Working with Gift Funds

Sean Harwood
Director of Finance & Endowments
University Advancement
The Anatomy of a Gift

The voluntary transfer of property from one party to another without the expectation of any value in return.

Components of a completed gift…

• Completed delivery – convey title, relinquishing control
• Donative intent – may include restriction as to use
• Acceptance by the donee – agreement to accept with any restrictions
Responsibilities of Accepting and Managing Gifts

- Accountability to the donor
- Mechanisms to control and account for use
  - Context of solicitation
  - Acceptance of donors intent in gift and endowment agreements
  - Purpose / Restrictions on accounts
- Related, but different obligations
  - Legal (IRS, State Law)
  - Policy (i.e. Alcohol Purchase)
  - Moral obligation (Stewardship)
Types of Gifts

• Outright gifts
  – Checks, Credit cards
  – Marketable securities

• Other Assets
  – Real Estate
  – Art
  – Intellectual Property
    • Special concerns:
      – Completion of the gift – formal transfer
      – Related use
      – Appraisal / Valuation
Timing

• Now

• Pledges
  – Usually 5 years or less
  – Documented with signatures and payment schedules
  – Impact financial statements

• Deferred
  – Bequest Intentions
  – CGA, CRT and other life income agreements
Purpose of Gift

• Unrestricted
• Restricted
  – Scholarships
  – Program Support
  – Research
  – Restricted to program but discretionary as to purpose

Form of Gift
• Current Use
• Endowment
Depositing, Receipting and Acknowledging Gifts

• Importance of timely depositing
• Importance of including transmittals and backup information
• Central responsibility for receipting for IRS substantiation
• Reconciliation of ADVANCE and EBS records
## Endowments at CIC and Selected Institutions

