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Institutionally related foundations at public colleges and universities

Margaret Northern Kelley

To the Graduate Council:

I am submitting herewith a dissertation written by Margaret Northern Kelley entitled "Institutionally related foundations at public colleges and universities." I have examined the final electronic copy of this dissertation for form and content and recommend that it be accepted in partial fulfillment of the requirements for the degree of Doctor of Education, with a major in Educational Administration.

Norma Mertz, Major Professor

We have read this dissertation and recommend its acceptance:

Dan Quarles, Lloyd D. Davis, Jeffery P. Aper

Accepted for the Council:

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Vice Provost and Dean of the Graduate School

(Original signatures are on file with official student records.)

To the Graduate Council:

I am submitting herewith a dissertation written by Margaret N. Kelley entitled "Institutionally Related Foundations at Public Colleges and Universities". I have examined the final copy of the dissertation for form and content and recommend that it be accepted in partial fulfillment of the requirements for the degree of Doctor of Education, with a major in Leadership Studies.

Norma T. Mertz
Dr. Norma Mertz, Major Professor

We have read this dissertation
and recommend its acceptance:

Lloyd D Davis

Jeffrey P. A

Accepted for the Council:

Associate Vice Chancellor
and Dean of The Graduate School

INSTITUTIONALLY RELATED FOUNDATIONS AT PUBLIC COLLEGES AND UNIVERSITIES

A Dissertation

Presented for the

Doctor of Education

Degree

The University of Tennessee, Knoxville

Margaret N. Kelley

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DEDICATION

This dissertation is

For Buddy

1935-1993

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I would like to express my appreciation to some of the people whose help and encouragement made the completion of this dissertation possible. First of all, it is dedicated to the memory of my late husband, Bud Kelley, who was the first to say, "Go, girl!" but whose life was all to brief and who did not live to see it completed. Our joke was that he was the only person I would require to call me "doctor." My former boss, Dr. Ron Area, also encouraged me in the beginning. Dr. George Harris, who was an earlier member of my committee, told me not to give up. I could not have done it without Roberta Thurmond, who typed this document and whose knowledge of the program and wise counsel was invaluable. Others who were of great help were the guru himself, Curtis Simic, and also Dr. Marguerite Brown, who so generously shared her own research. My secretary and friend, Jane Cashatt, sympathized with my frustrations and complaints; my sisters, Marie Turner and Jane Magrath, gave me encouragement and the will to persevere and even worked late with me compiling surveys and stuffing envelopes; Dean Glennon Rowell was the person without whose endorsement I would have never considered

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ABSTRACT

Institutionally related foundations have grown in size and number in public colleges and universities since their inception in the late nineteenth century as a way to protect private gifts from confiscation by the state to meet budgetary shortfalls in funding. These foundations stand legally apart from their institutions but exist exclusively to enhance their programs. They have proven to be an excellent way to attract potential donors and involve them in the activities of the institution. However, there is little empirical data about how they are formed and operate in relationship to their institution.

This study was undertaken in order to describe the structure and functions of institutionally related foundations at public, four-year colleges and universities in the United States. The investigation involved a survey of 409 foundations of record at the Council for the Advancement and Support of Education of which 151 responses (36.91%) were received.

Major findings of the study revealed that structurally, almost all institutionally related foundations have a CEO they call an "executive director,"

but most directors do not have voting privileges on the foundation board, nor do they serve in leadership positions on its committees. However, even if they do have voting privileges, there is no relationship between that factor and whether or not the foundation considers itself independent or dependent.

It was found that even though the executive director may have a significant role within the structure of the foundation, he or she also holds dual job responsibilities within the institution and often reports both to the foundation board and to the head of the institution. It was confirmed that the foundation board is made up heavily of self-perpetuating volunteer members, who are often also alumni. Since foundation boards were seen in the literature as a way to significantly involve community leaders who were non-alumni, it was surprising how many foundations reported heavy alumni representation as required on their boards. These volunteers, unlike the foundation's CEO and other institutional members, have voting privileges and are the people who head the board's committees.

Functions of institutionally related foundations were found to involve mostly financial concerns. The sources of revenue for operating the foundation almost always included at least some portion of state funds from the institution, although more independent foundations raised a greater portion of their operating funds from some form of fees-for-services or charges levied on the gifts themselves. Foundations boards were charged almost exclusively with the investing of gift funds, but indicated a high degree of cooperation with the institution, particularly its head, in setting priorities for which the foundation staff conducted fundraising and in the distribution of unrestricted earnings. Virtually all foundations reported they were subject to some form of accountability, both to the institution and to the public, for the funds held in their trust.

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CHAPTER I

OVERVIEW OF THE STUDY

Introduction

Private colleges and universities have a long history of fundraising to supplement their operating budgets and accomplish special projects. This has been common since the early days of Harvard, when in 1644 area residents were asked to contribute a shilling or a peck of wheat to go toward scholarships for children of the community (Brittingham & Pezzullo, 1990).

Until relatively recent times public colleges and universities relied solely on state and federal tax appropriations, student tuition and fees, and income from auxiliary enterprises, to provide for their needs. Over the years, however, they found that the income provided from these sources was not adequate to cover the expenses of running the institution. Although actual dollars appropriated by state legislators to higher education went up gradually, the percentage of rising operating budgets they covered went down, and educators turned to alumni and friends of the public institutions with fundraising appeals (Worth, 1985; Simic, 1993; Brown, 1995). Alumni associations were begun as a way to help colleges solve urgent problems by soliciting the support of former students. Generally recognized as the first alumni association was the Society of Alumni organized at Williams College in 1821. Patterned on their New England sister college, the University of Georgia Alumni Society was formed in 1834, and the University of Alabama followed suit in 1835. Started as dues-paying organizations, these almost all eventually gave way in favor of establishing Alumni Funds to which alumni would be encouraged to give according to their financial abilities and desires (O'Steen, 1986). As state funding continued to decline proportionate to need, this successful venture of fundraising from private sources became an important new source of income (Simic, 1993).

With the growth of fundraising activities in public colleges and universities, various strategies were identified and considered to aid the institution in attracting private gift support. Development offices were established and personnel hired to solicit alumni and friends for contributions. Alumni association membership drives and annual fund solicitations were conducted to underwrite financial assistance for students and supplement program funds (O'Steen, 1986), and major gift campaigns were mounted to support capital projects, such as buildings. Following World War I, a "golden age" of fundraising resulted in the building of memorial stadiums and student union buildings in honor of Americans who had lost their lives in battle (Broce, 1986).

Endowments were established as a way to manage gifts, particularly large ones which could be invested and the earnings used to provide income in perpetuity. In this way, with wise investments scholarships, professorships, and programs could be guaranteed a stream of income indefinitely. Donors were attracted to the idea of establishing a permanent fund in their own name or in honor of a family member or some favorite professor (Peavey, 1985). Such gifts as these were termed "restricted," that is, limited to a specified use only, while customary alumni membership and annual fund drives produced unrestricted gifts, often called sustaining funds, which the college could use where the need was greatest (Lemish, 1985).

This system of soliciting private gift support from alumni and friends seemed to work well until 1891, when the state of Kansas suffered a shortfall in income available for operation of its public university. In an unprecedented move, the state seized all of the university's gift funds, regardless of their source or the donors' preferences. The monies were used to supplement the state university's operating budget, thus reducing the state's obligation to provide the necessary support.

Kansas University alumni were outraged, as were its administrators, at this breach of trust with donors who expected their gifts to enhance the basic state appropriations, not replace them. They looked for a way to take control of the funds, protect them from state encroachment, and respect donors' wishes for their use. Thus was born the first "institutionally related foundation," the Kansas University Endowment Association. Other public institutions of higher learning would soon follow suit, finding that in addition to protecting their gift funds, these new organizations increased flexibility in managing and receiving gifts (Reilley, 1985).

Foundations are private corporations not subject to the same, often cumbersome, rules that govern the financial operation of public universities. We know, for example, that if funds are not appropriated in advance, universities are often unable to take advantage of unexpected opportunities, such as the availability of adjacent real estate, since they must wait for a new allocations cycle. However, with the approval of its board, an institutionally related foundation can allocate its assets to take advantage of the moment. Foundations are governed by a board of directors who are elected or appointed. Membership on a foundation board provides a significant opportunity for volunteer involvement, since interested and capable board members are needed to administer boards and guide their investment policy. These people often turn out to be the most influential and wealthy people in the community or in the alumni body. They enhance the foundation's assets personally and influence others to do the same (Simic, 1985).

General Foundations as Historical Basis

From a legal point of view foundations are private corporations under the Internal Revenue Code, section 501(c)(3), which defines nonprofit, charitable organizations existing for the public good. The roots of institutionally related foundations established for the benefit of colleges and universities can be traced back to the more general philanthropic foundations which were the byproduct of the industrialization of America in the late 19th and early 20th century. This sweeping economic boon produced such great fortunes as those of Carnegie and Rockefeller. In addition to providing favorable tax implications, early foundations, often calling themselves simply "endowments," were seen as a way to steward donor dollars toward worthy causes with more information and vision, supplied by a carefully chosen board of advisors, than the donors themselves could hope to possess (Brittingham & Pezzullo, 1990). Thus the need many share for giving of themselves and their material goods for the benefit of others, that "love of mankind" which is the basis for the concept of philanthropy, played a significant role in the building of hospitals, libraries, colleges, museums, and other institutions important to society (Parish, 1974).

The range of program funding for these foundations was usually defined by their charters, generally reflecting the personal interests of the donors. Companies established corporate foundations with their profits, and these reflected the company's or the community's interest in which they were located. Community foundations were established which had geographic boundaries for their philanthropy and were a way to pool smaller funds and/or to raise funds for local causes. As a result of the establishment of a variety of types, foundations have tended to be narrowly focused, such as is the case with the institutionally related foundation attached to the college and university (Rennebohm, 1985). Over 37,000 foundations of all sorts are presently active in the United States with assets of $189 billion and awarding annual grants of almost $10 billion (Kaplan, 1995).

Institutionally Related Foundations

In the hundred years since 1891, when the first institutionally related foundation was formed at a public university, a substantial number have come into being, estimated at well over 1,000 in two- and four-year state and independent colleges in the United States.

Although meant to be legally independent of each other, universities and their related foundations have tended to maintain close ties, but have taken many different forms (Young, 1985). Curtis Simic (1985), a respected professional fundraiser in the field, and others, think there are several subtypes. In a study conducted in 1980 by Timothy Reilley of the University of Wisconsin, the most commonly found subtype was the university related foundation which coexisted with the development (or fundraising) office within the institution's administrative structure. The institution provided financial and staff support, especially in the foundation's formative years, unless prohibited by state laws, some of which require a strict arms-length relationship (Worth, 1983). The pitfalls of coexistence become apparent in later instances examined.

Later, Simic (1985) added to Reilley's description of the more integrated foundation, the emergence of a foundation subtype more independent of its institution. His evaluation was that there were many subtypes but all were some form of these two. And, as their numbers grew, institutionally related foundations tended to be characterized into subtypes by the degree of their independence or dependence on the institution. The more dependent the foundation was on the institution, the more control the college or university was able to exert on the business matters of the foundation and the more likely it was to be considered an extension of the state.

Some of the characteristics of their structure or functions which appear to define the subtypes include the following:

1. A structure in which the source of operating funds is raised by taxing gifts and/or earnings received by the foundation, which allows the foundation to be independent of state funding. Or, a structure in which operating funds are allocated from the ordinary budget of the institution, which indicates dependence on the institution.

2. The structure either includes an independently hired staff, independent of the institution, or is operated by state-funded university employees.

3. Makeup of the board of trustees is structured to include or not include university administrators, i.e. state employees, as voting members. If the institution's employees on the board have no voting power, the foundation can remain independent of the state.

4. The board functions with an investment policy determined by university personnel who, therefore, control

it, or it is held or guided by volunteer trustees, who are independent of the institution.

5. Spending policy of earnings is a function determined by the vote of an independent volunteer board, or the earnings are turned over to the college for allocation at discretion of faculty and administrators, which indicates control by the institution (Simic, 1985).

A recent dissertation which concerned the legal ramifications of the status of foundations as being a dependent "arm of the state" or an independent entity, reinforced the importance of identifying the characteristics which make one foundation different from another. If indeed an institutionally related foundation is determined in the courts to be dependent on the institution so as to be considered an extension of the state, its funds may be subject to seizure by the state to cover budget shortages after all, especially in times of insufficient tax revenues (Brown, 1995).

In the extant literature on how these foundations have developed since their beginnings, little can be found beyond dated and/or limited sources which could identify and characterize the various subtypes which nevertheless seem to have formed. There is a rich literature of anecdotal information about institutionally related foundations, but it is mainly about their significance in enhancing fundraising in public colleges and universities (Simic, 1985, 1990, 1995; Reilley, 1985; Rennobohm, 1985; Wyrick, 1985; Brittingham & Pezzulo, 1990; Brown, 1995). Since the writings in the 1980s of Worth, who described the foundation that coexists with its institution as the most common subtype, and Simic, who from his experience could point to the independent foundation as another subtype, reference has been made to additional subtypes. Others refer to subtypes such as the auxiliary corporation developed to administer industry-university research, student-operated foundations, and foundations set up to handle multiple-recipient trusts (Simic, 1985; Worth, 1985; Bailey, 1987; Nicklin, 1995). However, little can be found about the structure and functions of any of these subtypes which characterize and set them apart from each other. As yet, there is no descriptive study for this specific purpose.

Only three empirical studies, two involving the Council for the Advancement and Support of Education (CASE) in 1993 and 1995, and one by Brown in 1995 on issues of confidentially, address any aspect of the subject. And, these studies, since their purpose was not to profile subtypes, fail to give a clear picture of the differences in structure and functions which define the subtypes. The surveys sent out by CASE were an attempt to assemble a database of all sorts of information about institutionally related foundations and only incidentally contain information useful in defining structure and function and identifying subtypes. The studies did serve to identify all colleges and universities with university related foundations, collect figures about their size and value, and in a limited way point out aspects of their structure and functions. For example, in the first CASE survey, foundations were identified as having or not having a policy for allocating unrestricted income, but that process and who controls it, the foundation or the institution, was not included. That is a crucial point in determining the foundation's independence or dependence on the institution. The fact that many reported they did not have such a policy makes it even more difficult to determine without asking directly how this critical function is performed. The study did reveal:

1. the sources of revenue for the foundation's operating budget and

2. the selection process and make up of the board.

In the second joint CASE/AGB survey, data were gathered about:

1. the role of the foundation chief executive and staff

2. the makeup of board membership, and

3. who sets fundraising priorities.

Brown's study in 1995 was limited to only four states where there had been recent court cases over the issue of open records, and so by its nature is incomplete, although she offered pertinent observations.

What none of these studies reveal, or which is dated or incomplete, is:

1. more information of the details of who has voting privileges and who does not

2. who sets funding and fundraising priorities, the board of the institution or some combination

3. who selects, evaluates and pays the foundation staff

4. how involved in the business affairs of the foundation is the institution's chief executive

5. are meetings open to the public

6. does having an institutionally related foundation protect the funds from state control as it was meant to do

7. do state employees perform foundation duties

8. where does accountability lie

9. are the institution's goals the same as the foundation's

10. what is the process for allocating unrestricted funds

11. what is the faculty's role

12. who audits the foundation, and

13. how the foundation is described as a subtype?

All of the above, which have to do with structure and functions of the foundation, are necessary to know in determining the relationship between the foundation and its institution. They determine whether or not the foundation is independent of the institution or some degree of dependent. The sources cited touch on some valuable information and point out the importance of knowing about how institutionally related foundations look but are incomplete.

There is no specific research cited about institutionally related foundations in a cooperative project between CASE and the ERIC Clearinghouse on Higher

Education in their 1990 book, The Campus Green: Fund Raising in Higher Education. This study was a comprehensive summary of what research had been done on fundraising, and did make a strong case for future research and scholarship to inform, and thus improve, fundraising practices in higher education. The authors concluded that it is likely more institutionally related foundations will be formed in the remaining public institutions of higher education, of which there were a total of 1,625 in 1995 (Chronicle of Higher Education). The reason for this is because investment into the establishment of foundations has proved lucrative in the colleges that have formed them, as the range of gift funds rose from 20-to-1 up to 100-to-1 times as much as previously raised (Wyrick, 1985). Fundraising has clearly become an increasingly important component of maintaining the health of public higher education, and institutionally related foundations have proven to be an important aid to this process (Brown, 1995). Important determinations such as structure and functions should be considered when setting up or amending institutionally related foundations to steward gift funds.

Statement of the Problem

Experienced professional fundraisers, like Simic (1985), indicate that there are at least two major subtypes of institutionally related foundations, both defined by their relationship to their institution, but it appears from the related research and literature that there are more (Worth, 1985; Bailey, 1987; Nicklin, 1995). It can be reasonably assumed that their creation occurred to solve some problem to do with holding gift funds separate and independent from the institution, as did the first such foundation (Reilley, 1985). However, those problems are only suggested, and there is a need to define the relationship between the foundation and its institution which makes the foundation independent or not and forms the subtypes. This status is determined by the structure and functions of the foundations which touch on this issue.

The problem for this study is that we do not know what the structure and functions of institutionally related foundations are at public colleges and universities which determine the foundations' status as independent or some degree of dependent on their institution. There are presently no organized data which describe these subtypes.

By structure it is meant how the foundations are organized and arranged so that they are characterized by their formation. By functions it is meant how they perform and are characterized by their actions.

Purpose of the Study

The purpose of this study is to describe the structure and functions of institutionally related foundations at public, four-year colleges and universities.

Research Questions

The specific research questions guiding the study are:

1. What are the structural characteristics of institutionally related foundations at public colleges and universities?

2. What are the functions of institutionally related foundations at public colleges and universities?

Significance of the Study

As seen by their admirers, institutionally related foundations can provide a margin of flexibility and excellence, and a measure of fiscal stability to their related institutions (Brown, 1995). By examining the structure and functions of institutionally related foundations, this study will begin to provide and disseminate information on the patterns of these organizations needed by public colleges and universities as they plan for the future and for the best utilization of resources on their campuses.

When one evaluates related literature concerning fundraising practices in public higher education, a void in research is evident concerning institutionally related foundations designed to attract and manage private gift support. The field of fundraising has an enormous body of lore and experience but a modest amount of research and even less theoretical knowledge (Carbonne, 1986). Yet, one criterion for fundraising as a profession is the degree to which theoretical knowledge is used by its practitioners. It is to be hoped that factual information about the existing structure and functions of institutionally related foundations at public colleges and universities will enable fundraising professionals and members of the educational community to make more intelligent and more effective plans about future courses of action in the area of fundraising in public higher education. Description of such phenomena is the first step in providing a basis for further study, to analyze and explain how and why these foundations operate in the ways they do, and what implications this information holds concerning their effect on the institutions to which they are affiliated (Fraenkel & Wallen, 1996).

The study is significant for several reasons. Primarily, it will add to the store of knowledge concerning the growing activity of fundraising for private gift support in public colleges and universities. It should also enhance the understanding of the nature of institutionally related foundations which exist solely for academic enhancement of institutions of higher education and about which "very few research projects have been undertaken to explore any aspect of" (Brown, 1995, p. 12). By specifically identifying the basis of perceived differences in institutionally related foundations, it will provide necessary groundwork for any further research on the structure and functions of institutionally related foundations, information now missing from the literature. In doing so, it will also help clarify the present status of these foundations, thus informing and enabling fundraising professionals and members of the educational community to make more intelligent and effective plans about future courses of action in the area of fundraising and management of private gift support. It will also assist those institutions seeking to establish or reorganize related foundations.

Definition of Terms

For the purpose of the study, a few terms which have particular meaning in the context of fundraising warrant definition:

Endowment: funds received by the institution as gifts and invested generally in stocks and bonds to preserve and grow the principal and provide income from earnings to support scholarships, professorships, and programs at educational institutions.

