

WORKSHOP
BOARD OF REGENTS
NEVADA SYSTEM OF HIGHER EDUCATION
Sierra Building,

1. Information Only Foundation Policies (Cont'd.)

Mr. Campbell reported that the university related Foundations for public institutions were mostly created in the 1970's and 1980's. UNR's and UNLV's Foundations were created in 1981. The university related Foundations were primarily created to segregate private funds from public funds and to add cultivation opportunities for potential donors. He said it was rare for donors not to place some restrictions on their gifts. Creating a Foundation is one way of providing an arm's length distance for the institution when accommodating such donor restrictions. Since there is not a traditional template for these Foundations, they vary widely on organizational structure. He related that Penn State has no private Foundations, while the University of Virginia has over thirty different Foundations.

Regent Crear asked how the University of Virginia maintains a level of consistency with so many Foundations (who do they report to do they operate individually, etc.). Mr. Campbell replied that they employ 30 different sets of lawyers and have 30 different sets of trusteeship adding that they are one of the most successful fundraising organizations in the United States. Regent Crear noted that would require a great deal of trust within the organization.

Common Issues for University Related Foundations:

- ¾ Accountability and transparency.
- ¾ Fiduciary roles – trustees need to be retained with regard to their responsibilities and their liabilities.
- ¾ Shared governance.
- ¾ Public records and freedom of information.
- ¾ Relative independence.
- ¾ Potential reform (Senator Grassley)

Regent Crear asked whether there were one or two things Mr. Campbell would like to implement with the UNHSS Foundation with which the Regents could help. Mr. Campbell replied that the institution Foundation chairs had been very helpful. He related that independence is absolutely necessary and the level of independence must be determined.

President Killpatrick asked if relative independence could be further defined. Mr. Campbell replied that although it was a moving target, it related to arm's length relationships and methods of payments to institution employees.

Chancellor Rogers related that Arizona State University (ASU) Foundation reported to the institution President for awhile and then it was changed. He asked President Glick to

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Affairs Council. Vice Chancellor Nichols related that an annual report is provided, but it is a very small amount. President Glick related that the real purpose is not profit, but to get intellectual property into the public domain. He added that in the 1990's the federal government determined that inventions created with federal grants were deeded to the university and the university is responsible for patenting and licensing where appropriate. Previously the Federal government's stance was that "we paid for it, we own it."

Regent Schofield observed that the goal of the workshop was to discover whether Board members can help the fundraising effort. He thought they should capitalize on those efforts by thinking out of the box to come up with some way of raising more funds to improve the System's position.

Chair Whipple said the workshop was intended as an opportunity to inform the Board about Foundation activities.

Regent Crear believed that it needed to be fully understood how the relationship should move forward. The Board members have almost a shareholder relationship and he does not like being in that position. There needs to be a clear understanding of the shareholder relationship and how the Foundations are governed.

Mr. Paul Bible, President-elect, UNR Foundation, asked to respond to the question as a shareholder of the Foundation. All Regents are shareholders, but by corporate law they are insulated from liability. Mr. Bible stated the Regents are the shareholders and annually approve each Foundation's trustees. The Foundation trustees are required to meet three times a year (every three months) and they elect an executive committee from the pool of trustees. Their meetings follow the open meeting law. If there are any questions, legal counsel is contacted. The executive committee delegates several functions to the working committee level. One of the Foundation's principal responsibilities is to manage assets. The executive committee has selected CommonFund as their investment advisor and has begun to look at more investment diversification investments, high yield and high interest. The investment committee reports back to the executive committee, approves and then brings it back to the Foundation board for consideration. Mr. Bible related that 11 years ago they were more worried about earning scholarship money. The principal fundraising today is for bricks and mortar. He sees more and more responsibility shifting to the Foundations. He related that Chancellor Rogers is working on how the Foundations can coordinate efforts so they do not compete with one another.

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In answer to Regent Sisolak's question, Mr. Bible stated that the Board would open themselves to liability if they began to participate in the day-day operations of the Foundations. Regent Sisolak then asked how the Foundations avoid competing against one another. Chancellor Rogers stated that generally they talk with the donor and then with one another. Regent Sisolak observed that all of the campuses are approaching the same pool of donors.

With regard to investment portfolios, Regent Knecht has spoken with Regent Dondero about the possibility of the Investment Committee discussing the portfolio management strategy. If there is a fairly thorough consideration of that issue, he as a Foundation shareholder would like to see all the Foundations participate not to micromanage, but to share information, maximize the returns and minimize the risks.