<table>
<thead>
<tr>
<th>Institution</th>
<th>Endowment Market Value</th>
<th>Enrollment: FTE</th>
<th>Endowment per FTE</th>
<th>Expenditures per FTE</th>
<th>Expenditures</th>
<th>Ratio: End to Exp</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harvard University (Cambridge, MA)</td>
<td>$31,419,653,000</td>
<td>19,992</td>
<td>$1,571,611</td>
<td>$163,169</td>
<td>$3,452,493,000</td>
<td>9.10</td>
</tr>
<tr>
<td>Yale University (New Haven, CT)</td>
<td>$19,174,387,000</td>
<td>11,617</td>
<td>$1,650,545</td>
<td>$205,568</td>
<td>$2,405,354,000</td>
<td>7.97</td>
</tr>
<tr>
<td>Stanford University (Stanford, CA)</td>
<td>$16,502,606,000</td>
<td>15,349</td>
<td>$1,075,158</td>
<td>$151,527</td>
<td>$2,789,316,000</td>
<td>5.92</td>
</tr>
<tr>
<td>University of Michigan-Ann Arbor (Ann Arbor, MI)</td>
<td>$7,834,751,733</td>
<td>52,883</td>
<td>$148,153</td>
<td>$50,382</td>
<td>$3,010,137,566</td>
<td>2.60</td>
</tr>
<tr>
<td>University of Texas at Austin (Austin, TX)</td>
<td>$7,441,482,347</td>
<td>44,999</td>
<td>$165,369</td>
<td>$38,283</td>
<td>$1,959,876,055</td>
<td>3.80</td>
</tr>
<tr>
<td>Northwestern University (Evanston, IL)</td>
<td>$7,012,867,000</td>
<td>19,853</td>
<td>$353,240</td>
<td>$82,285</td>
<td>$1,685,282,000</td>
<td>4.16</td>
</tr>
<tr>
<td>University of Chicago (Chicago, IL)</td>
<td>$6,575,126,000</td>
<td>14,111</td>
<td>$465,957</td>
<td>$117,665</td>
<td>$1,840,754,000</td>
<td>3.57</td>
</tr>
<tr>
<td>University of Notre Dame (Notre Dame, IN)</td>
<td>$6,383,344,000</td>
<td>11,862</td>
<td>$358,134</td>
<td>$73,791</td>
<td>$885,641,000</td>
<td>7.21</td>
</tr>
<tr>
<td>Texas A &amp; M University (College Station, TX)</td>
<td>$6,328,931,718</td>
<td>44,499</td>
<td>$142,226</td>
<td>$45,049</td>
<td>$2,297,391,069</td>
<td>2.75</td>
</tr>
<tr>
<td>Washington University in St Louis (Saint Louis, MO)</td>
<td>$5,348,871,000</td>
<td>12,651</td>
<td>$422,802</td>
<td>$151,690</td>
<td>$2,122,895,000</td>
<td>2.52</td>
</tr>
<tr>
<td>University of Virginia-Main Campus (Charlottesville, VA)</td>
<td>$5,346,500,000</td>
<td>21,996</td>
<td>$243,067</td>
<td>$39,764</td>
<td>$952,000,000</td>
<td>5.62</td>
</tr>
<tr>
<td>Duke University (Durham, NC)</td>
<td>$5,161,005,412</td>
<td>15,088</td>
<td>$342,053</td>
<td>$134,208</td>
<td>$2,090,834,000</td>
<td>2.47</td>
</tr>
<tr>
<td>University of Minnesota-Twin Cities (Minneapolis, MN)</td>
<td>$2,514,007,307</td>
<td>60,672</td>
<td>$41,436</td>
<td>$39,359</td>
<td>$2,673,754,197</td>
<td>0.94</td>
</tr>
<tr>
<td>University of Wisconsin-Madison (Madison, WI)</td>
<td>$2,066,958,201</td>
<td>38,185</td>
<td>$54,130</td>
<td>$48,408</td>
<td>$2,041,850,656</td>
<td>1.01</td>
</tr>
<tr>
<td>Purdue University-Main Campus (West Lafayette, IN)</td>
<td>$2,001,600,855</td>
<td>59,970</td>
<td>$33,377</td>
<td>$22,013</td>
<td>$1,578,419,279</td>
<td>1.27</td>
</tr>
<tr>
<td>Pennsylvania State University-Main Campus (University Park, PA)</td>
<td>$1,831,100,000</td>
<td>81,051</td>
<td>$22,592</td>
<td>$33,342</td>
<td>$2,911,034,000</td>
<td>0.63</td>
</tr>
<tr>
<td>Michigan State University (East Lansing, MI)</td>
<td>$1,718,100,760</td>
<td>41,717</td>
<td>$41,185</td>
<td>$33,556</td>
<td>$1,609,143,000</td>
<td>1.07</td>
</tr>
<tr>
<td>Indiana University-Bloomington (Bloomington, IN)</td>
<td>$1,574,815,344</td>
<td>81,842</td>
<td>$19,242</td>
<td>$22,640</td>
<td>$2,292,099,928</td>
<td>0.69</td>
</tr>
<tr>
<td>Ohio State University-Main Campus (Columbus, OH)</td>
<td>$1,405,646,025</td>
<td>62,805</td>
<td>$22,381</td>
<td>$36,583</td>
<td>$2,357,000,000</td>
<td>0.60</td>
</tr>
<tr>
<td>University of Nebraska-Lincoln (Lincoln, NE)</td>
<td>$1,241,577,000</td>
<td>42,798</td>
<td>$29,010</td>
<td>$31,239</td>
<td>$1,562,894,000</td>
<td>0.79</td>
</tr>
<tr>
<td>University of Illinois at Urbana-Champaign (Champaign, IL)</td>
<td>$1,132,625,790</td>
<td>43,862</td>
<td>$25,822</td>
<td>$39,454</td>
<td>$1,777,879,512</td>
<td>0.64</td>
</tr>
<tr>
<td>University of Iowa (Iowa City, IA)</td>
<td>$1,058,694,909</td>
<td>28,352</td>
<td>$37,341</td>
<td>$43,440</td>
<td>$1,339,046,216</td>
<td>0.79</td>
</tr>
</tbody>
</table>
Endowments – Other Thoughts

• Not a single pot of funds
  • Comprised of hundreds of individual funds, governed by individual gift agreement’s purpose
  • May include some pooled institutional funds

• Invested under specific guidelines to:
  • Generate stable, spendable income (usually 4-5%)
  • Preserve principal
  • Hedge against inflation