Foundation: a non-governmental organization that receives tax-deductible contributions from individuals, corporations, and other sources and then distributes the funds in the form of grants to support some charitable cause or causes.

Foundation Trustee: a voting or non-voting person, elected or appointed, who serves on a board charged with the acquisition, protection, investment, and disbursement of tax-deductible gift funds.

Fundraising: the activity of soliciting private gift support for a nonprofit organization.

Governing Boards: persons elected or appointed to assist in the oversight and policymaking function of an educational institution.

Institutionally Related Foundations: foundations that exist solely for the enhancement of the institution with which they are affiliated.

Non-Profit Organization: an institution or organization that is not required by law to pay taxes on income because the organization does not make a profit on the enterprise which is run for the ultimate good of society.

Planned Giving: sometimes called "deferred giving," it is the process whereby living individuals arrange for charities to receive all or some portion of that person's estate at the donor's death.

Philanthropy: literally "the love of mankind," but generally thought of as the free-will giving of one person(s) to another for some beneficial cause.

Tax Exempt: organizations that do not have to pay state or federal taxes on their income.

Trusts: legal instruments or agreements which hold gift funds intact for the benefit of a specified non-profit or charity.

Unrestricted Gifts: charitable donations given to the nonprofit organization for which the donor does not designate the purpose but leaves the decision for their use up to either staff or a board of the recipient organization.

Delimitations and Limitations of the Study

The study will be delimited to institutionally related foundations at public, four-year colleges and universities as identified by the Council for the Advancement and Support of Education (CASE) in Washington, DC.

The attempt to classify institutionally related foundations by their structure and functions will be delimited to three major aspects, as identified by Simic (1985, 1990, 1993), Worth (1985), and others: how the foundation receives its operating funds, how gift funds are handled and distributed, and how the foundation is governed. No attempt will be made to include other aspects of foundations, such as their size, the fundraising role of trustees, identification of gift sources, or traits irrelevant to this study.

Organization of the Study

The report of the study will contain five chapters:

Chapter 1 will contain an overview of the study including the introduction, statement of the problem, historical basis of foundations, purpose of the study, research questions, the significance of the study, definitions of terms, delimitations and limitations, and organizational format of the study.

Chapter 2 will provide a comprehensive review of related research and literature.

Chapter 3 will explain the research design, methods, and procedures used in the study.

Chapter 4 will present the findings, including discussion and analysis of the data.

Chapter 5 will contain a summary and discussion of the findings, conclusions of the study and recommendations concerning policy and practice and for further research.

CHAPTER II

REVIEW OF RELATED RESEARCH AND LITERATURE

Introduction

Literature was examined in two major areas for this research. To provide background and in order to put institutionally related foundations into a larger context a review was conducted of the history of foundations in the United States. A search of the related research and literature on the specific topic of institutionally related foundations at public colleges and universities provided a summary of what previous researchers and writers have reported on the formation and evolution of these foundations into various subtypes and the structure and functions of the foundations which determine their character. It also revealed that the majority of information on this topic is experiential and anecdotal with a paucity of empirical data.

Foundations

The word "foundation," meaning a non-governmental institution that receives tax-deductible contributions from individuals, corporations, and other sources and then distributes the funds in the form of grants to support some charitable cause or causes, did not exist at the beginning of the twentieth century. Massive private fortunes, unencumbered by high income taxes in the late nineteenth century, inspired unusual philanthropy by such famous families as the Carnegies and Rockefellers, who established endowments for hospitals, libraries, universities, museums and parks. With the advent of greatly increased personal income tax to pay for wars and the growing federal government, these families sought tax relief by diverting huge sums of income into private, tax-deductible foundations such as the Ford Foundation, which was to become the largest of all (Parrish, 1974). By way of these new organizations, wealthy people could make large gifts that, in addition to helping charitable causes, allowed them a favorable tax status.

In a book written for The Foundation Center, Joseph Kiger (1987) defined a foundation as "a nongovernmental, not-for-profit organization, with funds of its own provided by a donor or donors, managed by its own trustees or directors, and with a program designed to maintain or aid socially useful activities and purposes" (p. 3). Foundations, he concluded, were largely a creation of the twentieth century with a wave sweeping over the country in the 1940s, encouraged by the high levels of income tax imposed due to World War II (Andrews, 1965).

Five Generally Accepted Types of Foundations And Their Characteristics

In another source, F. Emerson Andrews (cited in Parrish, 1974), President Emeritus of The Foundation Center, divided foundations into five types which were later confirmed in a classic study by Nason, published in 1975. They include:

1. general or general research, such as the Rockefeller Foundation, whose stated purpose is "to promote the well-being of mankind throughout the world" (Parrish, 1974, p. 17);

2. corporate or company foundations, which usually provide a financial and/or public relations advantage to the company;

3. family or personal foundations, which give living donors a conduit for their own personal giving plus a tax advantage;

4. community foundations, which often combine several funds into one for distribution to meet local needs;

5. and special purpose foundations of a specialized interest. This last category would include institutionally related foundations, foundations established solely for the enhancement of the institution with which they are affiliated.

General purpose foundations, which channel the largest portion of total philanthropic funds, are characterized by a big endowment, governing boards with varied interests, and a professional staff (Broce, 1986). Competition for their funds is keen. In the world of nonprofits the names of many of these foundations are household words: Kresge, Exxon, Kellogg, and the aforementioned Ford and Rockefeller.

Company foundations are set up with profits made by the company. Often, in good times, large sums are added for tax purposes; and in more lean years, when company profits decline, the company can still be philanthropic through the earnings made by these endowments. Many times the recipients of these funds directly or indirectly benefit the company, such as gifts to schools of business and engineering that train and prepare an ongoing supply of company employees. Sometimes the gifts are in the form of support for the arts and other cultural endeavors and are good for the company's image as a good corporate citizen (Broce, 1986).

Community foundations engage in fundraising to build their endowments and often have large boards comprised of local citizens who dispense the funds in ways that benefit the geographic areas in which the donors reside. The beneficiaries include education, the arts, and social causes determined either by the donor or at the discretion of the board. Community foundations also serve as the holding agent for individual or family trusts (see below). Donors to these trusts can then dispense the funds over a period of time but get a tax deduction up front (Broce, 1986).

Independent or family foundations tend to reflect the usually narrow interests of the donor or his or her family.

They do not ordinarily have a formal staff but are administered by the family or its legal representative, such as an attorney. They sometimes come about with the advent of some personal windfall, such as the selling of a family business, as a way to avoid taxes while assisting the donor's favorite charity (Broce, 1986). Nason (1989) pointed out that there are many of these small private foundations with less than $1 million in assets. At the end of 1994, contributions to these were severely restricted by the Internal Revenue Service (Kaplan, 1995).

Special purpose foundations are set up to serve a limited purpose, such as one particular charitable cause (Broce, 1986). As noted, the institutionally related foundation in higher education is considered a part of this group since it exists solely for one purpose, the academic enhancement of its college or university.

Tom Broce (1986), former college and foundation president considered to be one of the definitive experts in the field, described foundations as "unique in the realm of economics; they are the only private agencies created exclusively to transmit money for the benefit of people and institutions" (p. 109). They reflect the decision of people to transmit private assets into a public trust, most often for the benefit of present as well as future generations. They constitute an extension of an individual's freedom to give by turning that freedom over to a board of trustees who assume the legal and moral responsibility for the protection and nourishment of the assets and for disbursing the earnings and/or the capital for the benefit of others (Case, 1965). Yet, most laymen and even fundraisers know very little about foundations in general or their various types (Broce, 1986).

Foundations, however, make a significant philanthropic impact. In 1965, there were estimated to be 15,000 established foundations of all kinds in the United States with \$14.5 billion in assets, making \$800,000 in grants a year (Andrews, 1965). By 1985, there were approximately 23,000 controlling assets of more than \$40 billion and making grants in the range of \$3 billion a year (Broce, 1985). That figure had grown to 37,000 foundations in 1994 worth \$189 billion and distributing almost \$10 billion annually (Kaplan, 1995).

In Europe, where tax deductions are not given for charitable giving, governments are hard pressed to provide needed services provided by philanthropy in this country (Odendahl, 1987).

In America, overall philanthropy figures grow yearly, reaching in 1997 a new high of $143.5 billion given by individuals, corporations, and foundations to charitable causes (Dickey & Marchetti, 1998). The estimated value of volunteer labor given to these same nonprofits far exceeds the billion dollar figure (Kaplan, 1994). The record-breaking stock market in 1997 caused the value of private foundation holdings alone to reach a new high of $126.5 billion (Parade, 1998).

The Institutionally Related Foundation: Its History, Characteristics and Purposes

Institutionally related foundations in public colleges and universities were established initially to protect private gift funds raised over and above state funds (which are often less than fifty percent of total budgets) and tuition and fees, which were also inadequate to cover total costs (Duronio & Loessin, 1991). Historians point to the establishment of The Kansas University Endowment Association in 1891 to explain why public institutions of higher education first established separate private foundations to solicit, receive, invest and distribute gift funds, especially when they were already legally recipients of such tax-deductible monies (Reilley, 1985).

Public universities had come into existence with the granting of a charter to the University of North Carolina in 1789, the purpose being to provide opportunities in higher education to the many students who could not afford private college. In ensuing years, other states followed suit, establishing hundreds of state-funded colleges and universities. Over time, however, state appropriations granted to run these institutions for public higher education decreased proportionately, while the need for extra funding grew. Concerned citizens, alumni and friends of these institutions responded in the same way as they had to the private schools, such as Harvard and Yale, by making monetary gifts (Reilley, 1985). Alumni Associations were begun in public institutions in the 1830s with membership dues designed to raise funds. Within a few years, Alumni Funds, based on ability to give rather than on dues, took precedence and replaced the Alumni Associations (O'Steen, 1986). Many of these gifts were not given just to supplement operating budgets but were designated for particular uses or restricted to the programs in which the donor or donors had a special interest.

In the late 19th century, the state of Kansas seized all private funds given to the University of Kansas and applied them to the university budget, thus reducing the state's obligation. In reaction to this drastic move, which appropriated even restricted gift dollars for use in meeting general operating costs, the Kansas University Endowment Association was established by the University to protect gift funds. This had the effect of creating a private system within a public system for the purpose of raising and investing funds for the University while functioning independently of the institution. It was the first institutionally related foundation.

The new organization was private in the sense that it functioned legally apart from the public institution, keeping private gifts from becoming public budget funds. One observer explained this phenomenon by calling it "the decision of people to transmit private assets into a public trust for the benefit of present as well as future generations" (Case, 1965, p. 13). He considered it an extension of an individual's freedom to give by turning that freedom over to a board of trustees who assumes the full legal and moral responsibility for the protection and nourishment of the assets and the disbursement of earnings and/or capital for the benefit of the public. These foundations are public in the sense that they devote private resources to public purposes, such as state colleges and universities, but they are "privately organized public institution(s)" (Nason, 1989, p. 14).

Institutionally related foundations have, since their establishment slightly more than 100 years ago, evolved to serve many purposes. The reasons for establishing university related foundations include: establishing credibility that gifts will be spent as the donor wishes, marshaling volunteers on behalf of the institution, fostering charitable trusts and other planned gifts, increasing investment potential of endowments, curtailing political intrusion of legislators looking for ways to reduce funding of public higher education, and circumventing laws that prevent flexibility in investing and spending gift funds.

The most significant writings on this subject have been authored by veteran fundraiser Curtis Simic (1985), head of the Indiana University Foundation. He has affirmed that removing private gift dollars from the state coffers is still a valid reason for establishing a foundation. He notes that in some states, legislators, who are increasingly eager to reduce state budgets, continue to look at the total private gift dollars that come in and contemplate reducing the university's appropriation by an equal amount. Simic argues that donors of large gifts normally make the gifts because they believe in the institution and think the addition of their gifts can make the difference between a good, basic educational program the state is obligated by law to provide and one that achieves real excellence. When asked to funnel gifts into the operating budget and for basic things such as salaries and buildings, donors ask, "Why isn't the state fulfilling this need?" (p. 26). Since many already feel that the state is taking a substantial tax bite out of their income, they are disinclined to contribute to the general pool so that state appropriations can be reduced.

Expectations that the fundraising done by nonprofits, such as institutionally related foundations, and government mirror each other runs counter to the American experience. Donors do not give to displace state-obligated funding. With their gifts to nonprofits, they desire to do much more than provide essential services (Kaplan, 1995). This is the picture that also emerged in the development of institutionally related foundations, which were designed not to supplement budgets but for academic enhancement beyond budgetary limitations.

Simic (1985) identified two additional reasons that a tax-exempt organization, already qualified to receive gifts under state and federal statutes, would opt to form a foundation. One is to give greater flexibility in receiving, spending, and managing gift income than the public institution is able to offer. The other is to provide meaningful volunteer involvement.

The Flexibility of Foundations

Many states have inflexible policies and procedures that are applied by law to the expenditure of state funds. These often preclude the ability of the university and its administrative officers to take advantage of opportunities that arise unexpectedly and to act on them with dispatch. Private foundations and their boards of trustees offer that flexibility, while in-house fundraising activities are constantly subject to state intervention. State law controlling the investment process of state monies is limiting to colleges and universities (Reilley, 1985). Institutions may be prohibited from investing in equities (Simic, 1993). The University of Tennessee (UT), for example, has state policies which prevent the University from setting up certain kinds of trusts that could possibly cost the university money. Foundations, on the other hand, can take that risk. UT hesitates to assume responsibility for holding gifts of property for any length of time, usually opting instead for immediate sale. For tax reasons, private individuals often wish gifts of real property to be held for a period of years, thus encumbering the donee (the institution) with taxes and upkeep. It has been the researcher's experience as foundation liaison that UT does not want to take that responsibility nor the risk, while the University of Chattanooga Foundation at the UT Chattanooga campus, will do so under some circumstances, usually when the trustees feel it is worth the calculated risk.

Risk is a necessary feature of progress and the effort to maximize expected revenues net of fundraising costs (Lee & McKenzie, 1993; Rose-Ackerman, 1986). For example, by expanding the amount of information available before proceeding into whatever venture (such as funding a new program that could fail or handling a trust which may defy actuarial tables, causing the payout possibly to exceed the corpus), foundations can convert future uncertainties into matters of informed risk. Institutionally related foundations can serve this function while a public college or university ordinarily falls into the usual nonprofit category of "risk neutral" (Rose-Ackerman, 1986, p. 336). Risk is "the differential required to induce capital to attempt uncertain ventures" (Seligman, 1962, p. 267). In other words, it is the possibility of great gain, represented by risk, that entices many to invest in attractive, but by no means guaranteed, ventures. Indiana University Foundation, for example, earned 18.8 percent return on its investments in 1989, while Indiana University itself, prohibited from investing in equities, earned only 8.3 percent, and this represented its best year ever (Simic, 1993).

Andrews (1965) has posited that "the funds of foundations are in part venture capital, their usual purpose is not relief or even cure, it is prevention, research, and discovery" (p. 5). Foundations are the only important agencies in America, he claimed, "free from the political controls of legislative appropriations . . . and free from the necessity of tempering" (p. 5) decisions to cover only ventures considered safe. They can support ideas and programs that would have difficulty in finding support from other private sources or from government. Foundations generally are free to be risk takers. Andrews called them "an ingenious invention" (p. 6), which makes them particularly valuable to campuses in regard to program development, but also in times of economic stringency. Lewis A. Coser, author of the book, Men of Ideas, a Sociologist's View, was quoted as calling foundation trustees "the gatekeepers of ideas" (Nason, 1989, p. 39).

Volunteer Involvement

Foundations provide opportunities for meaningful volunteer involvement, another reason Simic (1965) cited for establishing foundations. In his pamphlet, The Role of the Foundation Board, Simic (1990) wrote that foundations offer "expanded opportunities for making 'insiders out of outsiders'" (p. 1) by engaging more individuals in service to the institution and providing important volunteer posts not covered by the governing board. Various studies have shown that governing boards of public universities, such as the board of trustees, do not have the advocacy function that they do in private colleges (Worth, 1985; Simic, 1990; Brown, 1995). Institutionally related foundations fill this gap by appealing to community and business leaders whose task by definition of service on the board includes attracting gift dollars (Brown, 1995).

Foundation trustees themselves, often representative of large businesses and corporations, also tend to be attracted to service on boards because they like the risk taker role in giving, argued Simon (1986). They are not concerned with gaining approval for what they do, he said. They can "launch or give early support to a new enterprise or experiment, a trial balloon in education, the arts" (p. 254), when judged too risky or politically inappropriate for the institution's tax-appropriated funds or when government funds are not available. He quoted a passage from one foundation's annual report which helped explain both the attractiveness of service on such boards and the support which often results:

> Private philanthropic organizations . . . may be many-centered, free of administrative superstructure, subject to the readily exercised control of individuals with widely diversified views and interests. Such characteristics give these organizations great opportunity to initiate thought and action, to experiment with new and untried ventures, to dissent from prevailing attitudes, and to act quickly and flexibly. **Precisely because they can be initiated and controlled by a single person or a small group**, they may evoke great intensity of interest and dedication of energy (p. 254).

Being able to exercise power spells meaningful involvement to many. Simic's (1990) view of this subject was that while every donor to a college or university figuratively becomes an investor, it is those volunteers who are charged with the management of those funds, that is the foundation's board of trustees, who become its greatest advocates and often its most significant donors.

Foundation trustees are most often wealthy individuals whose likelihood of giving is well-documented, another aspect of the advantage of volunteer involvement. Trustees, who are oftentimes not even alumni, are selected primarily for their potential as donors or their skill at approaching others with wealth on behalf of the institution (Worth, 1985). Schervish (1995), who studied modern trends over a period of several years, found that individuals with yearly incomes above $100,000 showed a dramatic increase in the percentage of income they contributed annually. He concluded that the popular notion of the "generous poor and the stingy rich" (p. 4) was simply incorrect. As early as the 1970s, a study claiming to be the first full-scale national survey on philanthropy found that giving money tended to be concentrated among persons with higher incomes (Morgan, Dye, & Hybels, 1979). It found that upper-income households give more absolutely, but also more in relation to income. Even among less wealthy individuals, it was found that involvement with the charity resulted in the highest percentage of giving.

Lindeman, quoted by Nason (1989) in his study of college and university trusteeship, described the typical trustee in 1930 as:

> . . . a man well past middle age; he is more often than not a man of considerable affluence, or one whose economic security ranks high; his social position in the community is that of a person who belongs to the highest income-receiving class of the population; he is, presumably, 'respectable' and 'conventional': and belongs to the 'best' clubs and churches, and he is associated with men of prestige, power, and affluence (p. 41).

Not much has changed. Odendahl (1987) in a book on America's wealthy donors and their charitable attitudes concluded that many millionaires are philanthropists and serve on boards out of the belief that "personal responsibility comes with possession of wealth" (pp. 227-228), but also may regard charitable giving as "an alternative, or even a trade-off with, consumption" (pp. 225-226).

Kaplan (1995) noted that nearly all upper-income and wealthy households are already donors and need only to be provided a reason to contribute to a particular organization. Engaging the very generous givers in the work of the organization, such as becoming "associates" (p. 53), tends to have this effect.

> Therefore, having on the foundation board a group of affluent and influential volunteers is a great asset to the institution in obtaining private funds . . . . Work, wisdom, and wealth are the essential ingredients, and the more people who contribute all three, the more successful the institution will be in fulfilling its mission (Simic, 1990, p. 4).

In addressing the foundation/university/volunteer relationship Simic (1985) argued that in addition to having volunteers and ex-officio university members, a foundation board should continually seek faculty and administrative input and involvement in a variety of ways, such as setting priorities for board funding and staying in close contact with donors. "The closer the beneficiaries of philanthropy are to those seeking support for them or making the actual gifts" he wrote, "the less the chance of misunderstanding and the greater the chances for continued support" (p. 28).