Regent Geddes ~~terminated~~ the meeting.

Regent Gallagher asked Mr. Bible if they had employed investment guidelines, specifically indicating the percentage of their net worth that would be for high risk investments. Mr. Bible replied that they did. Mr. John Carothers added that guidelines are available on their website.

Regent Dondero advocated for working together and communicating well with one another in order to support one another's endeavors.

Regent Rosenberg asked how the communication between organizations was being coordinated. Chancellor Rogers related that the Foundations speak with one another, especially in an effort to coordinate which organization approaches which donors.

President Glick stated that because the Health Sciences System overlaps all the Foundations, they have been very careful to communicate. He related that he and President Ashley speak often but they do not compare their list of donors.

Mr. Campbell, in further response to Regent Wixom's question, related that at the University of Virginia, all the Foundations used a central computer system. Each of their Foundations are aware who was working with whom.

Regent Rosenberg asked whether they no longer faced a matter of stealing donors from one another. Chancellor Rogers related that they have tried to minimize those situations as much as possible.

Ms. Patti Wade, TMCC Foundation Board, observed that state dollars are getting tighter and it is becoming more competitive. She felt that as state dollars wane it would become more important for the Foundations to successfully fundraise. She felt the Regents should be concerned about empowering the Foundations and helping them to raise more funds.

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Regent Crear asked whether Ms. Wade felt that the Board had not been supportive in the past. Ms. Wade replied that it was not a matter of previous support, she was concerned about creating policy or procedures that would make it more difficult to fundraise.

Mr. Ted Quirk, Chair, UNLV Foundation, related that the foundation was structured similarly to UNR's. They have 62 employees located throughout the campus. They manage about \$100 million and have over 5,000 donors. They have increasing sums each year at this fiscal year raising approximately \$45 million. They also manage about 175 separate endowment accounts. Mr. Quirk indicated that they have some issues unique to UNLV including a budget that must be mostly self-funded as they only receive approximately 20% from the state. He related that donors want to see their donations go to specific projects not just to support operations. They have imposed a fee on the endowment accounts to help support operations. This is not enough to pay the \$6 million in operating expenses. A 5% gift tax was previously employed to cover operations, which was recently terminated. The UNLV Foundation will be asking the Board to allow UNLV to help the Foundation fund the debt on the Foundations building. He advocated creation of a cohesive set of policies that would apply to all the Foundations.

Regent Wixom asked whether all of the Foundations were subject to independent audit. Mr. Quirk replied that they are. The affiliated Foundations become affiliate upon their request and are also subject to audit. Regent Wixom asked whether nonaffiliated Foundations were not required to undergo independent audit. Mr. Quirk replied that there are no real rules that apply to nonaffiliated Foundations, adding that they would not be able to use the UNLV name. For the most part, most of the Foundations have complied. Regent Wixom stated that the Foundations that are subject to independent audit and review provide a sense of comfort to the Board.

Regent Sisolak asked whether there was competition between institutions. Mr. Quirk replied he had not heard of any other than the newly created Health Sciences System

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experience in fundraising. He encouraged the Board to consider relinquishing some of the controls.

Mr. Jerry Cail, President, Athletic Association of the University of Nevada (AAUN), UNR, related that their mission is to build an athletic scholarship fund and to support the Athletic Director. Over the years the AAUNs been active in raising funds for improvements to stadiums and locker rooms. Now they are focused on building an endowment. Mr. Cail indicated that funds are invested by Smith Barney but that other investments are being considered by their investment committee. They are placing a new emphasis on graduating athletes which will impact the AAUN's focus as they direct efforts to building a new academic center for the university.

Regent Geddes asked about competition between those donating for sports and those donating for academics. Mr. Cail replied that he did not believe that donations made for athletics negatively impacted donations for academic ventures.

Regent Schofield asked what the Board could do that would be pragmatic and helpful to the Foundations. Mr. Cail encouraged Board members to attend Foundation board meetings. He expressed UNR's willingness to work with UNLV.

Regent Dondero asked whether the athletes use the medical school. Mr. Cail replied that intercollegiate athletics has a very sophisticated orthopedic center.

Mr. Don Snyder, Past Chair, UNLV Foundation encouraged the Board to be supportive but not to intrude on fundraising efforts.

Regent Leavitt commended UNLV's Foundation fundraising efforts. Mr. Snyder related that the capital campaign was approaching the \$350 million mark. Moments very important as is approaching those individuals who can make a significant difference.

