in the past, have been the sole purview of foundation boards or staff. Longer-tenured foundation board members may be discomfited by daunting campaign goals and heightened expectations for board giving and fundraising. Volunteers' expectations for board service are also changing. No longer content with honorific roles, newer generations of board members want to undertake consequential, strategic work and may advocate changes to long-honored governance or operational practices, such as changes in vision or strategy, implementation of term limits, or changes in board size. While board engagement is desirable, foundation boards must be careful not to overstep boundaries by attempting to dictate institutional strategy or undertake initiatives that aren't closely aligned with institutional priorities. By substantively engaging foundation board members in strategic discussions and planning, institutional leaders can enhance the experience and commitment of foundation volunteers and help to ensure that they won't inadvertently undertake work incongruent with institutional priorities. When institutional and foundation boards collaborate closely in an environment of mutual support, candor, and accountability, the partnership can be a vital driver of institutional progress and excellence.

The following principles and practices are recommended to enhance risk management, foster habits of collaboration, strengthen institution-foundation alignment, and help institutional governing boards fulfill their fiduciary responsibilities relative to affiliated foundations. Institutional structures, foundation responsibilities, state and system policies, and governance models vary widely. Among the key factors that might influence institution-foundation partnerships are the extent to which foundations are responsible for fundraising operations, the employment and reporting relationship of the foundation chief executive, the presence of a campus (as opposed to system) governing board, and the foundation's financial resources. Specific recommendations made herein may not be applicable to all institutions, systems, and foundations, and boards are encouraged to consider alternative means of fulfilling the underlying purpose of prescribed practices.

Principles and Recommendations for Effective Institution-Foundation Partnerships

1. **The institutional governing board and administrators should work with the foundation as a strategic partner, ensuring that governance practice, organizational structures, and institutional policies all foster a culture of engagement and collaboration.**

   - Frequent and candid communication among foundation and institutional administrators and board members is essential for effective institution-foundation partnerships. Regular interaction, both formal and informal, among institutional and foundation administrators and board members builds mutual understanding and personal relationships conducive to trust and collaboration.
   - Regardless of the foundation chief executive's formal employment and reporting relationship with the institutional president, they should work closely together in discussion and decision making. The foundation chief executive should be included as a formal or informal member of the president's cabinet.
   - Institutional and foundation administrators should abide by a rule of no surprises, acting in good faith and communicating with candor.
   - The foundation's governance committee should recognize that prospective board members will be charged with supporting and advancing the strategic priorities of the institution, identifying candidates for board service and leadership who are committed to and enthusiastic about institutional vision and strategy and will help foster effective alignment of institutional and foundation priorities. (See AGB's *The Governance Committee: Foundation Boards* for a discussion of board expectations, composition, assessment, and recruitment.)
   - For institutions with campus governing boards, overlapping board membership, in which one or more members of the campus governing board serve as ex-officio members of the foundation board, fosters alignment and helps ensure that the foundation board is well informed of evolving institutional issues and priorities. Service on foundation boards also helps foster a culture of philanthropy among members of the institutional governing board, enhances collegiality, and helps to keep the governing board well informed about foundation activities.

2. **institutional and system boards and administrators should recognize the contributions made by foundation boards and tap their wisdom and expertise as well as their philanthropic support.**

- Foundation boards are typically made up of committed donors and long-standing friends of the institution, with tenures of service that often surpass those of campus governing board members and administrators. They are recruited for their business acumen, strategic vision, professional stature, and community leadership. Campus administrators should substantively engage foundation board members in the life and leadership of the institution.

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- Institutional governing boards should, where possible, invite representatives of the foundation board to participate in board meetings, serve on committees and task forces, and identify opportunities for joint meetings, retreats, and social events. Familiar, collegial relationships among boards make it far easier to address tensions and potential conflicts before they become serious. Well-informed external facilitators often enhance the value of retreats and planning discussions.
- Institutional governing boards are responsible for hiring, assessing, and setting compensation of the institutional president. Foundation boards can, however, play a valuable role in recruitment, onboarding, and assessment of institutional presidents and others in positions with fundraising leadership responsibilities. Foundation boards can help familiarize them with institutional mores and traditions and facilitate introductions to community leaders and other important constituents.
- Campus administrators should engage foundation boards in strategic planning, in the identification and vetting of philanthropic opportunities and proposals, and as advisors and sounding boards. The foundation board should, in turn, commit to supporting institutional plans and priorities and work to align its own plans and objectives with those of the institution.