• Subject to oversight by Attorney General in most states and morally (and in some cases legally) to donors and their heirs

• State Appropriations vs. Endowment
  • What is the endowment equivalent of $200M per year in state appropriations?
Endowments

• True Endowment
  – Established by donor’s intent
  – Governed by policy and donor agreement

• FFE – Funds Functioning as Endowment

• Endowment Investment
  – Mutual Fund concept
  – Quarterly purchase of “units” by IFM (Glen Klein, Val Montgomery)
  – Income distributed per unit
Endowment & Scholarship System

• Budget

• Recruitment
  – Students
  – Faculty

• Stewardship

• Website:
  https://scholendow2.ais.msu.edu/Staff/MainMenu.Asp
## Endowment Detail

### Summary

- **Endowment ID:** 4226
- **Endowment Name:** Knaas Family Band Jacket Endowment Fund in the Spartan Marching Band
- **Sort Name:** Knaas
- **Year Signed:** 2012
- **Year Activated:** 2012
- **Principal Acct No:** NX100292 (20-2739)
- **Income Acct No:** RT100291 (20-2746)
- **Endowments per Account:** 0 - One - Only this endowment on the accounts
- **Stewardship Fee:** Yes
- **Endowment Minimum Amount:** 30000
- **Endowment Minimum Amount Comment:**
  - **Category:** O - Other/Endowment
  - **Type:** E - Endowment
  - **Reinvest Type:** R* - Reinvest unspent income - w/option
- **Reinvestment Description:**
- **Endowment End Date:**
- **Endowment End Date Description:**
- **Description:** Expendable Amounts from the Endowment will be used to support the purchase of Band Jackets for first-year members of the Spartan Marching Band who are in good standing. Should there come a time when student members of the Spartan Marching Band no longer need to purchase their jackets, this fund shall be used at the discretion of the Director of the Spartan Marching Band in support of student Band member needs

### Endowment Allocation Code

- **Allocation Code:** AE000706

[Adjust Allocation Code]
Endowment Detail (cont’d)

Donor, department and investment information.

Donors

<table>
<thead>
<tr>
<th>Donor</th>
<th>Notify Donor</th>
<th>Donor Rep</th>
<th>Deceased</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knas, Kenneth</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Knas, Maria B.</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

Search String for New Donors: [Adjust Donors]

Responsible MAU/College/Department/Office

Unit Name: MUSIC

Search String for New Units: [Adjust Units]

Endowment Purchases

The details of purchases before 6/30/2001 are not in the system. The 6/30/2001 entry is a summary of those purchases at an average unit price.

<table>
<thead>
<tr>
<th>Date of Purchase</th>
<th>Unit Price</th>
<th>Number of Units</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/1/2013</td>
<td>6,175,73677</td>
<td>809.62</td>
<td>$5,000.00</td>
</tr>
<tr>
<td>Grand Total:</td>
<td></td>
<td>809.62</td>
<td>$5,000.00</td>
</tr>
</tbody>
</table>

Endowment Spending Policy

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Projected Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-2013</td>
<td>$127.23</td>
</tr>
<tr>
<td>2013-2014</td>
<td>$248.21</td>
</tr>
</tbody>
</table>
## Spending Policy

![Table](MUSIC.png)

**MUSIC (OOI: 10030598 / CUC: 30598)**

**Fiscal Year 2012-2013, Status as of the end of March, 2013**

<table>
<thead>
<tr>
<th>Number of Units as of 1/1/2013</th>
<th>Market Value as of 1/1/2013</th>
<th>Income Account Number</th>
<th>Fund Name</th>
<th>Income Account Balance</th>
<th>Balance of 2012-2013 Investment Income</th>
<th>Total Income Available 2012-2013</th>
<th>Reinvest Type</th>
<th>2013-2014 Investment Income</th>
<th>Other Resp. Units</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>809.62</td>
<td>$5,000.00</td>
<td>RT100291</td>
<td>Knas Family Band Jacket Endowment Fund in the Spartan Marching Band</td>
<td>$63.62</td>
<td>$63.62</td>
<td>$127.24</td>
<td>Reinvest - w/option</td>
<td>$246.21</td>
<td>O - Other/Endowment</td>
<td></td>
</tr>
</tbody>
</table>