Meeting the Need for Educational Dollars

Brown (1995) found evidence that "fund raising clearly has become an increasingly important component of maintaining the health of higher education institutions"

(p. 5), as the availability of federal and state dollars shrinks. Worth (1985) lamented the fact that available dollars continue to shrink as higher education no longer holds the high national priority that it did in the "golden age" (p. 2) of the 1960s and that because of this change of attitude, public support, at best has been stable, but in many cases, has diminished. To add to this growing problem, Broughton (1965) concluded that in higher education "tuition never meets the need any more than memberships support an art museum" (p. 23). Increases in state allocations and rises in tuition and fees are unlikely to bridge the gap because they have historically never done so and are declining even further. But in response to the need, donors have responded so that private giving to education alone reached approximately $21.5 billion in 1997 (Dickey, 1998).

Although most state universities are relative newcomers to fundraising, more and more have gravitated into seeking philanthropic dollars because state appropriations cover less and less of the costs which produce educational program quality, rather than just operations or expansion of existing programs (Leslie, 1985). Most refer to themselves as "state-assisted", pointing out that the state provides only the necessities, such as buildings and operating budgets, but gifts provide the "margin of excellence" (Worth, 1985, p. 4). Private gifts spell the difference between merely adequate and truly great institutions of higher learning. Private gifts often supply the scholarships, professorships, program startup funds, state of the art equipment, research funds, faculty and staff development, and many other extras not possible with state appropriations but which bring public universities more in line with programs usually characteristics of the best private universities (Worth, 1985).

Institutionally related foundations have provided a means to promote and strengthen that philanthropy, while giving greater flexibility to the institution in its use of gift funds (Odendahl, 1987). Foundations are seen as an increasingly viable way to increase and manage private gift support (Broughton, 1965).

Creating a Foundation

Even though they have proven to be highly effective, institutionally related foundations are also "extremely complex and fragile", warned Simic (1985, p. 35). He advised those considering such a move to consider all aspects.

Creating an institutionally related foundation in order to step up fundraising activities and gain flexibility in receiving, managing, and appropriating private gifts is not without its pitfalls. Just establishing an institutionally related foundation at all may require a specific legislative act if it is not possible to obtain such a charter under existing legislation (Leslie, 1983). Foundations fall under section 501(c)(3) of the Internal Revenue code for private corporations, and contributions made to them (in this case, nonprofit universities) are deductible for federal income tax purposes (Simic, 1985). No clear picture emerges from the literature as to the advantages and disadvantages of differences between the existing foundations, only inferences as to what in the operation of the foundation determines the institution's control over it.

Once the charter or act of incorporation is in place that allows the foundation full tax-exempt status, other important considerations must be addressed. Operational issues to be considered include the size and makeup of the board, the method of its election or appointment, and the other elements that define the nature of the relationship between the foundation and the institution (Leslie, 1983). For example, if there are to be ex-officio administrators or university personnel on the board, then there needs to be a document that clearly defines their powers and responsibilities. Also, flow of financial information and guidelines for auditing procedures are additional primary considerations. Articles of incorporation and initial bylaws should address all of these issues, lest one "frequently encounter unforeseen policy and management problems" (Leslie, 1985, p. 40).

An attempt was made in 1993 by the Council for the Advancement and Support of Education (CASE) to address some of these problems and to establish a data base of information about foundations. A copy of the survey is included as Appendix A. It was the first such effort. CASE mailed 839 surveys to two- and four-year college institutionally related foundation executives and received an 86.5% response. Of these 341 were four-year institutions. Ten of the 30 questions dealt in whole or in part with issues of structure and functions of the foundations that were indicators of their relationship with their institution. These concern the areas of control the institution is able to exert over the business matters of the foundation. The resulting data suggested that most foundations have a good relationship with their institutions, and that eighty percent of their executives hold a dual title, one for the foundation and one for the institution. Yet, when reporting the estimated division of time for each, the data did not mirror a 50% time split. And, a large number did not indicate they had formal operating agreements with the institution, which could serve as a final authority should controversy arise. This indicated the need for stronger formalized relationships, even if informal relationships are strong, in order to protect the foundation and its private gift funds. Although the information from this early survey served as a valuable guide to further study, it was incomplete and dated, leaving out such important considerations as use of tax appropriations for fundraising, control over distribution of funds, and methods of determining distribution.

In a second survey conducted by CASE and the Association of Governing Boards (AGB) in 1995, 827 public institutions of higher learning received a questionnaire. It is also included as Appendix B. Useable responses were received from 482, a response rate of 58.3%. Of these, 191 identified themselves as being affiliated with four-year colleges and universities. This extensive survey of 48 questions was an attempt to learn in more detail the characteristics and duties of foundation boards. Many questions went unanswered simply because, AGB believed, the respondents did not have access to, or had not gathered, some of the data requested. Sources of operating revenue and policies for allocating income seemed the most puzzling to respondents. A clear picture did not emerge from either of these surveys concerning the structure and functions of institutionally related foundations nor from any other empirical source. What did become clear in the literature was the growing importance of institutionally related foundations as a fundraising tool in public higher education and the need to define their relationships with their parent institutions.

It is the interface between the institution and the foundation that appears to influence the structure of the foundation and forms the basis for categorizing institutionally related foundations. Reilley made an assessment in 1985 that most institutionally related foundations were integrated with their institution in relation to how they operated and the functions they performed. Simic (1985), however, had suggested that there were many subtypes which he did not name. His anecdotal and experiential conclusion was that all appeared to be variations of the integrated foundation or a second, largely independent form. He addressed some of the characteristics of the two, with which he was most familiar at the time, as follows;

> 1. <u>The largely independent foundation</u>. In this first form, the foundation's board of trustees does not include officers or trustees of the institution. The executive director does not have a dual title within the university but reports directly to the foundation trustees, not reporting through any university officer. The president of the university helps to set the fundraising priorities for the foundation, particularly if the foundation is functioning as the development office for the university. However, those priorities are not automatic; they must be accepted and approved by the foundation board of trustees prior to being implemented. The university president has to request the use of unrestricted gift dollars and the foundation board must approve the request before the funds can be expended. Generally, the foundation generates the entire operating budget in this situation.
> 2. <u>The more integrated foundation</u>. In this model, the foundation is tied formally into the university. The foundation board of trustees often includes members of the university's board of trustees or regents. University officers are also included on the board of trustees, generally as ex-officio, nonvoting members. The idea is to involve them, but retain an arm's length relationship with the foundation (p. 28).

Generally, Simic (1985) found that university administrators acted as liaisons between the institution and the foundation. There was, he added, most often an executive director of the foundation who carried two titles: executive director of the foundation and director of development for the university. He or she in turn answered to a vice president for institutional advancement.

However, The University of Chattanooga Foundation at the University of Tennessee at Chattanooga, established with the corpus of the former private college's endowment, falls into neither of Simic's categories clearly as it has no paid staff nor operating budget but is run totally by its volunteer board with university staff assistance in hosting meetings, receiving and recording gifts, and printing an annual Chancellor's Report to the Foundation. All costs are borne by the university, so in a sense it is both dependent (financially) and independent (no voting university personnel or paid staff). It is a mix of the two models.

Worth (1985) pointed to still another, less common subtype, the auxiliary corporation that was developed to administer industry-university partnerships for research which would be impossible without such an organization.

Public systems are not equipped to handle the kinds of contracts, transactions, and funding commitments required by such partnership arrangements. Isolating such programs both legally and financially from the ongoing work of the university is sometimes sensitive, but also offers advantages. The use of this kind of institutionally related foundation is another example of creating a private system within a public system for the purpose of serving the university but functioning independently of it. It is not clear if this subtype has a board of trustees.

Reference also appears in the literature to student-operated foundations (Bailey, 1987). Georgia Institute of Technology students established the first in the country of this subtype in 1987 and raised an endowment, managed the investments, and granted the earnings entirely on their own.

Additionally, mention was made of the "foundation-like" organization which Harvard University and others are reported to be establishing to handle multiple-recipient trusts (Nicklin, 1995, p. A47). Harvard is among a few institutions now offering to manage these foundation-like organizations for donors willing to commit at least $1 million to a fund which must benefit Harvard but can also include a few other charities. Brandeis University has set up several of these special funds at lower levels, a move that Lori Goldstein, planned giving director, admitted can be "risky" (p. A48). The rationale for Brandeis was that donors need "a comfortable entry level" (p. A48), which the school hoped would lead to subsequently larger gifts.

More of this subtype are likely to occur as colleges scramble to claim their share of an estimated $10 trillion in wealth which economists predict will change hands by 2040 (Nicklin, 1995). This generational transfer of wealth, unprecedented in history, will occur as the assets of elderly American parents pass into the hands of baby boomers, those 76 million persons born between 1946 and 1964, who started turning fifty in 1996 (Lewis, 1995).

There are possibly additional subtypes and what identifies them is their function and the degree of autonomy in relation to their institution. What we know is that the method of funding the operational and personnel requirements of the institutionally related foundation is one indicator of that autonomy. There is no universal pattern for whether or not state funds can be used for this purpose, but in some states, law, policy, or "simply the attitude of state officials" (Worth, 1985, p. 10) can prevent or at least seriously hinder the efforts of a public college to use state funds to raise private gift support of any kind, even within the confines of the university development program. This, in effect, forces the foundation to be independent and to have to fund itself, even though past experience has proved that "one of the best investments universities have made in the past 20 to 30 years" (p. 58) has been money spent by colleges and universities in launching institutionally related foundations. Gift funds have paid back from 20-to-1 up to 100-to-1 times and more (Wyrick, 1985). Even so, allocating university funds to operate a foundation can be politically unpopular on the campus. "It (funding the foundation) is," noted Simic (1985), "the most difficult issue facing a foundation affiliated with a public institution" (p. 32).

Simic's first subtype, the largely independent foundation, generates its own operating budget, taxing gifts in a variety of ways to pay salaries and operating expenses. In the more integrated but not totally dependent foundation, expenses--and staff--are shared. The university may contract with the foundation to do functions that would have to be handled by the state employees if the foundation did not exist. These functions include updating alumni records, hiring fundraising personnel, providing office space, etc.

Noting that there are countless combinations for funding foundation operations, Simic concluded without being specific, that there are at least "a dozen or so basic approaches" (p. 32). The arrangement, which he prefers where possible, is that of direct, one hundred percent institutional funding of development salaries and operating expenses. One of the reasons there is debate about the autonomy of institutionally related foundations is that most start out being financed in-house and then become self-sufficient as they grow (Leslie, 1988). This has the effect of neutralizing the influence of political maneuvering based on funding source, but it also causes concern by some university presidents and trustees that they are losing control of an administrative unit which has significant resources (Brown, 1995). Out of this sometimes grows competition between the two entities (Lemish, 1981; Simic, 1985).

The attractiveness of total institutional funding for operating a related foundation is that it guarantees that every gift dollar goes where the donor intended and funds do not have to be skimmed off gifts to fund foundation operations (Simic, 1985). Unrestricted gift dollars are often diverted from the academic program for this purpose. The danger of this for fundraisers is that they may be preoccupied with extracting unrestricted dollars from donors in order to run their development program and pay their own salaries. Will the institution or the foundation be more likely to try and divert gifts from designated purposes to other uses, setting up a competitive situation for dollars (Lemish, 1981)? This may put the development staff at odds with campus schools and colleges who need funding for specific purposes. Yet, Simic (1985) defended such use of unrestricted gift income, saying in his opinion it is "unavoidable" (p. 33).

Cooperation and coordination between the development staff and individual unit administrators and faculty of the university is necessary so that faculty understand that the foundation is an entity functioning directly and specifically for them, again avoiding misunderstanding about funding and friction between the two. This is particularly important when operating costs are taken out of funds raised by taxing gifts and a portion of the earnings. This procedure effects donors, also, in that they want to feel that funds are being solicited for the institution's priorities, and they may be reluctant to pay what amounts to "overhead" (p. 31) on gift income.

Distribution of Income

We also know that the method of distribution of the unrestricted gift funds and earnings by the foundation is another indicator of the degree of autonomy and independence of the institutionally related foundation. Several processes have been designed to accomplish dissemination of funds not restricted, i.e. not earmarked for specific programs or purposes. One is to turn over the funds to a faculty committee who assists the academic vice president in making decisions about how best to allocate the extra dollars. This separates the foundation and the institution in the control of funding. University faculty who have this kind of power view the foundation favorably, approving of foundation trustees and development officers who "go out and raise funds but leave its spending to the educators" (p. 31). Who has control of these funds is an important consideration in determining how the foundation functions. Some institutionally related foundations make block grants, either to the academic vice president or to the president, to be used where the need is greatest. This gives top administrators the wherewithal to take advantage of unusual opportunities. "In either case," said Simic, "the board should not adopt the posture of having to approve individual expenditures" (p. 32).

When the foundation invites the faculty to apply for the unrestricted surplus earnings, as another method of expending surplus funds, foundation trustees, who do not want to be vulnerable to criticism in making academic decisions they are perceived as not qualified to make, involve the academic side of the university before finalizing allocation decisions. It is this kind of deliberation, often extensive and involving foundation and university, which results in a greater understanding and awareness by the board of university priorities. If the foundation board must approve the final distribution, it maintains its independence from the institution (Simic, 1985).

However distributed, it is evident that the availability of these funds, represented by endowment earnings from institutionally related foundations, is considered a boon to colleges and the "icing on the cake" (Loveridge, 1994).

Conclusion

The popularity of establishing institutionally related foundations parallels the continuing push for higher levels of fundraising in public institutions. Economic stringencies of inflation, rising instructional costs, and insufficient and shrinking state appropriations are causing public institutions of higher education to seek additional ways to attract and use private gift support. A June 1992 issue of Standard & Poor's Creditweek Municipal looked at the unprecedented pressures faced by colleges and universities today: declining student populations, tuition constraints and the possibility of more sharp cutbacks in federal support. It assessed higher education's management ability to foresee and plan for potential challenges as one way to survive. They reported that aggressive universities saw these things coming early and intensified fundraising efforts to compensate.

Strong endowments, often represented by the presence of an institutionally related foundation, were seen as important in evaluating higher education creditworthiness in bond issues. (They also serve as a substantial financial cushion which is important in an institution's ability to withstand sizable state appropriation cuts.) For example, the University of Michigan applied to Moody's for an upgrade in its credit rating, based on the success of a capital campaign which greatly enhanced its endowment. Universities carefully lay claim to their foundations, even if highly independent, so that a problem does not arise when a college's financial statement obscures the true extent of available endowment resources available exclusively to the institution and represented by its institutionally related foundation (Muir, 1994).

In pointing out trends predicted in the 1970s by the firm of Brakely, John Price Jones, Inc., for fundraising in state institutions in the 1980s, the building of strong, independent foundations was named as one of the most decisive for successful fundraising (Worth, 1985). It was a prediction that was to come true, as the decade of the eighties was to see the greatest growth of all time in new institutionally related foundations (Hedgepeth, 1993). Possibly, the 1990s will exceed even that figure.

As a free standing alternative to the governmental process, but existing for the public interest, foundations provide a means to promote and strengthen organized philanthropy. It would be in our best interests as Americans, asserted John A. Joseph, president of the Council on Foundations, to determine "what strategies may be appropriate in encouraging and promoting" their growth (Odendahl, 1987, p. vi). Because fundraising has become so important to public institutions, colleges and universities must identify and consider all of the various strategies that will aid their quest for private funds. One such mechanism with proven results in the institutionally related foundation (Simic, 1990).

> As seen by their admirers, institutionally-related foundations, governed most often by an independent board of directors composed primarily of alumni and friends, and operating as both fund-raisers and money managers, can provide a margin of flexibility and excellence, and a measure of fiscal stability to their related institutions (Brown, 1995, p. 9).

At issue are a number of challenges, many indicated by the foundation's structure and functions, which determine the institutionally related foundation's independence as a private, not-for-profit corporation or an arm of the university and subject to this control. "Florida is so heavily regulated governmentally," said one advancement vice president, "that a foundation is the only chance for flexibility" due to its independence from political forces and government regulations (Brown, 1995, p. 54). A regent in the same state said, "I am in favor of making it clear that all foundations are ultimately controlled by the university" (Brown, 1995, p. 55).

Thus the argument goes on concerning which form works best, and the relationship between the foundation and its university was identified in a 1991 AGB survey of foundation executive directors as a top issue facing them in the 1990s (Brown, 1995). In 1983 Worth surveyed 100 foundations at public institutions across the country on the subject of this relationship, but the information was limited and since that date, no research project has been undertaken which specifically identifies the subtypes, the structure or functions of these foundations which determine the nature of that relationship. Since this is so important an issue in conducting the business of a university and its related foundation and is a primary consideration in fulfilling the foundation's obligation to protect and nurture private gift support, an updated and more comprehensive descriptive study is imperative before additional work on the effectiveness of foundations can be done. This study will begin to provide the needed information.

Summary

The review of the related literature revealed consensus among fundraisers writing about what they thought constituted structure and functions of institutionally related foundations; but also that there was a lack of organized, empirical data on the subject. The only two existing studies, both done by the Council for the Advancement and Support of Education, are dated and incomplete.

There is an extensive body of literature on the history of foundations in general and on institutionally related foundations specifically, but it is mainly anecdotal. Curtis Simic, whose writings are the most current on the subject, puts institutionally related foundations into two main subtypes, dependent and independent, but mentions the possibility of other types, which is also suggested in the literature. No research studies have been conducted on foundation subtypes, but they have a bearing on the way institutionally related foundations are formed and operate in relation to their institution.

Historically, foundations have grown substantially in public colleges and universities. It is surprising that there has been little investigation into this vehicle for growing and protecting private gift funds, which is needed more than ever as the proportion of tax dollars directed to higher education shrinks.

CHAPTER III

METHODOLOGY

Introduction

The purpose of the study was to describe the structure and functions of institutionally related foundations at public, four-year colleges and universities. Chapter III provides a description of the design, methods, procedures, and data collection and analysis used in the study.

Design

Although there is considerable discussion and inquiry into the role of institutionally related foundations in fundraising in higher education, there is a paucity of information which defines their relationship with their institution. An exploratory, descriptive study was thus seen as an appropriate way to begin to collect basic information about the structure and functions of institutionally related foundations. A survey method was chosen to collect data from as large a number of such foundations as would be possible.

Selection of Subjects

The Council for the Advancement and Support of Education (CASE), the professional organization for fundraisers in education, maintains a database of all colleges and universities with related foundations. CASE's list of public foundations and the persons in charge of their administration became the basis for the study population. Two-year institutions' foundations were excluded since most exist in name only and operate without fully developed staff or boards (Simic, 1985). All of the 409 four-year, public colleges and universities with institutionally related foundations identified by CASE became the subjects for the study.

Instrumentation

Data were collected by way of a survey questionnaire, mailed to the entire population. The instrument consisted of two major parts with a total of 44 questions. The first 24 questions dealt with the structure of the foundation and included subheadings which addressed staffing, membership and operation. These questions were a further attempt to identify whether the institution or the foundation controls the structure of the foundation. The second 20 questions concerned the functions of the foundation including how it receives funding, disperses earnings, and decides priorities. This section was an effort to determine the degree of independence or dependence the foundation exercises in carrying out the functions of its business.

Thirty-two questions were answered by marking "yes," "no," or "don't know." Of the remaining 12 questions, eight presented a list of choices from which the respondent was asked to select and mark the one or ones which describe his or her foundation. Two questions were an attempt to determine the allocation of institution staff by percentage who work either full-time or part-time on foundation business. One question allowed the respondent to describe the relationship of the foundation board to the institution along a continuum. A final open-ended question gave the respondent an opportunity to add additional information he or she felt would be useful or related to previous questions. A copy of the final instrument, called the Institutionally Related Foundation Survey (IRF Survey), appears in Appendix C.