- Forging connections between the foundation board and other volunteer leadership and advisory groups provides foundation board members with a more comprehensive and nuanced understanding of the institution and can help to cultivate a culture of philanthropy in the groups with which they interact.
- Institutional boards and administrators are responsible for determining public policy positions, setting advocacy agendas, and speaking on behalf of the institution. Foundation board members can, however, be among the most valuable and influential of institutional advocates, provided their voice is one with that of the institution's leadership. Institutional administrators should keep the foundation board apprised of the institution's public policy agenda and initiatives, and foundation board members should keep themselves well educated about the institution and prepared to tell its stories and make the case for state, community, and philanthropic support.

3. **Administrators of the foundation and the host institution should collaboratively determine the roles and responsibilities the foundation will fulfill in support of the institution.**

- Institutionally related foundations, regardless of their structure and degree of operational independence, exist to support their affiliated institutions. This core mission should always guide the work and decision making of foundation boards and administrators.
- How foundations fulfill their mission may vary widely but is not determined solely by the foundation board. Regardless of the structure of the institution-foundation partnership, the institution grants the foundation the right to fundraise and perform other activities on its behalf and in its name. The administration of the institution should work with foundation staff and board leaders to identify ways the foundation can best advance the strategic priorities of the institution. Engaging in strategic and campaign planning, determining enterprise risk management processes, and managing transitions of senior institutional and foundation administrators all afford opportunities to reassess, refine, and reaffirm foundation roles and functions.

Engaging in strategic and campaign planning, determining enterprise risk management processes, and managing transitions of senior institutional and foundation administrators all afford opportunities to reassess, refine, and reaffirm foundation roles and functions.

- Functions to be performed by the foundation and the respective responsibilities of the institution and foundation should be articulated in a memorandum of understanding (MOU). AGB's *Illustrative Memorandum of Understanding between a Public Institution or System and an Affiliated Foundation* outlines issues that should be addressed in MOUs. The MOU should be shared and discussed with new members of both institutional and foundation board members as part of their orientations.
- Foundation and institutional administrators and boards should collaborate closely in the consideration, planning, and execution of entrepreneurial ventures to be undertaken by the foundation, carefully assessing risk (including the potential to divert time and resources from other foundation responsibilities), benefits, organizational capacity, and alignment with institutional priorities.
- Foundation boards and administrators should frame strategic, campaign, and operating plans informed by the strategic plans and priorities of the institution, including clearly defined goals that are aligned with those of the institution.
- The institutional president, foundation chief executive, and chairs of the foundation and institutional governing boards should meet periodically to review and discuss progress on plans and priorities and ensure that the memorandum of understanding and other operating agreements are current.

4. **The institutional governing board and the foundation board should work together to establish and periodically review policies and practices to ensure transparency, accountability, and effective alignment.**

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- Institutional governing boards have a responsibility to be well informed about the activities, finances, and risk-management practices of affiliated foundations.
- Foundations should provide the institution and/or system with annual financial and investment reports, audit reports, and reports on other major responsibilities, such as fundraising and real estate projects. Foundations should also keep their host institutions apprised of risks or liabilities that have the potential to significantly impact the finances or reputation of the foundation and/or institution.

- Institutional governing boards and foundation boards should jointly endorse gift acceptance policies, recognizing that the institution has ultimate authority to accept or reject gifts that impose unusual restrictions on the institution or would significantly impact the mission, strategic direction, or finances of the institution and its affiliates.
- The institutional president and the chief development officer (if different from the foundation chief executive) should serve as ex-officio members of the foundation board or appropriate board committees. Foundations may also elect to include the institution's chief financial officer and chief academic officer as ex-officio board members. (Appropriate institutional administrators who do not serve on the foundation board may also be regularly engaged in foundation board meetings and committee work.) While the institutional president may be a voting member of the board, other ex-officio seats would typically be non-voting. The institution's president should not be the chief executive or board chair of the foundation.
- At institutions at which the foundation is responsible for development programs, administrators and boards may consider adapting advancement and governance structures to integrate foundation and alumni relations programs or otherwise enhance alignment of the work of foundation and alumni associations.
- System governing boards should grant campus leaders broad discretion in determining how to work with affiliated foundations, but they may set policies as a guide for individual campus/institutional relationships, oversight provisions, and elements to be addressed in memoranda of understanding with affiliated entities. System policies might address: audit and reporting requirements, foundations' use of institutional names and marks, foundations' use of institutional personnel and other resources, and use of foundation funds to compensate institutional employees.

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to integrate foundation and alumni relations programs.

5. **The foundation board should support the vision and strategic priorities of the institutional president and avoid positioning the foundation chief executive in conflict with institutional leaders.**

- Foundation boards should recognize that the institutional president is held accountable for fulfilling institutional vision and strategy, fundraising, prudent use of assets, stewardship of gifts, and maintaining the good name and reputation of the institution. While foundation board members may disagree with presidential decisions or strategies, they should not publicly challenge or undermine the president's leadership.