[Help - Interpreting the Report]

[Return to Endowment Detail Page]
Activity Report

Annual Statement of Endowment Activity
For the Year Ended June 30, 2012
Daniel J. and Bette H. Church Endowed Scholarship in Accounting
ACCOUNTING AND INFORMATION SYSTEMS

Summary of Principal Account

<table>
<thead>
<tr>
<th>Account</th>
<th>Book Value</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>NX081279</td>
<td>$88,646</td>
<td>$112,262</td>
</tr>
</tbody>
</table>

Balance Beg. of Period: $88,646  
Gifts, Net Gains/(Losses): $2,500  
Balance at End of Period: $91,146

Summary of Spending Account

<table>
<thead>
<tr>
<th>Account</th>
<th>Balance at Beg. of Period</th>
<th>Plus Total Revenue</th>
<th>Plus/Less Transfers</th>
<th>Less Expenditures</th>
<th>Balance at End of Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>RT063279</td>
<td>$1,218</td>
<td>$5,475</td>
<td>$0</td>
<td>($5,000)</td>
<td>$1,693</td>
</tr>
</tbody>
</table>

Department Comments:
The following students were awarded the Daniel J. and Bette H. Church Endowed Scholarship in Accounting, and the award amounts:
Burkard, Justin Michael $1000
Eom, Younac $1000
Han, Luyao $500
Podelnyk, Matthew Alexander $500
Redman, Jeremy Franklin $1000
Rothwell, Michelle Marie $1000
Understanding Your Endowments

• Endowment Agreement:
  – Establishment
  – Fiscal Administration
  – Purpose
  – Administration Criteria (Scholarships)
  – Governing Laws and Policies

• Administration of Agreement
Quiz Time – Acceptable uses of this Endowment.

One mission of the College of Music is to help students develop and prepare for successful careers. The skill set needed for this success changes over time. The goal of the Endowment for Entrepreneurial Activities in the College of Music is to support students in achieving success and building effective career skills in a changing world. Expendable Amounts may be used for exploring new ways of communicating; launching entrepreneurial ventures; developing websites; exploring strategies in grant writing and raising funds; encouraging diversified (interdisciplinary or multidisciplinary) experiences and professional development to address changing markets and constituencies; providing student incentives such as honoraria and prizes; engaging guest speakers; supporting seminars, internships and practicums; developing online supportive resources; supporting staff and faculty in their efforts to build and sustain this program.
This endowment will support...

• Scholarships.
  False

• The study of non-traditional communication through music in an auto factory.
  True

• Creating a game design and development program.
  True
Funding Fundraising

• It’s more than wine and dine!

• Foundation = Central Services

• Shared Investment
  – Annual Giving
  – Constituent development officer salary
  – Constituent development office operating cost
  – Alumni Relations
Sample College/School Partnership

Dean

Senior Director of Development

 Administrative Support

Major Gift Officer

Director of Communication

Director of Alumni Relations

Senior Director of Constituency Programs, University Development
Constituent Investment Changes

• Concentration is at the Major Gift level of $10,000 to $5,000,000
• Higher prospect amount requires additional investment.

- Increased engagement
- More personal contact
- Increased travel, meals, targeted communication
Accountant’s Role in Stewardship

1. Gift Integrity
2. Additional Giving
3. Demonstrate ROI
4. Honor donors’ intent
5. Proper expenditures and reconciliation
6. Tell the story
Fundraising Events

Having a fundraising event? **CONTACT US FIRST!**

• Events often provide something to donors or event participants
  • These “somethings” have a Fair Market Value (FMV)
  • The FMV of all benefits received must be subtracted from the tax deductible amount of the gift, donation, entry fee, etc.
• We need to provide accurate tax deductibility information for event participants and donors

Contact: Carolyn Fountain (517) 884-1028 or founta52@msu.edu
Questions?

Contact us:

• Bob Groves  grovesr@msu.edu
• Scott Westerman  wsw@msu.edu
• Sean Harwood  harwood2@msu.edu