Twenty-seven of the 44 questions were taken from two previous surveys, one developed and used by CASE and the other by CASE in cooperation with the Association of Governing Board (AGB). Since the purpose of the previous surveys was not to describe foundations' relationships to their institutions or to determine subtypes by structure and functions, which was also a focus of this study, only the 10 questions from the CASE survey and the 17 from the CASE/AGB survey that related to the purposes of this study were borrowed. A letter from CASE granting permission for use of the questions from their survey appears in Appendix D. The data from the CASE/AGB survey were purchased with the assistance of CASE from Monalco, Inc., the company hired to conduct the survey.

The questions taken from the CASE and CASE/AGB instruments were amended where necessary to secure more complete information. For example, the CASE/AGB question number 13 asked if the foundation has a policy for allocating unrestricted income. Since knowing who has control over how that income is allocated is important to determining the foundation's independence or dependence on the institution, it was critical to amend the borrowed question to ask this follow-up question: Does your foundation board exercise complete control over the distribution of unrestricted gifts and earnings (Question II-9)? A copy of the CASE survey which is included as Appendix A and a copy of the CASE/AGB survey as Appendix B, both have attachments outlining the pertinent questions chosen from each.

Additional questions were developed to elicit necessary information not addressed in the two CASE surveys. These 16 questions were derived from Simic's (1985) descriptions of the institution/foundation relationship and the subtypes of institutionally related foundations he anecdotally identified. The questions addressed how unrestricted funds are allocated (Questions II.13 and II.14); whether the institution or the foundation has control over the business and financial affairs of the foundation (Questions I.I and II.2 under Staff); whether or not the foundations have become more or less dependent since their beginnings (Question I.8 and I.9 under Operation); whether or not funds are raised separately for the institution and the foundation (Question II.6); whether gift funds are held by the institution or separately by the foundation and who has control and accountability for how funds are spent (Questions I.6, I.7 under Operation and

II.7, II.8, and II.15); whether the state permits use of tax appropriations for fundraising purposes (question II.1); whether institutional officers are involved with the investment process of the foundation (question II.16); whether or not these foundations fall into identifiable groups that have similar characteristics (question II.19); and, a clarifying question (II.11) extending a borrowed question on who sets the institution's fundraising priorities to ask if they are the same as the foundation's fundraising priorities.

The strategy of using the same language and appearance of the previous surveys was used to minimize the problem of confusing terminology and possible unfamiliarity with survey instruments.

In order to refine the instrument, and to evaluate for clarity, appropriateness of questions, and design, the constructed survey was field-tested on five professional fundraisers in the field who would not be included in the actual study. On the basis of conversations with them and their written remarks, changes were made. Suggestions from this group included adjusting wording for easier understanding, such as using "if you answered yes . . ." instead of simply "if yes . . ." to qualify answers.

The questionnaire was then reviewed by the director of the UTK/UTC Graduate Center, Dr. Dan Quarles, who offered further suggestions and revisions related to accuracy in design to reduce error for purposes of reporting the data. Examples of revisions included changing terms to provide consistency in language where different terms had been used to mean the same thing, such as always using the term "institution" in the survey instrument instead of alternating it with "college" or "university."

Procedures

Using mailing labels supplied by CASE, the survey was mailed to all foundation officers in the study population. A cover letter, a copy of which is included in Appendix E, explained the purposes of the study, what respondents were asked to do, what would happen with the data, and the safeguards employed to protect institutional identity.

The gathered data were housed in a locked file cabinet in the Office of Development at the University of Tennessee, Chattanooga campus until they were sent in their original form to CASE. Approval was sought from the Committee on Research Participation at The University of

Tennessee for research involving human subjects, and all ethical principles described therein were followed.

Enclosed in the mailing was a self-addressed, labeled and stamped postcard, which the respondent was asked to return separately. It indicated two things: (1) that the completed questionnaire had been returned under separate cover by the foundation identified on the label, and (2) whether the respondent would like a summary of the final results of the survey. This offered an incentive of receiving information on the results in return for participating and also aided in follow-up efforts to increase the number of institutions responding by identifying what institutions had responded while at the same time protecting their identity. When the goal of 70% response had not been met after approximately two weeks, a follow-up postcard was sent to the institutions from which no reply had been obtained. Copies of the postcard are attached to Appendix E. When the response rate was still not met within a week after this mailing, an effort was made to insure that those responding were not a biased group but reflected the total population. This was done by selecting a sample of a dozen foundations not responding and calling them on the telephone or sending them electronic mail. The foundation representative was asked two things: (1) if he or she received the survey and, if so (2) the reason for not returning it. If the reason was that the person had it at the bottom of a stack of correspondence to which they intend to respond or that they simply had not had time to respond, or some other reasonable excuse for not responding, they were asked to answer over the telephone survey question number 19, which asked them to consider several characteristics based on the literature concerning institutionally related foundations and to put their foundation into one of the categories described. If they were able to do this and the sample showed that the foundations could by a description of their structure and functions put themselves into categories, this helped confirms that the original sample was not biased. However, if they could not answer this question, which may have indicated some problem (perhaps that only those foundations who can do this easily have responded) it could have indicated bias of some sort. Of the 12 additional contacts, four were reached by telephone and easily placed their foundations into either the dependent or independent subtypes. Of the eight remaining, who were contacted by electronic mail, seven responded in the same manner as above, and one failed to respond at all. At this point, an effort was made with an additional follow-up letter to encourage non-respondents to return the survey by answering all of the questions for which they were able to give answers. A copy of the follow-up letter is included as Appendix F.

Data Collection and Analysis

The objective items on the returned questionnaires were numerically coded and the data entered for computer analysis using the Statistical Package for Social Sciences. Results were tabulated to show the number of responses and percentage of the total responding to each question. The content of responses were categorized by variables in order to see what the elements in the structure and functions of foundations might identify them by subtypes based on their relationship to their host institutions. Simple frequency distributions, modes, medians, and means, where appropriate, were reported. The results were then used to describe the structural characteristics and functions of institutionally related foundations at public, four-year colleges and universities.

CHAPTER IV

FINDINGS OF THE STUDY

Introduction

The purpose of the study was to describe the structure and functions of institutionally related foundations at public, four-year colleges and universities. The research questions guiding the study were:

1) What are the structural characteristics of institutionally related foundations at public colleges and universities?

2) What are the functions of institutionally related foundations at public colleges and universities?

A questionnaire was used to collect information. The first section contained 24 questions addressing the staffing of the foundation, the membership, the foundation's relationship with the institution, and the operation of the foundation. The second part of the survey, which contained 20 questions, addressed how the foundation functions and into which subtype it fell. In all there were with subquestions included 66 questions. It was mailed to 409 institutionally related foundations at public colleges and universities and returned by 151 (36.91%) of them.

What has been reported by the respondents provided a useful in-depth profile of the structure and functions of institutionally related foundations. The objective items on the returned questionnaires were numerically coded, and the data entered for computer analysis using the Statistical Package for Social Sciences for tabulation. The responses to the subjective items were summarized with examples given of the most frequent responses. Findings and results of the study are reported and discussed in this chapter according to the research questions guiding the study, and then a comprehensive picture of those results is compiled in the summary.

Research Question 1

What are the structural characteristics of institutionally related foundations at public colleges and universities?

The first of the two major sections in the survey was formulated to discover how institutionally related foundations at public colleges and universities were organized. The first six questions addressed staffing.

Chief Executive Officer

More than 90% (90.1%; 136) of the 151 institutionally related foundations responding indicated they operated with a chief executive officer (CEO). The remainder (9.9%; 15) replied that they held no title in their role of foundation head or liaison to the institution. Based on Simic's description of a dependent foundation as not having a separately paid staff, the "no" response was considered evidence that the institutionally related foundation was so closely related to the institution and dependent on it that the person running its day-to-day operation was likely to be a full-time employee of the institution.

Table I displays, in descending order, the titles used by the 136 foundations that reported they had a CEO. The largest number (48.6%; 52) were titled "executive director," followed by "president" (24.3%; 26), and then the combination title of "president and CEO" (7.5%; 8). Various other titles comprised the rest.

TABLE I

TITLES OF FOUNDATION CEOS

Title	Number	Percent
Executive Director	52	48.6
President	26	24.3
President and CEO	8	7.5
CEO/Chief Advancement Officer	5	4.7
Executive Vice President	5	4.7
Executive Secretary	3	2.8
Assistant Chancellor	2	1.9
Business Director	1	.9
Assistant Secretary	1	.9
Vice President/Vice Chancellor For Development	1	.9
Vice President	1	.9
Director of Development	1	.9
Chair	1	.9

Voting Privileges

The follow-up question on the staffing of the foundation concerned whether or not the CEO was a voting member of the foundation board and was a means of determining the role of the foundation officer within the structure. The privilege of voting was considered an important indicator in locating the center of power in determining the affairs of the organization. If the foundation head voting was an employee of the institution and not solely of the foundation, reason suggests that this provides a measure of leverage for the institution in determining the business affairs of the foundation. Although 36.8% (49) of the 133 foundation CEO's responding to this question indicated they did have voting privileges, the majority, 63.2% (84), did not.

Dual Roles and Time Devoted to Each

The next question attempted to clarify the role of the CEO in the foundation and to indicate whether or not the person served in a dual capacity of institutional employee with separate duties concerning the college or university, and also as a foundation employee with duties particular only to that body. Two-thirds of the 133 respondents (67.7%; 90) indicated they did "wear two hats," so to speak, with one-third (32.3%; 43) saying they did not.

The above two questions, one concerning whether or not the foundation chief executive officer had voting privileges (more than one-third did not) and one determining whether or not the CEO's worked in a dual role with the institution (more than one-third did), produced opposite results. Since the majority of the foundation CEO's did not have voting privileges but did have dual titles, it seemed to indicate that even though the person filled the role as the head of the independent foundation, he or she was still a bonafide employee of the institution with a corresponding title and many institutional duties. When respondents were asked what percentage of time the CEO with dual responsibilities devoted to the foundation and what to the institution, 55.6% (84 of 151) answered the question of time spent on foundation responsibilities and 53.6% (81 of 151) reported on time spent on institutional duties. The single largest response for time spent on foundation duties was at or near 20% for CEO's with dual responsibilities and time spent for the institution was at or near 80%. The division of time spent on each set of duties is shown in Table II. The division of time should mirror each other in the following table and does not. People who are wearing two hats may find it difficult to accurately assess time allocation.

Of the 23 foundations failing to report a readily identifiable officer of the foundation, 21 indicated the presence of an administrator of the institution who served as a liaison to the board. That person was most likely (45.5%; 10) to be the vice president or vice chancellor for development. However, 27.3% (6) reported that the president of the institution served in this capacity. Other possibilities named include executive secretary, director of development, vice president for financial affairs, associate or vice chancellor for external affairs, secretary or executive dean.

Role of Institution's CEO in Foundation

A careful review of the literature leads to the finding that the strength of the role of the institution's chief executive officer in the structure of the foundation is an indicator of the foundation's degree of independence from the institution. Whether or not the institution's chief executive officer is a voting member of the board or

TABLE II

DIVISION OF TIME FOUNDATION CEO'S WITH DUAL TITLES SPEND ON FOUNDATION AND INSTITUTIONAL DUTIES

Percentage of Time Devoted	Foundation	Institution
No Response	67 or 44.4%	70 or 46.4%
1 to 10%	7 or 4.7%	2 or 1.3%
11 to 20%	18 or 11.9%	3 or 2.0%
21 to 30%	19 or 12.6%	8 or 5.3%
31 to 40%	8 or 5.3%	3 or 2.0%
41 to 50%	13 or 8.6%	12 or 7.9%
51 to 60%	3 or 2.0%	6 or 4.0%
61 to 70%	2 or 1.3%	12 or 8.0%
71 to 80%	9 or 6.0%	23 or 15.2%
81 to 90%	2 or 1.3%	8 or 5.3%
91 to 100%	3 or 2.0%	4 or 2.7%

ever serves as chair of the board was considered to be a strong indicator of influence by the institution or its representatives on the activities of the foundation.

It was found that 52.4% (22) of the 42 foundation representatives responding to this question had an institutional chief executive officer who was also a member of the foundation's board, but the majority (40) of those never served as chair, and rarely, as 4.7% (7) indicated, ever presided over foundation board meetings. Overwhelmingly, volunteer board members (89.3%; 133) performed the duties as chair and presiding officer over meetings. Thus volunteers were shown to hold the most power over the proceedings, making the foundations they represent likely to be significantly independent of the institution.

Respondents were asked to identify all persons to whom the CEO was responsible. By inference the person to whom the foundation officer reports and the entity which he or she represents, in this case the college or university, would also have influence or some measure of control within the foundation. The data indicated that the foundation CEO is more likely than not to report to both the foundation and the board of the foundation. The majority (72.8%; 110) of the 151 respondents named the foundation board as the entity to whom the foundation chief executive officer reported.

Performance reviews in colleges and universities are generally done by supervisors in the reporting line. The person who reviews and evaluates the performance of the foundation's chief executive naturally exercises power over that person. Of the respondents, 36.4% (55) indicated that the foundation's CEO was evaluated by the institutional CEO, and 15.2% (23) named the vice president or vice chancellor of the institution. Ninety-three (82.3%) of the one hundred thirteen respondents further indicated that these reviews are conducted jointly between the foundation and the institution.

With respect to staff salaries, 61.7% (92) of the 149 respondents said they were paid in whole or in part by the institution. Only 31.5% (47) were totally dependent upon the foundation.

Membership

The second section of Part I of the survey was an attempt to identify the composition of the foundation board, how members were selected, and who among them had voting privileges. The variables of whether or not foundation members had voting privileges, whether or not the institution was by law or foundation policy represented on the board, and who selected new members, all have bearing on the structure's independence or dependence on the institution. The more insular the board, that is it selects its own members and denies voting privileges to the institutional representatives, the more it is considered to stand alone and apart from the institution in its operation.

A majority (71.5%) of the 151 respondents indicated that institutional employees served on the foundation board, 41.7% (63) of those as voting members and 29.8% (45) as non-voting members. Another 28.5% (43) said they did not have employees of the institution serving on the foundation board.

Only nine institutions of those who reported that no institution employees served on the foundation board said they were precluded by law from doing so, leaving the balance who said that although they were not precluded by law from doing so, they still did not have institutional employees on the board. Some states have passed conflict-of-interest legislation which prevents employees from becoming what might be construed as unduly involved in a private business arrangement which benefits the institution. Since only nine said state law prohibited this arrangement, this would appear not to be a major obstacle to appointing employees of the institution to service on the foundation board.

It is common for foundations to require representation on their boards by certain constituencies. A total of 49.7% (75) of 150 respondents reported that bylaws of their foundation required that voting members come from specific constituencies, and an equal percentage, 49.7%, indicated they did not. Nevertheless, 65.6% (98) indicated that they included alumni among the membership. Even more, 85.4% (129), said they added faculty or deans to the board, evidence of another avenue of influence by the institution into the decisions of the board. Some 88.1% (133) also included student members, and 78.8% (119) included senior administrators of the institution. Representatives of the institution's board of trustees and/or governing board were mentioned in a few cases (15), with members of the board of regents noted five times. Eight foundations indicated the presence of representatives from athletic booster clubs.

Parents, retirees, volunteer board chairs, and corporate representatives were also mentioned by respondents along with representative members from constituent groups like libraries, museums, non-alumni, and regional representatives.

Additionally, 58.6% (85) of the 145 respondents reported that other institutional administrators sat on their foundation board ex-officio, with the most common person cited (by 50 respondents) being the president/chancellor/chief executive officer of the institution. Others mentioned included the chief financial officer (21) and the vice president of development/advancement (14). A wide range of other possible ex-officio members were mentioned including the provost or chief academic officer, the vice president of external affairs, the president of the faculty senate, and the general counsel of the institution.

Selection of voting members on the board of the institutionally related foundation is considered by Simic and others a crucial factor in the status of its relationship with the institution. Should incumbent members select their own successors, it could be assumed that there was a strong measure of independence within the board structure. On the other hand, if the institution's chief executive made this determination or if it was done within the governing board structure of the institution, the institution could wield considerable influence on the matters before the board. Overwhelmingly, 134 (88.7%) of the 151 foundation representatives responding indicated that this function was the prerogative of the incumbent members. Only a few said either the institution's chief executive officer (4.6%, 7) or its governing board (6.0%, 9) had a role in selecting board members.

Although one-third (30.5%; 46) of the 151 foundations responding indicated the presence of institutional employees serving as voting members of the foundation board (CEO, 39.1%, 59; other administrators, 21.2%, 32; deans, 4.0%, 6; and faculty, .7%, 1), alumni and other volunteers held the major roles in the governance of the majority of foundations. Volunteers were mentioned 94.7% (143) of the time as voting members, and alumni 41.1% (62) of the time. Since voting faculty and student representation was low in number, their influence as representatives of the institution would appear also to be limited.

In terms of the participation of the foundation's CEO in the affairs of the institution, the data from 144 respondents resulted in a total of 70.1% (101) who indicated they attended the institution's governing board meetings. One fourth (22.9%; 33) attended because the institution's policy required they be invited, 34.0% (49) because they were invited, even though it was not required, and 13.2% (19) attended by choice. Another one-third (29.9%; 43) said they did not participate in the institution's governing board meetings.

Even though many foundation CEO's reported attendance at institutional governing board meetings, when asked if they attended the institutional development committee meetings, 65.9% (95) of the 144 respondents said they did not attend those meetings. Of these, 44.4% (64) did not because there was no such group. Thirty-four percent (49) indicated they did attend development committee meetings.

In considering the institutional CEO's who were reported to not be voting members of the foundation board (53.6%; 81), almost half (45.6%; 31) of the respondents (78) to a follow-up question said they typically attended board meetings anyway, and half (52.9%; 36) attended committee meetings only, even if they did not hold voting membership status. If the institution's CEO did not attend either of these meetings, in only five cases was another person designated to attend and represent the interests of the institution. Of those identifying this person, three named the vice president for development or advancement, one each named the executive vice president for administration or the vice president for university relations, and one respondent said "several staff."

Operating Agreements

When asked about operating agreements between the foundation and the institution, 69.3% (104) of the respondents reported they had a formal operating agreement with the institution. The remaining 30.7% (46) replied they did not, although one person wrote in "we should." Opportunity was given to spell out possible terms of that agreement, which included expectations of the institution regarding the foundation's performance, commitment by the institution to the foundation's annual operating budget, duties of personnel, provisions for shared services and equipment, fees-for-service provisions with the institution, and any other non-stated choices. The most frequently reported choice (48.3%; 78) was provision for shared services and equipment, although all other categories named above received responses of between 20%

and 30%. Table III represents the numbers and percentages for each.

Often it is the legal aspects of such agreements which formalize the relationship between the institution and its related foundation. Since 69.3% (104 of 150) of those responding to the question indicated a formal agreement existed, but 51.6% (78 of 151) respondents left the subsequent question of what it contained blank, one could surmise that a good number of foundation officers did not know what that agreement contained.

Financial Reporting

The majority of responding foundations (85.3%; 128), whether they considered themselves independent of the institution or not, indicated that there was regular reporting of financial matters. Of those, 56.3% (58) described the nature of this report as yearly with another 11.7% (12) indicating they provided quarterly reports, and 10.7% (11) that they prepared monthly reports. Only 14.0% (21) of the respondents answered that they did not provide financial information to the institution. One did not know, and one did not answer the question.

TABLE III

TERMS OF JOINT OPERATING AGREEMENT BETWEEN

FOUNDATION AND INSTITUTION

Subjects Included in Agreement	Number	Percent
Provisions for shared services and equipment	73	48.3%
Duties of Personnel	45	29.8%
Expectations on the part of the institution or system regarding the foundation's performance	43	28.5%
Financial Commitment by the institution to the foundation's annual operating budget	42	27.8%
Fees-for-service provisions with the institution	33	21.9%
Other Miscellaneous Matters	8	5.3%

Meetings

Almost half (49.3%) of 102 foundations responding indicated that their full board meetings were not required by sunshine laws to be open to the public, but of those, 31.1% (46) did so voluntarily. Only 19.6% (29) said they were required to hold open meetings of their full board.