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- In the event a foundation board believes that fulfillment of a presidential request would be at odds with its fiduciary obligations, the foundation and institutional boards should work closely with the president to determine how best to advance presidential objectives while fulfilling each board's duties of care, loyalty, and obedience.
- Regardless of hiring authority and reporting relationship, a foundation chief executive's efficacy depends on the trust and support of the institutional president. Foundation boards should engage the institutional president in the hiring of the foundation CEO, granting special deference to presidential perspectives. Similarly, in cases where the foundation chief executive is an employee of the institution, the president should engage the foundation board in that individual's hiring and assessment.

- Both institutional and foundation boards should work to support effective collaboration between the institutional president and foundation chief executive. It is not unusual for new presidents to want to make changes to the composition of their cabinets or administrative structures. Both institutional boards and presidents should recognize that major-gift fundraising requires the sustained cultivation and trust of donors. Changes to senior development positions and restructuring of development programs should only be undertaken after careful consideration and in close consultation with the foundation board.

6. **To maintain public trust, the foundation should voluntarily embrace the highest standards of transparency commensurate with the protection of donors' privacy, the foundation's business-critical information, and the best interests of the institution.**

- Among the benefits of partnering with affiliated foundations is their ability, as private entities, to perform functions that would be impossible, impractical, or less efficient if undertaken by a public institution. The foundation's status as a private corporation should never, however, be exploited as a means of concealing activities or transactions in violation of the spirit of open government laws.
- Transactions between the institution and foundation should be documented and disclosed. Careful consideration should be given to any payments that personally benefit foundation or institutional employees, board members, donors, or close associates thereof and might constitute excess benefit transactions or create the impression of self-dealing.

Careful consideration should be given to any payments that personally benefit foundation or institutional employees, board members, donors, or close associates thereof and might constitute excess benefit transactions or create the impression of self-dealing.

- Campus or system boards may request that foundations provide funds to supplement the compensation of institutional presidents or other senior personnel. Such requests should be made in writing, indicating the rationale for the payment and documenting the process by which the governing board has determined that the total compensation and benefits to be paid, inclusive of those provided by the foundation, are fair and reasonable. If possible, funds designated for salary supplements to university personnel should be transferred from foundation to university accounts at the request of the institution's governing board and distributed by the university through its normal payroll processes. Where state law renders it necessary for foundations to pay compensation to university employees directly, payments should be documented as outlined above. Overall compensation levels should be set by the institution's governing board in accordance with state law, IRS standards, and with sensitivity for institutional culture, economic conditions, and public perceptions. Foundation boards should never attempt to wield influence over institutional personnel or decision making by granting or withholding foundation support.
- Foundations may own or contribute to the maintenance or renovation of presidential residences and provide the use of cars or aircraft for use by institutional personnel in fundraising or other mission-related purposes. Foundations may also provide funds for travel, entertaining, club memberships, and other expenses associated with fundraising and community relations. The institution and foundation should have policies in place to ensure that such expenditures are reasonable, advance institutional purposes, are audited regularly, and will not attract public censure. Both boards should be engaged in and prepared to defend decisions regarding potentially controversial expenditures. Both institutional and foundation boards should carefully consider decisions regarding major expenditures on presidential residences, ensuring that decisions are documented and handled in a transparent manner.

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regarding potentially controversial expenditures.

- Accounting systems should enable the tracking of donor-restricted funds across foundation and university accounts from the point of gift acceptance to final expenditure by the institution, and all fund administrators should have access to information regarding donor restrictions. Donor-restricted accounts at both the foundation and institution should be audited to ensure that funds are being spent in a timely manner and in accordance with donor intent. Excessive accumulation of unspent restricted funds in campus accounts is tantamount to a failure to fulfill donors' intended charitable purposes. (See AGB's *Understanding Foundation Finances: Financial Oversight and Planning for Foundation Boards*.)
- Even though foundation board members do not have the authority to make decisions on behalf of the institution, they are perceived as having privileged influence within the institution. Any business or financial relationships they have or might have with the institution should be disclosed and managed to mitigate both the appearance and reality of conflicts of interest. (See the *AGB Board of Directors' Statement on Conflict of Interest with Guidelines on Compelling Benefit*.)