President Wells felt that DRI had done a remarkable job of evolving from a "read" raising organization to the significant fundraising organization it is today. He felt it was a very exciting time for DRI.

Mr. Mike Benjamin, Vice President, DRI Research Foundation, related that the Foundation has made a concerted effort to raise more capital. DRI has some major challenges in that they do not have alumni-based programs. Their focus is science with a global relevance. The Foundation has committed itself to fundraising on more of a national and international basis.

Regent Sisolak asked whether DRI received any money from patents. President Wells replied that it does receive a very small amount of money that is held in a joint account

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President Glick related that it requires an enormous investment in resources and is a long term process to reach the point of generating income from patents. An institution would need to have many intellectual property ventures ~~able~~ in order to make it profitable.

President Ashley said that the ~~cost~~ of running an intellectual properties office are frequently greater than the revenues generated. It is often the flow of research and development of corporate ~~relationships~~ that is the benefit.

Executive Vice Chancellor Klaich related that intellectual property was a product of the research conducted and the budgets and the budget ~~opmeo(is)1 ((e)4l)u (h)-igc Tc -0.002 Tw [(ic~~

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President Killpatrick reported that GBC had recently instituted a distinguished alumni award in an effort to encourage graduates to develop an attachment to the institution.

Mr. John Rice, Director, Institutional Advancement, GBC, stated that they have raised approximately \$25 million since the institution's inception. They maintain a relatively small board employing three major committees: 1) annual giving, 2) planned giving and 3) major gifts. They have a \$250,000 operating budget of which 11% is covered by the state. The Foundation generally funds campaigns that further the college's mission. They are currently working on a \$1.5 million endowment for new programs that will benefit GBC's 62,000 square mile service area. Mr. Rice supports efforts to allow the Foundations to be as entrepreneurial as possible. He reported that GBC recently received a \$2.4 million gift that will help complete the Center for Life that will house student activities.

President Killpatrick complimented the Chancellor's efforts to solicit private funds.

Interim President Sanford reported that TMCC's Foundation had only recently transitioned to an aggressive fundraiser. The Foundation supports community activities and scholarships and has recently undertaken a \$3 million capital campaign. TMCC has an alumni association which has undertaken the friend raising role for the college.

President Lucey related that Mr. Bible and Mr. Quirk had summarized very well the efforts of a Foundation. She expressed her gratitude to Chancellor Rogers for imposing a good fundraising goal for the institutions.

Mr. Mark Fine, Chair, UNLV Research Foundation, supported the concept of working together and supporting one another's efforts. He explained that the UNLV Research Foundation was created to receive research grant funds that would benefit UNLV. They were also the recipient of federal land, which has now become the focal point of the Research Foundation. They are in the process of forwarding all new grants directly to UNLV. The land asset's estimated worth is \$120 million, which cannot be sold but can be leased. It is hoped to use the land asset to develop opportunities that can most benefit UNLV. Attempts are underway to develop the proposed rapidly as possible.

Regent Anthony asked whether consideration had been given to performing homeland security operations at that site. Mr. Bud Pittenger, Executive Director, UNLV Research Foundation, replied that they have, adding that there is also state art fiber connections running along the property. They are currently working the level 5 security standards now for data and telecommunications.

Regent Gallagher asked whether consideration has been given to long leases and build-to-suit. Mr. Fine related they were researching multiple options while maximizing the value of the land.

Regent Sisolak said he was impressed with every speaker and had learned quite a bit from

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Chair Whipple said he would include a future agenda item concerning state funding to support the operational aspects of Foundation fundraising. He thanked Interim President Sanford for TMCC's hospitality and Mr. Campbell for his presentation.

Regent Sisolak asked how the matter of checks addressed to a specific institution could be addressed relative to the endowment fund in an effort to get the money to the place where the donor intended. Chair Whipple directed the ~~Invest~~ Committee to explore the matter.

Regent Gallagher suggested the Regents review the policies to determine whether changes are necessary. Chief Counsel Patterson said an ongoing review was underway. At some point Board direction will be necessary ~~offered~~ to provide a recommendation based upon the discussion held that day. Chair Whipple suggested referring it to a committee. Regent Gallagher felt it was time for the Board to take an in depth review of the policies to see what changes are necessary. Chair Whipple directed the Research and Economic Development Committee to review the matter.

Regent Crear suggested that the Board should receive a recommendation for how the Board can best assist the Foundations. H (c)4 (o9E2 (t)-2pCTt)-2 ()TJ T* [(B)7 (oa) (t)-2 (i)5t