A large majority (95.9%; 142) of the 146 respondents reported that their foundation had an executive committee. Six (4.1%) did not have an executive committee, and five additional respondents failed to answer this question. Further, 61.7% (92) reported that their committee meetings were not required by sunshine laws to be open to the public. Board committee meetings tended not to be open to the public, but one-third (31.1%; 46) did so voluntarily. Only 12.1% (18) were required by sunshine laws to hold open committee meetings. Since institutionally related foundations are by nature private foundations attached to public institutions, laws governing public institutions are not likely to apply to them.

Control

The remaining questions in Section I explored control over the foundation and its funds. A resounding 87.6% (127) of the 145 respondents reported that the institution did not have control over the foundation. Similarly, 90.8% (128) of the 141 respondents reported that the institution's governing board did not have control over the foundation either.

Over half (53.1%; 76 of 143) reported that they were originally funded by the institution, but 46.9% (67) were completely independent financially from their inception. Of those who did receive funds from the institution to establish a foundation, 76.2% (64) reported that all or at least some of that funding was now generated by the foundation itself by charging a percentage of each gift received. The results of these two questions showed an almost equal distribution of foundations funded independently or by their related institution with some demonstrated movement toward becoming totally independent financially by those who started off with the assistance of the institution.

Historical evidence suggests that interference by the state into the use of private gift funds was the major reason independent foundations were established at public colleges and universities. When asked if control over private gift funds by the state was lessened by the presence of a foundation, out of 124 choosing to answer this question, 61.8% (89) agreed.

Relationship

The final question in Section I presented a continuum on which the relationship of the board to the institution could be plotted. Of those responding, 70.5% (103 of 146) indicated that they considered the relationship between the two to be friendly, while another 25.3% (37) reported it to be cooperative or better. Only a few (4.1%; 6) termed the relationship merely civil, and none called it hostile. A comment written in, however, did show that a tenuous relationship can develop where, as one person noted, "We walk a fine line between (the two)."

Research Question 2

What are the functions of institutionally related foundations at public colleges and universities?

The second of the major sections in the survey addressed the functions of the institutionally related foundation in relationship to the host institution: how it is able to operate, who supplies funding, where accountabilities lies, who sets priorities for fundraising, and who decides how funds are spent.

Sources of Operating Funds

Some states by law do not permit the use of state tax appropriations for fundraising purposes, forcing the foundation to function outside of regular general budget allocations. In fact, 25.2% (37 of 146) reported that to be the case, while 59.5% (88) said state funds were allowed to be used. Of those who were allowed to use state funds, 56.7% (51) said they took advantage of the situation. When foundations provide their own funds, it allows them a more independent status than when they are dependent upon institutional appropriations in order to function. Some

14.3% (21) did not know if the state allowed use of tax funds for fundraising.

Separate operating budgets for foundations apart from the institution are considered another indicator of being able to function independently, no matter the source of the funds. Survey results showed that 91.8% (135 of 147) did have separate budgets, while 8.2% (12) said they did not.

Revenue sources are important in how a foundation functions. The majority of all foundations responding (64.2%; 97) indicated that they received income directly from the institution. However, the answers concerning what percentage of their budget was derived from other sources were so varied as to be more confusing than revealing. Many respondents did not even make these determinations, but simply checked the sources without giving percentages. Resulting data were determined not to be useful. However, the numbers of those indicating they received income from various other sources apart from the institution, such as fees-for-service, fees based on investment income, fees based on gift assets under management, fees on the principle of new unrestricted gifts, fees based on the principal of new restricted gifts, fees based on earned income, fees based on short term investments, or the so called "float," and other revenue, are presented in Table IV. Examples of additional other revenues included planned giving settlement fees, unrestricted donations, income from investments of non-endowments, grants and contracts, and patent royalties. A few (4.7%; 7) admitted not knowing where the foundation's operating budget came from.

Paid Professional Staff

Only one-fourth (23.8%; 36 of 151) reported that all of their foundation's paid professional staff work 100% of their time for the foundation. Another 41.7% (63 of 151) said that none of their professional staff work full time on foundation business, while the remainder of respondents indicated they worked varying amounts of time on foundation business. When asked what percentage of the paid professional staff work at least half-time, but not full time, 57.0% (86) indicated their staff worked this schedule.

Fundraising

Almost seventy percent (69.2%; 101 of 146) of the foundations reported that they did not conduct fundraising separate from the institution, rather that fundraising

TABLE IV

SOURCES OF FOUNDATION OPERATING FUNDS

Possible Sources	Percentage (n = 151) marking at least some portion derived from this source
Fees based on percentage of principal of restricted new gifts for current operations	88.7% (134)
Fees based on all income generated by new gifts for limited time period ("the float")	84.8% (128)
Fees-for-service agreement with institution	83.4% (126)
Fees based on percentage of earned income from current operations	83.4% (126)
Fees based on percentage of principal of unrestricted gifts for current operations	75.4% (114)
Fees based on percentage of gift assets already under management	72.8% (110)
Direct funding from institutional budget	64.2% (97)
Other revenues	63.6% (96)
Fees based on percentage of income from investments including endowment income	56.3% (85)

activity was integrated. Although evidence of financial accountability for foundation funds was not usually required by the institution, 66.9% (97 of 145) reported that they provided confirmation of accountability for funds. This happened even when the foundation board retained complete control over their use and distribution.

Respondents reported that foundation executives (37.1%; 56) and foundation boards (47.7%; 72) have a strong influence in setting fundraising priorities. However, it is clear that the chief executive officer of the institution plays a dominant role in establishing these since 89.4% (135 of 141) of foundation representatives report that fundraising priorities for the foundation are set by the head of the institution to which it is related. The institution's governing board is also reported to play a role in setting priorities (25.2%; 38), as is the institution's development committee (20.5%; 31).

Additional evidence of the strong role of the institution in setting foundation fundraising priorities is provided in considering that 90.0% (126 of 140) of foundations reporting indicated that the priorities of the two entities are the same, 85.8% (121 of 140) confirming that the foundation board's fundraising policies did not take precedence over those of the institution. The request for clarification on that point failed to provide such clarification as few who answered yes, that the foundation's policies took precedence over the institutions, described what those policies were. Two respondents mentioned that the "donor's wishes" often determined priorities. That is, if one had support for a project, it was likely to move to the forefront of priorities faster than something that did not attract a donor.

Over half (57.1%; 84 of 146) of the respondents indicated that some sort of unrestricted block grants were made by the foundation to administrators or faculty. These were identified as "faculty/staff grants programs" or "some funds provide grants to faculty." Also mentioned was reference to grants for "the President's Fund" or "discretionary fund for the institution's chief executive officer." An unexpected note was the mention by only two respondents of "limited funds given for program expenses not funded by state appropriations," also stated as "limited unrestricted funds used for institutional support at the request of the CEO." Since institutionally related foundations were originally established so that private gift support for the extras not provided by limited state budgets could be protected, it was interesting that two foundations, recognizing the severe limitations of state appropriations on operating budgets, currently, reportedly agreed to supplement those state budgets they originally did not want to usurp their private gifts.

Although two-thirds of the respondents (65.3%; 96 of 147) indicated that in the process of distributing unrestricted funding from the foundation, faculty cannot submit individual proposals to the foundations, one-third (34.7%; 51)indicated that they can. This avenue for faculty, which may or may not be dependent on the approval of administrators, provides faculty some role in the dispensation of funds in that they can apply directly to the foundation board for funds and have funds granted independently from the institution.

The strong influence of the chief executive officer may or may not be influenced by the wishes of the chief academic officer whose role in the funding process was indicated by only one-third (34.4%; 52) of the respondents. Since priorities for the institution are often set in consultation between the two officers, the president or chancellor may then take the lead role in influencing the foundation's decision, since it has been shown that the president is likely to be a member of the foundation's board.

Financial Matters

The literature on institutionally related foundations suggests that the selection of trustees is often geared to persons with investment skills. For two-thirds (61.7%; 92 of 149) of the foundations reporting, foundation trustees handled this responsibility and institutional officers did not have a role in the investment process of the foundation. Another third (38.3%; 57) said that their institutional officers did have a role in the investment process.

Overwhelmingly (96.7%; 145 of 150), foundations' financial records were reported to be required by law to be audited. This function is performed by a private accounting firm in 93.4% (141 of 151) of the foundations; 8.6% (13) used institutional auditors; and 9.3% (14)indicated that state auditors supplied this service.

Open Meeting Laws

Less than half (44.4%; 59 of 133) of the respondents said that their private foundations were subject to the freedom of information laws in their state. The remaining 55.6% (74) said they were not subject to these laws and were not required to hold open meetings.

Subtypes of Foundations

More than half of the respondents (57.5%; 86) described their foundation as an integrated or dependent foundation, tied formally to the institution. Its institutional administrators are included on the foundation's board, even if they serve as ex-officio or non-voting members. It shares fundraising staff and funding with the institution. "The chief development officer of the institution serves as the chief operating officer of the foundation," wrote one respondent, describing this relationship. "The foundation primarily manages and invests funds for the benefit of the university. The university development area raises the funds," added another.

Others described their more integrated or dependent foundation with the following:

> "Since <u>all</u> institution fundraising . . . is done by the foundation which is so closely tied to the institution, the percentage of time questions are impossible to answer."
>
> "_____'s foundation chief executive officer is dual-titled vice president for university advancement and the executive vice president of the foundation"
>
> "We are a strong, vibrant integrated team."
>
> "The relationship between the foundation and the institution is symbiotic, independent and fraught with ambiguities and ambivalences that have the potential for difficulty, but none ever occurs."

Out of the 151 respondents, one-third (30.2%; 45) described their foundations as largely independent or autonomous, with an executive director who is not also an institutional employee. The respondents confirmed Simic's experiential and anecdotal writings on institutionally related foundations at public colleges and universities which suggest that this subtype of foundation is also characterized by a board which does not include institutional administrators or faculty as full voting members, a board which must accept and approve institutional priorities before granting funding, and a self-generated operating budget.

In describing their foundation as a largely independent foundation, respondents added:

> "The foundation is entirely separate 501(c)(3). The president of the college is invited to join the foundation board as an honorary trustee--no voting rights. Honorary status has recently been extended to the provost."

> "We rent office from institution. Pay our own bills. Own logo. Not state employees. At budget time we tell president what he has to spend (after we run this office). He asks specifically and we approve or alter, negotiate his recommendations. Key is communication."

> "Stand alone foundation with no direct management from the college."

Among the respondents who considered themselves more independent than not, several indicated strong ties with the institution:

> "This is essentially an independent foundation with two institutional employees--president and vice president development--as members."

> "The board membership is an advocate for the institution with the legislature in the interest of increasing education appropriations."

The authors of the literature suggest that people of influence in the community are the ones often selected for the foundation boards and serve, as noted above, in this capacity.

Two respondents indicated that their institution had more than one foundation:

> "The foundation answering this is the 'main' foundation for the university, but two others exist and do fundraising--one for athletics and one for alumni."

> "This university has five foundations--one executive director for all five. Each has a director."

As suggested by the authors in the related literature on institutionally related foundations, there is evidence of some movement toward more independent foundations. The respondents, who described their foundations as presently dependent on the institution, wrote:

> "Changing July 1 to totally independent."

> "This is the first year that the foundation has had a paid staff."

> "Our funding remains uncertain."

> "Maintaining independence is important--because of the relationship the foundation and institution must always work closely together, but structural independence is best."

Although evidence in the literature pointed to a third subtype of foundation, only 6.7% (10) described their foundation as a mix of the dependent and independent but without a separate foundation budget or staff. This foundation subtype is run with institutional staff as liaison and is entirely funded by the institution, so that all gifts go fully to the institution. Two respondents who described their institutionally related foundation as a mix of dependent and independent said that they endorsed this arrangement as fostering coordination and lessening competition between the foundation and its related institution. "Insisting that all college requests must come through the president helps coordination," wrote the first, who also made note that having the current foundation chair be a person who happens also to be on the institution's governing board "has helped coordination a great deal." Balancing the role as vice president of the college and head of the foundation is "what enables me to keep my sanity in balancing the two organizations," this person added.

"Some (foundations) are unique," concluded the other. Having a mix of dependence and independence, this person felt, "keeps the foundation tied closely with the institution and prevents competition between the two."

Although referred to in the literature, no respondents described their foundation as an auxiliary corporation which exists only to administer funds and transactions that have to do with industry/institutional partnerships for research that the institution is not equipped to handle. An author in the literature suggests that this arrangement is more prevalent in two-year community colleges that need this avenue to protect research funds.

Similarly, no respondents described their foundation as run by students who also raise funds, manage investments, and make grants. This subtype was mentioned only once in the related literature.

None of the respondents described themselves as being the "foundation-like" subtype that holds multi-recipient trusts for the benefit of more than one nonprofit, one of which is the institution to which it is related.

Of the 5.4% (8) who added another subtype, three thought of themselves as independent except for the fact that their directors are institutional employees. One foundation was described as a "wholly independent research foundation" which itself provided monetary support for other fundraising.

So strong were the unexpected results of having only the two major subtypes of dependent and independent emerge from the study as significant that further analysis was warranted. Therefore, cross tabulation was performed between the two subtypes and the variables associated with them in the questionnaire. Since the data were nominal, Chi-square was determined to be the appropriate test. Chi-square is one of the most frequently used tests when the researcher is interested in the number of responses that fall in two or more categories, sometimes called "goodness-of-fit." This finding is reported by stating that the relationship is statistically significant at a certain level of probability because it is improbable that the observed relationship could have resulted from sampling error or chance occurrence. Because the criteria for being able to perform Chi-square of having an expected value of at least five in each cell was not met in all cases of the 62 possible variables, only 34 were able to be tested because of limited cell size. Of those tested for a relationship other than what would be expected according to chance, 12 were found to be statistically significant at the .05 level. They are shown in Table V.

A relationship exists between the foundation subtype and having its CEO employed 100% by the foundation. Twenty-nine of 34 (85.3%) of the independent foundations reported their CEO is employed exclusively by the foundation, while only three of 17 (17.6%) dependent foundations reported their CEO as being employed 100% by the foundation (Chi-square=19.38713, d.f.=1, p.=.0000).

TABLE V

SUMMARY OF STATISTICALLY SIGNIFICANT CHI-SQUARE RESULTS FOR COMPARISON BETWEEN INDEPENDENT/DEPENDENT GOVERNANCE STRUCTURE AND SURVEY QUESTIONS AS REPORTED BY SURVEY RESPONDENTS

Selected Survey Questions		Governance Structure Independent	Dependent	Chi-Square	Significance
STRUCTURE					
Staff					
I.1.d. CEO 100 percent employee of foundation	Yes	29	3	19.38713	.0000
	No	5	14		
I.3.c. CEO reports to foundation board	Yes	7	29	4.02249	.0449
	No	38	57		
I.3.d. CEO reports to vice-president of institution	Does Not Apply	44	69	6.26381	.0123
	Applies	1	17		
I.4.a. Foundation board reviews performance of foundation	Foundation Board	33	28	15.88903	.0001
	Institution Employee	12	53		
I.6. Foundation pays its own full-time staff	Yes	38	43	49.44714	.0000
	No	5	35		
Membership					
I.1. Employees serve on board	Yes	24	69	14.15780	.0008
	No	21	17		
I.5. Other institution administrators are voting members of foundation's governing board	Yes	42	64	5.67433	.0172
	No	3	22		
Operation					
I.8. Foundation originally funded by institution	Yes	16	52	6.20343	.0128
	No	26	30		

TABLE V (continued)

Selected Survey Questions		Governance Structure Independent	Dependent	Chi-Square	Significance
FUNCTIONS					
II.7. Mandated financial accountability	Yes	6	34	7.93675	.0048
by institution for foundation funds	No	36	49		
II.15. Institution CEO has input into foundation's funding process					
a. No	Does Not Apply	29	78	11.90884	.0006
	Applies	16	9		
b. Yes	Does Not Apply	19	13	10.33532	.0013
	Applies	26	73		
II.16. Institution officers involved	Yes	9	39	7.38823	.0066
with investing foundation funds	No	36	46		

A relationship was found also to exist in the structure of the foundations. The largest *number* of CEOs (57 of 86; 66.3%) of dependent foundations report to the foundation's board, and the largest *percentage* (38 of 45; 84.4%) of independent foundation's CEOs report to the board (Chi-square=4.02249, d.f.=1, p.=0449). More dependent foundations responded that they report to the vice president or vice chancellor of the institution (69 of 86; 80.2%). Only one out of 45 (2.2%) largely independent foundations reported that its CEO reported to the vice president or vice chancellor of the institution (Chi-square=6.26381, d.f.=1, p.=0123). In the case of the independent foundation, the CEO was also most likely to be reviewed by the foundation board (33 of 45; 73.3%). In contrast for dependent foundations, the majority reported that the CEO was reviewed by the institutional employee (53 of 81; 65.4%) (Chi-square=15.88903, d.f.=1, p.=.001).

It was found that a large number of independent foundations (38 of 43; 88.3%) pay all or part of their full time staff. Forty-three of 78 (55.1%) dependent foundations pay all or part of their staff (Chi-square=49.44714, d.f.=1, p.=.0000). In dependent foundations, a relationship was shown to be significant (Chi-square=14.15780, d.f.=2, p.=.0008) in regard to having institutional employees serve on the foundation board (69 of 86; 80.2%) in contrast to independent foundations (24 of 45; 53.3%). However, if institutional administrators do serve on the board of dependent foundations, 93.3% (42 of 45) reported they do not have voting privileges (Chi-square=5.67433, d.f.=1, p.=.0172).

When asked if the foundation was originally funded by the institution, the largest number (52 of 82; 63.4%) was in the dependent subtype (Chi-square=6.20343, d.f.=1, p.=.0128). The independent subtype of foundations reported 16 of 42 (38.1%) originally funded by the institution.

Mandated financial accountability by the institution for foundation funds was found to have a significant relationship in 34 of 83 (41.0%) dependent foundations as compared with four of 42 (14.3%) independent foundations (Chi-square=7.93675, d.f.=1, p.=.0048).

Seventy-eight of 86 (90.7%) dependent foundations reported the answer "no" does not apply to the statement that "the institution's CEO has input into the foundation's funding process" (Chi-square=11.90884, d.f.=1, p.=.0006). In other words, the institution's CEO does have input, and this was confirmed when 73 of 86 (84.9%) dependent foundations reported "yes", the statement does apply (Chi-square=10.33532, d.f.=1, p.=.0013).

A relationship was found to exist between having institutional officers involved with investing foundation funds, as 36 of 45 (80.0%) of independent foundations reported they do not have such involvement by the institution (Chi-square=7.38823, d.f.=1, p.=.0066).

Summary

Institutionally related foundations have been in existence since the turn of the century as a way to manage and protect private gift funds in public colleges and universities. Gradually, over the years, they have grown in number and value so that it is estimated that well over 1,000 now exist in two- and four-year colleges, and their impact is substantial. Although much has been written about them informally, little empirical data exist about institutionally related foundations, in particular, how they are organized and perform.

This study addressed the structure and functions of institutionally related foundations in four-year colleges and universities. The investigation involved a survey of

409 foundations of record at the Council for the Advancement and Support of Education. In terms of the structure of foundations in four-year colleges and universities, the study found:

1. Almost all institutionally related foundations have a CEO they call an "executive director," but most of these directors do not have voting privileges on the foundation board nor do they serve as chair of the board or its committees.

2. The executive director has a significant role within the structure of the foundation but also holds dual responsibilities within the institution and often reports to the head of the institution.

3. The foundation board is made up heavily of self-perpetuating volunteer members including a strong alumni representation, who vote and head the committees, and also a small number of institutional representatives who have significant advisory positions but who neither have a vote nor hold office in the foundation.