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Shared Responsibility for Fundraising

Foundations may be the primary fundraising agent for their affiliated institutions or play little or no role in the administration of development programs. In either case, foundation boards can provide invaluable support and philanthropic leadership. Foundation boards support fundraising by 1) ensuring that all members of the board make annual, major, and planned gifts (commensurate with clearly articulated expectations); 2) helping to identify and vet philanthropic opportunities and fundraising priorities; 3) helping to identify prospective donors (individual and corporate); 4) helping to qualify prospective donors by providing development staff with insights on prospects' philanthropic capacities, interests, and affinities; 5) making introductions and opening doors; 6) joining staff in the cultivation of prospective donors; 7) helping development officers frame proposals and solicitation strategies and participating in solicitation; 8) thanking donors; 9) providing ongoing stewardship of donors; and 10) celebrating the impact of philanthropy.

The delegation of development to a foundation does not, however, exempt institutional boards and administrators from responsibility for fundraising. In cases where the foundation oversees fundraising programs, the foundation and institution should collaborate on the determination of annual fundraising objectives and jointly endorse and regularly review development goals and progress. Very few foundations can independently fund comprehensive development programs. While foundations with large endowments may fund development positions and operations, they typically rely on various fees or other financial or operational support from the institution. Both institutional and foundation boards should understand campaign and foundation funding models and collaborate on budgeting and allocation of resources. Funding models for foundation operations and development activities, including determination of appropriate gift fees and endowment assessments, should be developed collaboratively, recognizing that effective development programs require sustained investment.

Many public institutions have historically underinvested in fundraising. In such cases, unduly high returns for each dollar spent on development may mean that significant philanthropic support is being left untapped and long-term institutional capacity is being compromised. While external benchmarking of fundraising performance poses numerous challenges, analysis of investments and performance by peer institutions, assessments by external consultants, and use of internal metrics and benchmarking are all valuable in making decisions regarding development and campaign budgeting. Institutional presidents and boards should also understand and respect professional fundraising standards. (See the CASE Reporting Standards & Management Guidelines, CASE's Donor Bill of Rights, and CASE's Principles of Practice for Fundraising Professionals at Educational Institutions.)

Red Flags

Scenarios like the following may create serious tensions in institution-foundation partnerships; entail financial or reputational risk; and, if neglected or improperly managed, lead to breaches of fiduciary responsibility:

- Efforts by foundation boards to wield inappropriate influence over institutional personnel decisions or strategic direction by withholding requested funds or raising funds for purposes at odds with institutional priorities;
- Attempts by university personnel to conceal expenditures by routing payments or reimbursements through a foundation;
- Excessive accumulation in institutional or foundation accounts of endowment distributions or other donated funds that could be used for current charitable purposes;
- Requests for significant investment by the foundation in real estate projects or other ventures to be undertaken by the institution without a sound financial plan;
- Significant investments by the foundation in entrepreneurial projects not undertaken at the request of or in consultation with the institution or otherwise benefiting the institution;
- Co-investment by campus or foundation administrators or board members in real estate projects or other business ventures undertaken by the foundation or transactions with donors or other "insiders" that could create conflicts of interest or constitute excess benefit transactions;
- Unilateral efforts by institutional presidents to make significant changes in personnel or previously agreed-upon roles of foundations that employ their own staff and fund their operations;
- Public criticism of institutional leaders or institutional action by the foundation board or foundation advocacy efforts at odds with institutional positions or priorities.

Task Force on Institution-Foundation Partnerships

This statement was developed with the guidance and support of a specially convened task force whose members included:

- William E. (Brit) Kirwan, Chancellor Emeritus, University System of Maryland (chair)
- David Bass, Director of Foundation Programs and Research
- John T. Casteen III, President Emeritus, University of Virginia
- Sue Cunningham, President, CASE
- Fred DuVal, Former Chair, Arizona Board of Regents
- Mike Goodwin, President and CEO, Oregon State University Foundation
- James Lanier, Senior Fellow and Consultant, AGB
- Lynette Marshall, President and CEO, University of Iowa Foundation
- Karen Meyer, Board Member, UVM Foundation, and former member, University of Vermont Board of Trustees
- Martin Michaelson, Partner, Hogan Lovells
- Charles Reed, Chancellor Emeritus, California State University
- John Walda, President, NACUBO

Resources

"AGB Board of Directors' Statement on Conflict of Interest with Guidelines on Compelling Benefit." 2013.

"AGB Board of Directors' Statement on the Fiduciary Duties of Governing Board Members." 2015.

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AGB Services

- AGB's Annual Foundation Leadership Forum, held every January, addresses a spectrum of topics covered in this statement.
- AGB Consulting and AGB's Center for Public Trusteeship and Governance conduct board assessments, review policies and practices, facilitate board retreats, support strategic planning, and provide other services for public institutions and affiliated foundations. www.AGB.org

AGB BOARD OF DIRECTORS' STATEMENT ON

Institution-Foundation Partnerships

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