4. Although they have a cordial informal relationship, foundations are guided by formal operating agreements with the institution, which generally

contributes to their operating costs, even if the funds are held apart from the institution.

In terms of the way these foundations function, it was found that:

1. Foundation boards control the investing and distribution of gift funds.

2. The foundation staff conducts fundraising activities for both the foundation and the institution, whose priorities are likely to be the same, even though institutional employees, particularly the CEO, have a strong influence in setting priorities.

3. Foundations turn over unrestricted gifts or earnings to the institution in the form of block grants to distribute as they see fit and also receive proposals from the faculty who want the unrestricted funds granted for their use.

4. Most foundations are closely allied with their related institution and consider themselves dependent on them.

CHAPTER V

SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

The comprehensive picture which emerged from the data showed that the majority of institutionally related foundations saw themselves as a part of the institution and not totally independent. Most operated with a chief executive officer called "executive director." These foundation CEO's were not usually voting members of their corresponding boards and served dual roles with responsibilities to the foundation and to the related institution. Their time was approximately evenly split between the two. They almost all said that they reported to the foundation board and not to the head of the institution. However, the performance of the executive director of the foundation was usually reviewed by both the board and by the administrators of the institution, which paid at least part of the director's salary.

The vice president/vice chancellor of development filled the role of administrator of the institutionally related foundation when there was no hired executive, and in some cases it was filled by the president of the institution. When the president of the institution did serve, he or she was not usually accorded voting privileges. It was also rare for institutional administrators ever to serve as foundation chair or to preside over meetings. Volunteers overwhelmingly filled those functions.

Institutional employees often were reported as serving on the foundation board in some capacity with only a few prohibited by law in their states from doing so. Also reported to be significantly represented as voting members on the board, as required according to bylaws, were members of the alumni body. Strong representation of faculty or deans that could vote and students was also mandated by many. Total voting board membership was reported to be dominated by volunteers, who also selected their successors.

The chief executive officer of the foundation was shown to play a strong role in the affairs of the institution and to attend the governing board meetings of the institution. Likewise, the institution's CEO attended foundation board meetings and foundation committee meetings.

Most foundations had formal operating agreements with their related institution. These agreements addressed such issues as operating budgets, fees-for-service provisions, personnel, and shared services and equipment, all of which were given approximately equal importance.

The full board meetings of the foundation were not always required by law to be open but many opened their board meetings to the public anyway. Most foundation boards were not inclined, however, to open committee meetings to the public, including the executive committee meetings that all but a few foundations had. Most foundations reported that their institution's administrators did not have control over their related foundation nor did the institution's governing board, but confirmed that the foundation is controlled from within.

Although half of the institutionally related foundations were originally funded by the institution, half were, from inception, financially independent. Of those who did receive start-up funds, most now raise at least part of their funding by charging a percentage of gifts as fees for service.

It was felt that the presence of an institutionally related foundation limited interference by the state into private gift funds. At the same time, the great majority felt that the relationship between the foundation (private) and its institution (public, state-assisted) was friendly or at least cooperative. Many foundation officers said indeed they held significant roles in each. Half of the respondents reported that they and their staff worked at least half time, but not full time, on the foundation business and the remainder on institutional matters.

Most states allow the use of state funds for fundraising purposes, and most foundations in those states said they took advantage of the situation, even though they had no operating budget that was held separately from the institution's general state-operated budget. Many received income directly from that state budget.

In raising private gift support, foundation representatives tended to integrate their efforts with the institution and did not have separate fundraising activities. Most then provided annual reports as evidence of accountability to the institution for the gift funds. The foundation boards and executives set the priorities for that fundraising, even though there was strong influence from the institution's chief executive in determining those priorities which tended to result in making them the same.

Any unrestricted gift funds and earnings given to the foundation were often distributed to the administrators or faculty in some form of block grant, while faculty also requested the funds by submitting proposals.

Even though the strong role of the institution's faculty and administrators was evident in the functioning of the foundation, these partners from the institution were not shown to have a strong role in the stewarding or investing of gift funds. By and large, investing decisions were handled by volunteer trustees of the foundation. How these funds were invested and distributed was subject to audit by both external and internal auditors. This and other information about how the institutionally related foundation operated was shown to be subject to freedom of information laws in about half of the cases.

Almost all of the reporting foundations put themselves in Simic's traditional subtype categories of "largely independent and autonomous" or "more integrated and dependent," 30.2% in the former and 57.7% in the latter. They "looked" pretty much like Simic described them in his anecdotal and experiential writings. A third subtype to which he alluded was termed "a mix of the others but without a separate foundation budget or staff." Only a few foundations identified themselves as being like this. However, one respondent who marked this group concluded that having this mix of dependence and independence kept the foundation closely tied to the institution while preventing competition between the two.

Discussion

In relation to the existing literature presented in Chapter II, the study largely validated the most current anecdotal and experiential writings of Curtis Simic (1985, 1990, 1993) and others before him on the structure and functions of institutionally related foundations. What the researcher found was generally supportive of him and his contention that institutionally related foundations fall into the two subtypes, independent of or dependent on their institution. As foundations continue to exist and grow in number and value in public colleges and universities as a way to solicit, receive, invest, protect, and distribute private gift funds, their overriding initial purpose as a way to keep private gift funds from being taken over by the state remains true. The data confirm that they indeed function legally apart from their institution, while still being closely allied to the college or university they were meant to enhance. As part of this separateness, institutionally related foundations were shown, as suggested in the literature (Simic, 1990), to be largely controlled and directed by a board of volunteers made up of alumni and friends of the institution, with institutional representation but limited involvement by any but the chief executive officer of the college or university.

In his writings, Simic (1985) claimed that foundations gave greater flexibility in handling gift funds than states allow of public funds, and this was confirmed in the study as members of the volunteer board, not the state employees of the institution, were shown to have the last word on how to invest and to use gift funds. The arms-length relationship and legal independence were shown to give the foundation flexibility that the state-governed institution does not have.

The value of the volunteer role in the operation of the foundation as an important way to interest and involve potential donors, deemed by Simic (1990), Worth (1985), and Reilley (1985) in particular, as an important function of the foundation, was affirmed by the data. Volunteer board members appear to be afforded meaningful involvement in the affairs of the institution by being the power brokers of the foundation. Institutional employees serve more as advisors, important advisors, but advisors nevertheless. Volunteer board members were shown to make decisions on every major aspect of the structure and functions of the foundation.

Simic (1985) put institutionally related foundations into two distinct subtypes, dependent on their institution and independent from it. Curiously, although a few foundations reported that they had become more independent from their institution over time, almost all foundations said that they were in some way still dependent financially on the institution, which would seem to limit their degree of independence. A solid one-third described themselves as very independent of the institution, but the data would imply that they really are not, if it is the source of their operating funds, which is a powerful tie. Also, almost all noted that at least a few officers of the institution were voting members of the board, in contrast to Simic's conjecture that institutional employees on an independent foundation board all serve ex-officio. If institutional employees are able to exercise some control over the activities of the foundation board by their ability to vote on the issues, it implies that the foundation does not stand as totally independent of the influence of the institution as one would think from Simic's description of the independent foundation.

The related literature (Simic, 1990; Brown, 1995) suggests that foundations are a way to involve community leaders in the affairs of the institution, whether or not they have the natural tie of being alumni. Often, it is interested community leaders, corporations, and foundations that support the institution because of their proximity to it and how it benefits the area in which it is located. It is not necessarily alumni, who may be neither close by the institution nor its best prospects for donations to provide support. So, it was unexpected to learn that many foundations reported that they require that a majority of their trustees be elected from the alumni body. It may well be that it is the alumni, whose initial interest in raising and protecting funds for their alma mater, caused the foundation to be formed with this provision without knowing or realizing that their greatest support might possibly be found outside their ranks.

There was a surprising amount of cooperation shown between the institution and its foundation, as evidenced in their shared control of funding, their mutual setting of priorities, their joint fundraising activities, and even to some extent, their decision-making process for distributing unrestricted earnings. Since the data also offered strong evidence of agreements which spelled out specific duties and limitations for each entity, and additional comments offered in the surveys returned gave some indication of what might be construed as competition between the foundation and the institution for donors and control of funds, the high level of obviously shared decision-making seemed to belie the claim of independence. However, institutions were shown to practice a hands-off policy when it came to investing funds, leaving that activity almost exclusively to the volunteers. Since this fiscal duty is one which requires authority to buy and sell stocks and bonds and assume responsibility for the prudent care of these investments, it is perhaps the most indicative of what makes a foundation a legally separate entity from the institution and keeps the state from having any avenue for appropriating funds. So, even though it may appear an aberration amidst the other areas of mutual cooperation and involvement, it may actually represent what ultimately is the core or the reason for the formation of foundations in the first place.

Almost every foundation reporting put itself into either the dependent or independent category, with only a small number identifying themselves as a mix of the two, and none including themselves in other categories, i.e., student-run, multi-recipient, or auxiliary. The latter three were clearly identified in the related literature (Bailey, 1987; Nicklin, 1995; Worth, 1985) as probably small in number but still existing subtypes, so it is not clear why they were not captured in the survey. A possible explanation could be that these unconventional subtypes are not readily identifiable or considered a branch of an established institutionally related foundation and, therefore, were left out of the original CASE database of foundation names and addresses. The auxiliary type identified in the literature may also be more likely to exist in the two-year community college, a population which was not a part of this study. Nevertheless, it is apparent that the subtypes of dependent and independent constitute the strongest and most likely forms of institutionally related foundations in four-year public colleges and universities.

Finally, since there seemed to be in the data some movement toward becoming more independent over time by foundations and because there was some confusion in sources of funding and inconsistency in structure and functions as defined by those who considered themselves dependent or independent, institutionally related foundations seem to still be "in process," in the sense that no hard and fast pattern for what works best has emerged. Conventional wisdom tells us that certain variables are associated with whether or not a foundation considers itself dependent or independent. However, other factors "may" play an important part in how a foundation describes itself at any certain point in time. Simic says that in an independent foundation, the institution's CEO has a limited role, but it can be speculated that the personality of the current CEO and his or her relationship to the foundation may play an important part in how it describes its level of independence. Other possible factors in making this determination include the history of the relationship between the foundation and the institution, ingrained traditions, the financial status of the foundation, and the presence of strong personalities on the foundation and/or in the institution. All could, in effect, override what is conjectured as important in determining dependence or independence, even though it is probably not possible accurately to gather such subjective data.

Conclusions

This investigation was formulated as an exploratory and descriptive study to gather baseline information about the structure and functions of institutionally related foundations at public, four-year colleges and universities.

Whatever their form, institutionally related foundations are considered valuable to the institutions that have them. There exists a cooperative relationship between the organizations which both protects private gift funds and brings together volunteers in meaningful involvement with the institution. Although the volunteers appear to have the most powerful roles, the institutional CEO and various other employees are afforded important influence in setting priorities for fundraising and in distributing unrestricted funds. Institutionally related foundations are successful in keeping gift funds out of the public coffers, as was their original intent. They operate by a set of rules, some spelled out by policy contained in their legal agreements and some simply by practice, which define their parameters. Their structure and functions are similar, with varying degrees of independence from their related institutions. Dependence on the institution for funding, staffing, and other services does not seem to impede the great freedom given volunteers to make the critical funding decisions. The goal of enhancing the institution with increased private gift support seems to be the same no matter what the differences in structure and functions.

Recommendations for Further Study

Other avenues of inquiry, which might be useful in learning more about foundations and enabling fundraising professionals to make more informed and effective decisions in determining the course of the development of both existing and new institutionally related foundations, are presented below.

1. The present study was delimited to investigating institutionally related foundations at four-year colleges and universities. Similar studies of foundations at

two-year colleges would provide data which would help to discover differences and/or similarities between the two.

2. Analysis of data drawn from the responses concerning sources of funding for the operation of institutionally related foundations revealed that there was confusion about identifying exact resources and their percentages of the total operating budget. It was apparent that there exist a wide variety of sources from which support is drawn. Further investigation into the structure of those arrangements would be helpful to foundations seeking to stabilize their funding.

3. A further study which includes other aspects of foundations, such as size of endowment, makeup of board and donor base, fundraising role of trustees, and identification of gift sources, would provide valuable information about the financial aspects of foundations and information to foundations seeking to grow their assets and be more effective.

4. Although there were only a small number of foundations that felt they did not fit either of the two major subtypes of institutionally related foundations, an in-depth study of the group who identified themselves as "a

mix" of dependent and independent would provide insight into the precise nature of their arrangement(s).

5. An investigation should be initiated into the impact of institutionally related foundations on the fundraising effectiveness of the public college or university. What are the characteristics of the institutionally related foundation which enhance fundraising success?

6. Finally, instead of anonymity, name identification of institutionally related foundations in an expanded study on subtypes would provide additional information and a resource to institutions in their planning process for establishing or changing their foundations, and in their attempts to improve and enhance their organization.

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APPENDICES

APPENDIX A

CASE SURVEY OF INSTITUTIONALLY RELATED FOUNDATIONS

CASE

COUNCIL FOR ADVANCEMENT AND SUPPORT OF EDUCATION

Survey of Institutionally Related Foundations

Exact name of Foundation described: ______________________________

(Please answer survey questions only for this foundation).

Please circle your response If yes, how many?

1. Are there other foundations related to your institution or its components? . . . Yes No Don't know ____

2. Is your foundation related to more than one institution? . . . . Yes No Don't know ____

3. Does your foundation have *for-profit* subsidiaries? . . . . Yes No Don't know ____

4. Listed below are a variety of fundraising and related activities. Please check all in which your foundation is regularly involved.

Private fundraising from:

- ☐ 1. Individuals.
- ☐ 2. Corporations.
- ☐ 3. Grant-making foundations.

- ☐ 4. Management of assets.
- ☐ 5. Funds administration.
- ☐ 6. Solicitation of government (federal, state, local) grants.
- ☐ 7. Administration of government grants.

5. Does your foundation engage in any fundraising or related activities not covered in question 4?

- ☐ No
- ☐ Yes. Please describe: ______________________

6. Is your institution a:

- ☐ 1. Community college or other two-year institution?
- ☐ 2. Four-year college or university?

7. Does your foundation have a formal operating agreement with your institution? . Yes No Don't know

8. According to your latest annual report, what are the total assets managed by your foundation and its subsidiaries?

- ☐ 1. Less than $1 million.
- ☐ 2. $1 million to $9.99 million.
- ☐ 3. $10 million to $24.99 million.
- ☐ 4. $25 million to $99.99 million.
- ☐ 5. $100 million or more.
- ☐ 6. Don't know

9. What types of assets does your foundation currently manage? Please check all that apply.

- ☐ 1. Cash, cash equivalents, securities (stocks, bonds, etc.).
- ☐ 2. Intellectual property (patents, rights, etc.).
- ☐ 3. Real estate (residential, commercial, industrial, farm).
- ☐ 4. Mineral rights.
- ☐ 5. Business, describe: ______________________
- ☐ 6. Collectibles (art, antiques, rare books, etc.).
- ☐ 7. Equipment (educational or functional), vehicles, etc.
- ☐ 8. Other: ______________________

10. What portion of the assets that your foundation manages do you classify as endowments?

- ☐ 1. None
- ☐ 2. Less than 10 percent.
- ☐ 3. 10 to 25 percent.
- ☐ 4. 26 to 50 percent.
- ☐ 5. More than 50 percent.

SUITE 400, 11 DUPONT CIRCLE, WASHINGTON, DC 20036-1261

(202) 328-5900, FAX (202) 387-4973

11. What fiscal year does your foundation observe? From __________(month) to __________(month)

12. What has been the average total private support (include dollar value of property gifts) received by your foundation in:

a. The fiscal year most recently completed?

a1. Average total private support
- ☐ 1. Less than $100,000
- ☐ 2. $100,000 to $499,999
- ☐ 3. $500,000 to $999,999
- ☐ 4. $1 million or more

a2. Percent unrestricted
- ☐ 1. Less than 10 percent.
- ☐ 2. 10 to 25 percent.
- ☐ 3. 26 to 50 percent.
- ☐ 4. More than 50 percent.

b. The fiscal year one year prior to the most recent?

b1. Average total private support
- ☐ 1. Less than $100,000
- ☐ 2. $100,000 to $499,999
- ☐ 3. $500,000 to $999,999
- ☐ 4. $1 million or more

b2. Percent unrestricted
- ☐ 1. Less than 10 percent.
- ☐ 2. 10 to 25 percent.
- ☐ 3. 26 to 50 percent.
- ☐ 4. More than 50 percent.

c. The fiscal year two years prior to the most recent?

c1. Average total private support
- ☐ 1. Less than $100,000
- ☐ 2. $100,000 to $499,999
- ☐ 3. $500,000 to $999,999
- ☐ 4. $1 million or more

c2. Percent unrestricted?
- ☐ 1. Less than 10 percent.
- ☐ 2. 10 to 25 percent.
- ☐ 3. 26 to 50 percent.
- ☐ 4. More than 50 percent.

13. Does your foundation have a policy for allocating unrestricted income?
- ☐ No
- ☐ Don't know
- ☐ Yes. Does your foundation follow that policy at all times?
  - ☐ Yes
  - ☐ No
  - ☐ Don't know

14. Does your foundation have an operating budget that is separate from its parent institution?
- ☐ Yes
- ☐ No
- ☐ Don't know

15. What revenue sources fund your foundation's operating budget? Please provide the approximate percent of revenue received from each source.

1. _____ % Direct funding from institutional budget.
2. _____ % Fees-for-services agreement with institution.
3. _____ % Fees based on percentage of income from investments including endowment income.
4. _____ % Fees based on percentage of gift assets already under management.
5. _____ % Fees based on percentage of principal of *unrestricted new gifts* for current operations.
6. _____ % Fees based on percentage of principal of *restricted new gifts* for current operations.
7. _____ % Fees based on percentage of earned income from current operations.
8. _____ % Fees based on all income generated by new gifts for limited time period ("the float").
9. _____ % Other revenues: ______________________________
10. _____ Don't know

16. What are your foundation's and institution's respective annual operating budgets for fund raising and managing gift assets?

a1. Foundation:

- ☐ 1. Less than $50,000
- ☐ 2. $50,000 - $99,999
- ☐ 3. $100,000 - $249,999
- ☐ 4. $250,000 - $499,999
- ☐ 5. $500,000 - $999,999
- ☐ 6. $1,000,000 or more
- ☐ 7. Don't know

a2. Institution:

- ☐ 1. Less than $50,000
- ☐ 2. $50,000 - $99,999
- ☐ 3. $100,000 - $249,999
- ☐ 4. $250,000 - $499,999
- ☐ 5. $500,000 - $999,999
- ☐ 6. $1,000,000 or more
- ☐ 7. Don't know

17. Which entity is *primarily* responsible for performing the following functions? Please check all that apply.

	Foundation Staff (1)	Institution Staff (2)	Foundation Volunteers (3)	Others (4)	Don't know (9)
1.Fund raising	____	____	____	____	____
2.Gift recording	____	____	____	____	____
3.Asset management	____	____	____	____	____
4.Accounting	____	____	____	____	____
5.Purchasing	____	____	____	____	____
6.Disbursements	____	____	____	____	____
7.Human resources/ personnel	____	____	____	____	____

18. How many paid professional staff members (fund raisers and others) work at least half-time on foundation business? Please exclude clerical and support staff.

- ☐ 1. None
- ☐ 2. One
- ☐ 3. 2-5
- ☐ 4. 6-10
- ☐ 5. 11-25
- ☐ 6. 26-50
- ☐ 7. More than 50

19. Is the institution's CEO a member of the foundation board?

- ☐ 1. Yes, voting member.
- ☐ 2. Yes, non-voting member.
- ☐ 3. No

20. Who selects new voting members of the foundation board? Please check all that apply.

- ☐ 1. Incumbent members.
- ☐ 2. Institution's CEO.
- ☐ 3. Institution's governing board.
- ☐ 4. Others: ______________________________

21. Do *voting* members of the foundation's governing board include the following? Please check all that apply.

- ☐ 1. Members of institution's governing board.
- ☐ 2. Volunteers not involved in governance of institution.
- ☐ 3. Institution CEO.
- ☐ 4. Other institution administrators.
- ☐ 5. Deans of institution.
- ☐ 6. Faculty members of institution.
- ☐ 7. Alumni of institution.
- ☐ 8. Students of institution.
- ☐ 9. Others: ______________________________

22. Does the foundation's governing board have an audit committee?

- ☐ Yes
- ☐ No

23. Are the foundation's books required to be audited?

- ☐ Yes, by which entity:
  - ☐ 1. Private accounting firm that foundation selects.
  - ☐ 2. Institution's auditors (on-staff or contracted).
  - ☐ 3. State auditors from outside higher education.
  - ☐ 4. Others: ____________________
- ☐ No.

	Please circle your response		
24. Does your foundation have an ethics or conduct code?	Yes	No	Don't know
25. Is your foundation subject to a freedom of information law in your state?	Yes	No	Don't know
26. Are foundation donor records subject to public disclosure?	Yes	No	Don't know

27. Does your foundation have a policy on information disclosure and confidentiality?

- ☐ Yes,
  - ☐ 1. Applies to staff and governing board.
  - ☐ 2. Applies to staff only.
  - ☐ 3. Applies to governing board only.
- ☐ No
- ☐ Don't know

28. Have any serious issues been raised within the past 12 months in your state or locality that directly involve foundation policies or operations?

- ☐ Yes
- ☐ No. Please go to question 30.
- ☐ Don't know. Please go to question 30.

29. If yes, do these issues:

- ☐ 1. Involve your foundation.
- ☐ 2. Involve other foundations.
- ☐ 3. Involve both.

a. Do these issues involve:

- ☐ 1. Disclosure/accountability?
- ☐ 2. Confidentiality of donor records?
- ☐ 3. Fund raising activities?
- ☐ 4. Asset management activities?
- ☐ 5. Spending activities?
- ☐ 6. Conflicts of interest?
- ☐ 7. Relationships with institution's CEO?
- ☐ 8. Other: ____________________

30. What is your title? ______________________________

Thank you for completing this survey! Please return it in the postage-paid envelope; if that is missing, send it to:

Monalco, Inc.
2750 Church Road
Jackson, WI 53037

QUESTIONS USED FROM SURVEY BY CASE

7. Does your foundation have a formal operating agreement with your institution?
___ yes ___ no ___ don't know

13. Does your foundation have a policy for allocating unrestricted income?
___ no
___ don't know
___ yes. Does your foundation follow that policy at all times?
___ yes ___ no ___ don't know

14. Does your foundation have an operating budget that is separate from its parent institution?

___yes ___ no ___ don't know

15. What revenue sources fund your foundation's operating budget? Please provide the approximate percent of revenue received from each source.
___ % Direct funding from institutional budget.
___ % Fees-for-services agreement with institution.
___ % Fees based on percentage of income from investments including endowment income.
___ % Fees based on percentage of gift assets already under management.
___ % Fees based on percentage of principal of unrestricted new gifts for current operations.
___ % Fees based on percentage of principal of restricted new gifts for current operations.
___ % Fees based on percentage of earned income from current operations.
___ % Fees based on all income generated by new gifts for limited time period ("the float").
___ % Other revenues:___
___ Don't know

18. How many paid professional staff members (fund raisers and others) work at least half-time on foundation business? Please exclude clerical and support staff.
___ None ___ 6-10 ___ More than 50
___ One ___ 11-25
___ 2-5 ___ 26-50

19. Is the institution's CEO a member of the foundation board?
___ Yes, voting member
___ Yes, non-voting member
___ No

20. Who selects new voting members of the foundation board? Please check all that apply.
___ Incumbent members
___ Institution's CEO
___ Institution's governing board
___ Others:___

21. Do voting members of the foundation's governing board include the following? Please check all that apply.

___ Members of institution's governing board
___ Volunteers not involved in governance of institution
___ Institution CEO
___ Other institution administrators
___ Deans of institution
___ Faculty members of institution
___ Alumni of institution
___ Students of institution
___ Others:____

23. Are the foundation's books required to be audited:

___ Yes, by which entity:

   ___ Private accounting firm that foundation selects
   ___ Institution's auditors (on-staff or contracted)
   ___ State auditors from outside higher education
   ___ Others:_______________________________________

___ No

25. Is your foundation subject to a freedom of information law in your state?

___ Yes ___ No ___ Don't know

APPENDIX B

SURVEY OF PUBLIC COLLEGE AND UNIVERSITY FOUNDATION BOARDS

SPONSORED BY AGB AND CASE

SURVEY OF PUBLIC COLLEGE AND UNIVERSITY FOUNDATION BOARDS

SPONSORED BY

THE ASSOCIATION OF GOVERNING BOARDS OF UNIVERSITIES AND COLLEGES
AND
THE COUNCIL FOR THE ADVANCEMENT AND SUPPORT OF EDUCATION

The following questions relate to a separately incorporated or independent foundation, established as a tax-exempt public charity by the state and given 501-c-3 status by the Internal Revenue Service.

Exact name of foundation described: ______________________________

(Please answer survey questions only for this foundation.)

I. General Questions

1. Who does your foundation serve?
   - [1] ☐ four-year institution
   - [2] ☐ two-year institution
   - [3] ☐ multicampus or university system

   Answer only question number 2 or number 3, as appropriate:

2. A. Does the institution have more than one independent foundation?
   - ☐ yes
   - ☐ no

   B. If yes, is there any office or process by which they are centrally coordinated or controlled?
   - ☐ yes
   - ☐ no

   C. If yes, please describe ______________________________

   ____

3. A. If a multicampus or university system, do individual campuses of the system have institutional foundations?

- [1] ☐ yes, all
- [2] ☐ yes, some
- [3] ☐ no

B. If yes, how do they operate?

- ☐ totally independent of the system foundation and system administration
- ☐ centrally coordinated

4. Would you describe your foundation as passive or active?

- ☐ passive (receives, manages and distributes funds from the institution as its only activities)
- ☐ active (identifies, cultivates, and solicits potential donors in addition to the above)

5. What was the market value of assets (including endowments) managed by your *foundation* in the most recently completed fiscal year?

- [1] ☐ less than $1 million
- [2] ☐ $1 million to $9.99 million
- [3] ☐ $10 million to $24.99 million
- [4] ☐ $25 million to $99.99 million
- [5] ☐ $100 million or more

6. What was the *institution's* or *system's* total operating budget in the most recently completed fiscal year?

- [1] ☐ less than $4.99 million
- [2] ☐ $5 million to $9.99 million
- [3] ☐ $10 million to $24.99 million
- [4] ☐ $25 million to $49.99 million
- [5] ☐ $50 million to $99.99 million
- [6] ☐ $100 million to $199.99 million
- [7] ☐ $200 million to $399.99 million
- [8] ☐ $400 million to $799.99 million
- [9] ☐ $800 million to $1.2 billion
- [10] ☐ more than $1.2 billion

II. Foundation Chief Executive and Staff

1. A. Does the foundation chief executive also serve in a dual capacity as a development officer employed by the institution or system?

- ☐ yes
- ☐ no (skip to question 2)

B. If yes, does person have a dual title?

- ☐ yes (answer question 1.C)
- ☐ no (answer question 1.D)

C. If yes, percent of time devoted to foundation and institution

_______ percent with foundation
_______ percent with institution

D. If no, is executive 100 percent employed by the foundation?

☐ yes
☐ no

2. When serving in the capacity of foundation chief executive to whom does he/she directly report? (Check all that apply)

☐ institution or system chief executive
☐ foundation board
☐ governing board
☐ vice president of the university or system
☐ other, please specify _______________________________

3. How many years has the executive held his/her position with the foundation?

_______ number of years

4. A. Who reviews the foundation executive's performance?

☐ foundation board
☐ institution or system chief executive
☐ vice president of institution or system

B. If the foundation executive serves in a dual capacity, is a performance review for foundation responsibilities done separately from a review for university responsibilities?

☐ yes
☐ no

5. A. Does the foundation pay its own full-time staff?

☐ yes, all
☐ yes, in part—university or system pays substantial portion of foundation staff salaries under a reciprocity agreement
☐ no, all paid by university or system administration (skip to question 6)

B. If yes:

_______ total number of professional staff (FTE)
_______ number of fundraising staff (FTE)
_______ number of asset management staff (FTE)

III. Profile, Characteristics, Structure, and Policies and Practices of the Foundation Board

Membership:

1. How many voting members are authorized to serve on the foundation board?

   ____

2. A. Is the institution's or system's chief executive an ex-officio member of the foundation board?

   - ☐ yes, voting
   - ☐ yes, non-voting
   - ☐ no

   B. Do any other university or system executives sit on the foundation board ex-officio?

   - ☐ yes
   - ☐ no

   C. If yes, which ones ____________________

3. Is the foundation chief executive a voting member of the foundation board?

   - ☐ yes
   - ☐ no

4. How many years has the current foundation board chair served in that capacity?

   ________ number of years

5. A. Do members of the institution or system governing board serve on the foundation board?

   - ☐ yes, as voting members
   - ☐ yes, as non-voting members
   - ☐ no (skip to question 5.C)

   B. If yes, which ones ____________________

   (e.g.: chair, committee chair, regular member)

   C. If no, are they precluded from doing so by state law?

   - ☐ yes
   - ☐ no

   please describe ____________________

   ____

6. Other than, or in addition to the institution or system governing board and executive, and the foundation chief executive, do your bylaws require that any of the board's voting members come from designated constituencies or be ex-officio members?

- ☐ yes
- ☐ no (skip to question 7)

If yes, indicate the number of board positions for each constituency and identify by title if appropriate.

<u>No.</u>

_______ alumni _______________
_______ faculty/deans _______________
_______ students _______________
_______ senior administrator _______________
_______ others (please specify) _______________

7. A. Do current members of the foundation board select new voting members of the board? (excluding ex-officio members)

- ☐ yes
- ☐ no

B. If no, who selects new members _______________

8. What is the length of term for foundation board members?

Number of years _______

9. A. Is there a limit on the consecutive terms a board member may serve?

- ☐ yes
- ☐ no (skip to question 10)

B. If yes, what is the maximum number of terms? _______

C. When are board former members eligible for reelection to the foundation board?

- ☐ never eligible
- ☐ after a waiting period of ____ years

Member Profile:

10. Please describe the foundation board's voting membership:

_______ number of male members
_______ number of female members

Race (number)

_______ White
_______ African American
_______ Hispanic
_______ Native American
_______ Asian American
_______ Other

Highest level of formal education (number)

_______ with professional degrees
_______ with advanced degrees
_______ with bachelor's degrees
_______ with associate's degrees
_______ with high school diploma

11. Primary Occupation

How many board members are involved in each of the following as a primary vocation? Please count each board member only once.

Business

____ An executive of a large business corporation
____ An executive of a banking, financial, insurance or real estate company
____ An executive of a smaller business
____ Other (please specify)

Education

____ Officer/administrator of an institution of higher education
____ Faculty member of an institution of higher education
____ Full-time student
____ Teacher/administrator of a primary/secondary school
____ Other (specify) ____________________

Retired

____ Corporate or financial officer
____ Educator
____ Professional
____ Other (specify) ____________________

Other

____ Administrative officer/executive of a nonprofit foundation/organization
____ Artist/writer/musician
____ Clergy
____ Government official, elected
____ Government official, non-elected
____ Farmer/rancher
____ Homemaker
____ Journalist
____ Judge
____ Labor official
____ Other (specify) ____________________

Professional Service

____ Accountant
____ Dentist
____ Lawyer/partner in a law firm
____ Physician
____ Psychologist
____ Social Worker
____ Other (specify) ____________________

12. How many board members also serve in any of the following capacities?

____ A member of governing board of another college or university
____ A member of a board of a corporation
____ A board member or executive of non-profit organization
____ The chief executive officer, or chief operating officer of a corporation

Board and Committee Structure:

13. How many times has the board met within the past 12 months? ________

14. The attendance at board meetings averages _______ percent of total board members.

15. A. Are meetings of the full foundation board required to be open to the public?

[1] ☐ yes
[2] ☐ no
[3] ☐ no, but meetings are voluntarily open

B. Are meetings of the foundation board committees required to be open to the public?

[1] ☐ yes
[2] ☐ no
[3] ☐ no, but committee meetings are voluntarily open

16. A. Does the board of the foundation have an executive committee?

☐ yes
☐ no

B. If yes, how many times has it met within the past 12 months? __________

17. A. Check which of the following additional committees the board has.

- [1] ☐ Development
- [2] ☐ Finance or Investment/ Asset Management
- [1] ☐ Nominating
- [1] ☐ Audit
- [1] ☐ Other_______________

B. Do any foundation board committees include individuals who do not serve either the foundation or governing board? (excluding foundation or university personnel).

☐ yes
☐ no

C. If yes, which ones_______________

Policies and Practices:

18. Are board members entitled to reimbursement for travel and related expenses incurred as a board member?

☐ yes
☐ no

19. Has the foundation board adopted a statement that defines what constitutes a conflict of interest for board members?

☐ yes
☐ no

20. Are board members required to file disclosure statements on their assets or business affiliations?

[1] ☐ yes, required by state law
[2] ☐ yes, required by board policy
[3] ☐ no

21. What kind of insurance does the foundation carry for trustees and officers?

[1] ☐ accident
[2] ☐ errors and omissions (directors and officers liability)
[3] ☐ none

22. Is a formal orientation program provided for new foundation board members?

☐ yes
☐ no

23. Does the foundation board participate in periodic reviews of its own performance?

☐ yes
☐ no

24. A. Is there a written description of the foundation board member's responsibilities?

- ☐ yes
- ☐ no

B. Are board members provided the description prior to service on the board?

- ☐ yes
- ☐ no

25. Has the foundation board adopted a formal policy on asset management and investment?

- ☐ yes
- ☐ no

IV. Relationships and Processes

Relationships Among Key Players:

1. A. Do the governing and foundation boards hold joint meetings?

- ☐ yes
- ☐ no (skip to question 2)

B. If yes, how frequently do they occur?

- 1 ☐ once every three months
- 2 ☐ once every six months
- 3 ☐ once a year
- 4 ☐ less than once a year

C. What was the format of the meetings?

- 1 ☐ formal business meetings
- 2 ☐ informal social gathering
- 3 ☐ combination of both

2. Who serves as the primary liaison between the governing and foundation boards? (check only one)

- 1 ☐ foundation chief executive
- 2 ☐ chief development officer (if different than foundation executive)
- 3 ☐ institution or system chief executive
- 4 ☐ foundation board chair
- 5 ☐ designated governing board member to the foundation board
- 6 ☐ designated foundation board member to the governing board
- 7 ☐ other (please specify) ______________________________

3. A. Does the foundation chief executive attend institution or system governing board meetings?

- ☐ yes, by policy
- ☐ yes, by invitation
- ☐ yes, by own choice
- ☐ no

B. Does the foundation chief executive attend institution or system governing board development committee meetings?

- ☐ yes
- ☐ no
- ☐ no, because governing board does not have a development committee

4. A. If the institution or system chief executive is *not* on the foundation board, does he/she typically attend foundation board and executive committee meetings?

- ☐ yes (skip to question 5)
- ☐ no

B. If no, is his/her interests represented by a surrogate?

- ☐ yes
- ☐ no

C. If yes, by whom? ______________________________

Institutional/Foundation Relationship:

5. On the whole, the relationship of the foundation board to the institution or system (its chief executive and board) can be plotted on the line as: (please circle)

1	2	3	4	5	6	7
friendly		cooperative		civil		hostile

6. A. Is the institution or system governing board provided with regular reports about the foundation's work?

- ☐ yes
- ☐ no (skip to question 7)

B. If yes, please describe ______________________________

7. A. Does your foundation have a formal operating agreement with your institution or system administration?

- ☐ yes
- ☐ no (skip to question 8)

B. If yes, does the agreement include the following? (check any that apply)

- ☐ expectations on the part of the institution or system regarding the foundation's performance
- ☐ commitment by the institution or system to the foundation's annual operating budget
- ☐ personnel
- ☐ provisions for shared services and equipment
- ☐ fee-for-service provisions with the institution or system

8. A. In their capacity as a foundation board member, do any members participate in the following? (check any that apply)

- ☐ contacting the state legislature on behalf of the institution
- ☐ advising the chief executive
- ☐ representing the institution to the media
- ☐ influencing institutional or system policy

B. If they do, is this coordinated with the governing board or the institution or system chief executive's office?

- ☐ yes
- ☐ no

V. Fundraising Control and Participation

1. A. Who sets the institution's or system's fund-raising priorities? (check all that apply)

- ☐ institution or system chief executive
- ☐ governing board
- ☐ institution or system development committee
- ☐ foundation executive
- ☐ foundation board

B. Does the foundation board have its own fundraising policies that might preclude it from seeking support for institution or system fundraising priorities?

- ☐ yes
- ☐ no

If yes, please describe: ______________________________

____

2. A. What percent of foundation board members participate in the foundation's fund-raising activities on behalf of the institution?

_____ percent

B. In what ways do they participate?

- ☐ prospect identification
- ☐ provide entrée for staff and others
- ☐ ask for money
- ☐ contribute personally
- ☐ express appreciation to donors

3. Approximately what percentage of each of the following groups provided personal gift support to the institution (system) in your last completed fiscal year?

_______ percent of foundation board members
_______ percent of governing board members
_______ percent of local governing or advisory board members (if a university system)

4. A. Is your institution or system conducting a campaign or has it completed a campaign within the last five years?

- ☐ yes
- ☐ no (skip to Part VI)

B. If yes, the campaign committee was/is made up of?

_______ percent of foundation board members
_______ percent of governing board members
_______ percent of others (specify if possible)

____

VI. **Please describe anything else about your foundation or foundation board that you feel would be useful or add any comments related to earlier questions.**

____

____

____

____

____

____

QUESTIONS USED FROM SURVEY AGB AND CASE

II. Foundation Chief Executive and Staff

1. A. Does the foundation chief executive also serve in a dual capacity as a development officer employed by the institution or system?
    ___ Yes
    ___ No (skip to question 2)

   B. If yes, does person have a dual title?
    ___ Yes (answer question 1.C)
    ___ No (answer question 1.D)

   C. If yes, percent of time devoted to foundation and institution
    ___ percent with foundation
    ___ percent with institution

   D. If no, is executive 100 percent employed by the foundation?
    ___ Yes
    ___ No

2. When serving in the capacity of foundation chief executive to whom does he/she directly report? (Check all that apply)
    ___ institution or system chief executive
    ___ foundation board
    ___ governing board
    ___ vice president of the university or system
    ___ other, please specify____________________________________

4. A. Who reviews the foundation executive's performance?
    ___ foundation board
    ___ institution or system chief executive
    ___ vice president of institution or system

   B. If the foundation executive serves in a dual capacity, is a performance review for foundation responsibilities done separately from a review for university responsibilities?
    ___ Yes
    ___ No

5. Does the Foundation pay its own full-time staff?
    ___ Yes, all
    ___ Yes, in part-university or system pays substantial portion of foundation staff salaries under a reciprocity agreement
    ___ No, all paid by university or system administration

III. Profile, Characteristics, Structure, and Policies and Practices of the Foundation Board

Membership:

2. A. Is the institution's or system's chief executive an ex-officio member of the foundation board?
    ___ Yes, voting
    ___ Yes, non-voting
    ___ No

3. Is the foundation chief executive a voting member of the foundation?
___ Yes
___ No

5. A. Do members of the institution or system governing board serve on the foundation board?
___ Yes, as voting members
___ Yes, as non-voting members
___ No (skip to question 5.C)

B. If yes, which ones________________________________
(e.g.: chair, committee chair, regular member)

C. If no, are they precluded from doing so by state law?
___ Yes
___ No

6. Other than, or in addition to the institution or system governing board and executive, and the foundation chief executive, do your bylaws require that any of the board's voting members come from designated constituencies or be ex-officio members?
___ Yes
___ No (skip to question 7)

If yes, indicate the number of board positions for each constituency and identify by title if appropriate:
Number
___ Alumni________________________________
___ Faculty/Deans ________________________________
___ Students ________________________________
___ Senior Administrator________________________________
___ Others (please specify)________________________________

Board and Committee Structure:

15. A. Are meetings of the full foundation board required to be open to the public?
___ Yes
___ No
___ No, but meetings are voluntarily open

B. Are meetings of the foundation board committees required to be open to the public?
___ Yes
___ No
___ No, but committee meetings are voluntarily open

16. A. Does the board of the foundation have an executive committee?
___ Yes
___ No

IV. Relationships and Processes

Relationships Among Key Players:

3. A. Does the foundation chief executive attend institution or system governing board meetings?
___ Yes, by policy

___ Yes, by invitation
___ Yes, by own choice
___ No

B. Does the foundation chief executive attend institution or system governing board development committee meetings?
___ Yes
___ No
___ No, because governing board does not have a development committee

4. A. If the institution or system chief executive is not on the foundation board, does he/she typically attend foundation board and executive committee meetings?
___ Yes (skip to question 5)
___ No

B. If no, is his/her interests represented by a surrogate?
___ Yes
___ No

C. If yes, by whom? ______________________________

Institutional/Foundation Relationship:

5. On the whole, the relationship of the foundation board to the institution or system (its chief executive and board) can be plotted on the line as: (Please circle)

1	2	3	4	5	6	7
Friendly		Cooperative		Civil		Hostile

6. A. Is the institution or system governing board provided with regular reports about the foundation's work:
___ Yes
___ No (skip to question 7)

B. If yes, please describe ______________________________

7. A. Does your foundation have a formal operating agreement with your institution or system administration?
___ Yes
___ No

B. If yes, does the agreement include the following? (Check any that apply)
___ expectations on the part of the institution or system regarding the foundation's performance
___ commitment by the institution or system to the foundation's annual operating budget
___ personnel
___ provisions for shared services and equipment
___ fee-for-service provisions with the institution or system

V. Fundraising Control and Participation

1. A. Who sets the institution's or system's fund-raising priorities? (Check all that apply)
___ institution or system chief executive
___ governing board

___ institution or system development committee
___ foundation executive
___ foundation board

B. Does the foundation board have its own fundraising policies that might preclude it from seeking support for institution or system fundraising priorities?
___ Yes
___ No
If yes, please describe____

VI. Please describe anything else about your foundation or foundation board that you feel would be useful or add any comments related to earlier questions.
____
____
____
____

APPENDIX C

INSTITUTIONALLY RELATED FOUNDATION SURVEY (IRFS)

I. STRUCTURE

Staff:

1. Does your foundation operate with a chief executive officer?
 ___ yes (go to A below) ________________________________Title
 ___ no (go to B below)

 A. If you answered yes to question 1, is the foundation chief executive officer a voting member of the foundation board?
 ___ yes ___ no
  a. Does the foundation chief executive officer also serve in a dual capacity as the development officer employed by the institution?
  ___ yes ___ no

  b. Does this person have a dual title?
  ___ yes (answer question c) ___ no (answer question d)

  c. If yes, indicate percent of time devoted to foundation and institution.
  ___ percent with foundation
  ___ percent with institution

  d. If no, is chief executive officer 100 percent employed by foundation?
  ___ yes ___ no (go to 2)

 B. If you answered no to question 1, does a member(s) of the university administrative staff serve as liaison to the board?
 ___ yes If yes, what is his/her title?__________________
 ___ no

  a. Is the institution's chief executive officer a member of the foundation board?
  ___ yes, a voting member ___ yes, a non-voting member
  ___ no

  b. Does your institution's chief executive officer serve as chair of the board of the foundation?
  ___ yes ___ no

2. Who presides at the foundation board meetings?
 ___ the chief executive director of the foundation
 ___ the institutional chief executive officer
 ___ a volunteer chairperson drawn from the foundation board membership
 ___ other

3. When serving in the capacity of foundation chief executive officer, to whom does he/she directly report? (Check all that apply)
 ___ institution chief executive officer
 ___ system chief executive officer
 ___ foundation board

___ institutional governing board
___ vice president or vice chancellor of institution
___ other, please specify________________________________

4. Who reviews the foundation chief executive officer's performance?
___ foundation board
___ institution chief executive officer
___ system chief executive officer
___ vice president or vice chancellor of institution
___ other, please specify________________________________

5. If the foundation chief executive officer serves in a dual capacity, is a performance review for foundation responsibilities done separately from a review for institutional responsibilities?
___ yes ___ no

6. Does the foundation pay its own full-time staff?
___ yes, all full-time staff
___ yes, in part--institution pays substantial portion of foundation staff salaries under a reciprocity agreement
___ no, all paid by institution
___ other

Membership:

1. Do employees of the institution serve on the foundation board?
___ yes, as voting members ___ yes, as non-voting members
___ no (go to B)
a. If you answered yes, do these persons ever serve as
___ chairperson ___ committee chair (go to 2)

b. If you answered no, are employees of the institution precluded by state law from serving on the foundation board?
___ yes ___ no ___don't know

2. Do your foundation's bylaws require that any of the board's voting members come from designated constituencies?
___ yes ___ no ___ don't know

a. If you answered yes, indicate the number of board positions for each constituency and identify by title if appropriate:

Number
______ total
______ alumni ________________________________
______ faculty/deans________________________________
______ students________________________________
______ senior administrators________________________________
______ others (please specify)________________________________

3. Do any other institution executives sit on the foundation board ex-officio?
___ yes ___ no

a. If you answered yes, please specify their titles

____

4. Who selects new voting members of the foundation board? (check all that apply)
_____ incumbent members
_____ institution's chief executive officer
_____ institution's governing board

_____ others:____

5. Which of the following are voting members of the foundation's governing board? (check all that apply)
   _____ members of institution's governing board
   _____ volunteers not involved in governance of institution
   _____ institution chief executive officer
   _____ other institution administrators
   _____ deans of institution
   _____ faculty members of institution
   _____ alumni of institution
   _____ students of institution
   _____ others (please specify)______________________________

Relationship with Institution:

1. Does the foundation chief executive officer attend institution or system governing board meetings?
   ___ yes, by policy ___ yes, by invitation
   ___ yes, by own choice ___ no

2. Does the foundation chief executive officer attend institution or system governing board development committee meetings?
   ___ yes ___ no
   ___ no, because governing board does not have a development committee

3. If the institution chief executive officer is not on the foundation board, does he/she typically attend foundation board and executive committee meetings?
   ___ yes, board meetings but not committee meetings
   ___ yes, committee meetings but not board meetings
   ___ yes, both ___ no

   a. If no, are his/her interests represented by a surrogate?
      ___ yes. By whom?_____________________________________
      ___ no

Operation:

1. Does your foundation have a formal operating agreement with your institution administration?
   ___ yes ___ no

   a. If you answered yes, does the agreement include the following? (check all that apply)
      ___ expectations on the part of the institution or system regarding the foundation's performance
      ___ commitment by the institution or system to the foundation's annual operating budget
      ___ personnel
      ___ provisions for shared services and equipment
      ___ fee-for-service provisions with the institution
      ___ other (specify)

2. Is the institution or system governing board provided with regular reports about the foundation in regard to financial status and expenditures?
   ___ yes ___ no ___ don't know

   a. If yes, please describe__________________________________

3. Are meetings of the full foundation board required by sunshine laws to be open to the public?
___ yes ___ no ___ no, but meetings are voluntarily open

4. Are meetings of the foundation board committees required by law to be open to the public?
___ yes ___ no ___ no, but meetings are voluntarily open

5. Does the board of the foundation have an executive committee?
___ yes ___ no

6. Does the institution administration have control over the foundation?
___ yes ___ no

7. Does the institution governing board have control over the foundation?
___ yes ___ no

8. Was your foundation originally funded by the institutional budget?
___ yes ___ no, it is completely independent

   a. If you answered yes, does your foundation now provide at least some or all of its own funding by some form of taxing gifts?
   ___ yes ___ no

9. In your opinion, is control over private gift funds by the state lessened by the presence of a university related foundation?
___ yes ___no ___ not sure

10. On the whole, the relationship of the foundation board to the institution can be plotted on the line as: (please circle)

1	2	3	4	5	6	7
friendly		cooperative		civil		hostile

II. FUNCTION

1. Does the state permit use of tax appropriations for fundraising?
___ yes ___ no ___ don't know

   a. If you answered yes, does your foundation choose to use state funds for its operation?
   ___ yes ___ no

2. Does your foundation have an operating budget that is separate from its parent institution?
___ yes ___ no ___ don't know

3. This question concerns what revenue sources fund your foundation's operating budget? Please provide the approximate percent of revenue received from each source.
___ % direct funding from institutional budget
___ % fees-for-services agreement with institution
___ % fees based on percentage of income from investments including endowment income
___ % fees based on percentage of gift assets already under management

___ % fees based on percentage of principal of unrestricted new gifts for current operations
___ % fees based on percentage of principal of restricted new gifts for current operations
___ % fees based on percentage of earned income from current operations
___ % fees based on all income generated by new gifts for limited time period ("the float")
___ % other revenues ______________________________
___ don't know

4. What percentage of paid professional staff members (fundraisers and others) work full time on foundation business? Please exclude clerical and support staff.
___ percent

5. What percentage of paid professional staff members (fundraisers and others) work at least half-time but not full time on foundation business? Please exclude clerical and support staff.
___ percent

6. Are there separate fundraising efforts for the institution and the foundation?
___ yes ___ no

7. Is there mandated financial control or accountability by the institution for foundation funds?
___ yes ___ no

8. Is there voluntary financial control or accountability by the institution for foundation funds?
___ yes ___ no

9. Does your foundation board exercise complete control over the distribution of unrestricted gifts and earnings?
___ yes ___ no

10. Who sets the institution's fundraising priorities? (check all that apply)
___ institution chief executive officer
___ institutional governing board
___ institution development committee
___ foundation executive
___ foundation board
___ other (specify)

11. Are the institution's fundraising priorities the same as the foundations?
___ yes ___ no, the foundation sets its own

12. Does the foundation board have its own fundraising policies that take precedence over institution fundraising priorities?
___ yes ___ no

a. If you answered yes, please describe____________________

13. Does your foundation board make block grants to institution administrators or faculty of at least some of the unrestricted funds?
___ yes ___no ___not sure

Explain as needed____

14. Does the faculty submit proposals to the foundation for grants from unrestricted earnings?
___ yes ___ no

15. Does the institution's chief executive officer or the chief academic officer have input into the foundation's funding process? (check all that apply)
___ no
___ yes, chief executive officer
___ yes, chief academic officer

16. Are the institution officers involved with the investment responsibilities of foundation funds?
___ yes ___ no ___don['t know

17. Are the foundation's financial records required to be audited?
___ no
___ yes, by which entity:
___ private accounting firm that foundation selects
___ institution's auditors (on staff or contracted)
___ state auditors from outside higher education
___ others (please specify)___________________________

18. Is your foundation subject to a freedom of information law in your state?
___ yes ___ no

19. Considering the following characteristics based on the literature concerning institutionally related foundation, which category most nearly describes your foundation?
___ a. largely independent or autonomous with an executive director who is not also an institution employee; a foundation board which does not include institution administrators or faculty as full voting members; a board which must accept and approve institution priorities before granting funding/ and a self-generated operating budget
___ b. more integrated or dependent foundation which is tied formally into the institution, whose officials are included on its board, even if ex-officio, nonvoting members; shared staff and funding between institution and foundation
___ c. mix of the above but without separate foundation budget or staff; volunteer run with university staff as liaison; 100 percent funded by institution so all gifts go fully to institution
___ d. auxiliary corporation only to administer funds and transactions that have to do with industry/institution partnerships for research that the institution is not equipped to handle
___ e. students raise funds, manage investments, and make grants
___ f. "foundation-like" in that it holds multi-recipient trusts for the benefit of more than one nonprofit, one of which is the institution
___ g. other: Explain____

20. Please describe anything else about your foundation or foundation board that you feel would be useful or add any comments related to earlier questions.

Thank you for taking your valuable time to complete this survey!!

Please return by November 30 to:
Margaret N. Kelley
Vice Chancellor for Development
University of Tennessee at Chattanooga
615 McCallie Avenue
Chattanooga, TN 37403-2598

APPENDIX D

LETTER OF PERMISSION

CASE.

COUNCIL FOR ADVANCEMENT AND SUPPORT OF EDUCATION.

October 3, 1995

Dr. Norma Mertz
Dissertation Committee Chair
College of Education
The University of Tennessee, Knoxville
238 Claxton Addition Building
Knoxville, TN 37996-3400

Dear Dr. Mertz:

We are pleased to grant permission to Margaret N. Kelley to use data that CASE gathered in a 1993 survey of institutionally related foundations in the preparation of her dissertation.

Ms. Kelley should secure permission from the Association of Governing Boards of Universities and Colleges (AGB) to use a second set of data which AGB has gathered in a more recent survey.

While CASE conducted the earlier survey in cooperation with AGB, and AGB conducted its more recent survey in cooperation with CASE, CASE and AGB hold rights separately to their respective data.

We have suggested to Ms. Kelley that she contact Richard Novak at AGB. The address is One Dupont Circle, Suite 400, Washington, DC 20036. Phone is (202) 296-8400. I have advised Mr. Novak to expect her call.

I might add that we are encouraging Ms. Kelley in her project, and look forward to helping her in any way we can through our National Clearinghouse for Institutionally Related Foundations.

Sincerely,

Eric B. Wentworth
Clearinghouse Director

cc: Margaret N. Kelley

SUITE 400, 11 DUPONT CIRCLE, WASHINGTON, DC 20036-1261
(202) 328-5900, FAX (202) 387-4973

APPENDIX E

COVER LETTER

October 18, 1998

Dr. George Ross
University of Chattanooga Foundation
615 McCallie Avenue
Chattanooga, TN 37403-2598

Dear Dr. Ross:

In 1993 and again in 1995 the Council for the Advancement and Support for Education and the Association of Governing Boards collaborated to conduct surveys in order to establish a comprehensive database of census data describing institutionally related foundations at public colleges and universities. The enclosed survey, which is designed to update and supplement those surveys, is a further attempt to describe accurately the structure and functions of those foundations in relation to their host institutions. It is to be hoped that such factual information about the existing status of these foundations will enable fundraising professionals and educators to make more intelligent and effective plans about future courses of action in the area of fundraising in public higher education.

The enclosed questionnaire will require only approximately 10 to 15 minutes of your time to complete. It is directed to four-year public institutions and will be an important addition to the literature on institutionally related foundations. The descriptive study is part of a dissertation and has been approved by the Research with Human Subjects Review Committee of the University of Tennessee.

A stamped, self-addressed envelope is provided for your convenience, and a reply is requested, if possible, by November 30. Thank you in advance for your cooperation and participation in this study.

Your colleague,

Margaret N. Kelley
Vice Chancellor for Development

Enclosure: survey and return envelope

Back of postcard enclosed with mailing:

_____ I have returned the completed IRF Survey under separate cover

_____ I would like a copy of the final report

LABEL

Back of follow-up postcard:

A few weeks ago you should have received a questionnaire titled "Institutionally Related Foundation Survey." If you have not yet returned the survey, please take a few minutes to complete and return it as soon as possible. The information you provide will assist your colleagues in becoming more effective and informed fundraisers. Thank you.

Margaret N. Kelley
Vice Chancellor for Development
University of Tennessee at Chattanooga

APPENDIX F

FOLLOW UP LETTER

January 15, 1999

Director
Kennesaw State University Foundation

Dear Colleague:

In late November, I mailed a survey on institutionally related foundations to your institution. This survey was part of my doctoral dissertation at the University of Tennessee. Since I did not receive an answer from your institution (according to return post cards), I am sending this follow-up letter and another copy of the survey in hopes that, if it was not received by the proper person, you will direct it to someone who can respond. Even if you cannot answer all the questions, please respond to as many questions as you are able.

The survey is directed to four-year public institutions and will be an important addition to the literature on institutionally related foundations. The descriptive study has been approved by the Research with Human Subjects Review Committee of the University of Tennessee. There has been no attempt to identify the participating foundations, and to protect anonymity, no marking has been done on the surveys. The completed questionnaires will be kept in a locked file cabinet in the Development Office of the University of Tennessee at Chattanooga until such time as they will be sent to CASE, which approved use of two of its earlier surveys and in return requested the data from this survey to add to its database.

A stamped, self-addressed envelope is provided for your convenience, and a reply is requested, as soon as possible. Also included is a return postcard to be mailed by you separately indicating that you have returned the completed survey and would like a copy of the results. Thank you in advance for your cooperation and participation in this study.

Sincerely,

Margaret N. Kelley
Vice Chancellor of Development

Enclosure: Survey, return envelope, and postcard

APPENDIX G

SUMMARY OF SURVEY RESPONDENTS' CHI SQUARE RESULTS FOR COMPARISONS BETWEEN REPORTED INDEPENDENT/DEPENDENT GOVERNANCE STRUCTURE AND SURVEY QUESTIONS

Note: For the purpose of concluding if there were relationships between the two main subtypes of categories and the various variables associated with them, cross tabulation was performed. Since the data were nominal, Chi-square was determined to be the appropriate test. Because the criteria for being able to perform Chi-square of having an expected value and/or at least five in each cell was not met in all cases of the 62 possible variables, only 34 were able to be tested. Of those tested, 12 had a degree of significance of less than .05. These are indicated by a number followed with an asterisk below.

Selected Survey Questions		Governance Structure Independent	Governance Structure Dependent	Chi-Square	Significance
Staff					
I.1.a. Foundation chief executive officer has vote	Yes	16	25	.00000	1.0000
	No	28	47		
I.1.d. CEO 100% employee of foundation	Yes	29	3	19.38713	.0000*
	No	5	14		
I.3. To whom foundation CEO reports:					
a. Institution CEO	Does Not Apply	34	53	1.98257	.1591
	Applies	11	33		
b. System CEO (<5)					
c. Foundation Board	Does Not Apply	7	29	4.02249	.0449*
	Applies	38	57		
d. Institution governing board (<5)					
e. Vice president	Does Not Apply	44	69	6.26381	.0123*
	Applies	1	17		
f. Other (<5)					

APPENDIX G (continued)

Selected Survey Questions		Governance Structure Independent	Dependent	Chi-Square	Significance
I.4. Who reviews performance of Foundation CEO:	Foundation Board	33	28	15.88903	.0001*
	Institution Employees	12	53		
I.5. Separate reviews of CEO by institution and foundation	Yes	5	14	1.16704	.2800
	No	10	67		
I.6. Foundation pays its own full time staff	Yes	38	43	49.44714	.0000*
	No	5	35		
Membership					
I.1. Employees serve on board	Yes	24	69	14.15780	.0008*
	No	21	17		
I.4. Who selects new voting members of board					
a. Incumbent members (<5)					
b. Institution CEO (<5)					
c. Institution governing board (<5)					
d. Others (<5)					
I.5. Voting members of foundation's governing board					
a. Members of institution governing board	Does Not Apply	34	59	.39666	.5288
	Applies	11	27		
b. Volunteers (<5)					
c. Institution CEO (<5)					
d. Other institution administrators	Does Not Apply	42	64	5.67433	.0172*
	Applies	3	22		
e. Dean (<5)					
f. Faculty (<5)					
g. Alumni	Does Not Apply	13	40	2.29111	.1301
	Applies	33	43		
h. Students (<5)					

APPENDIX G (continued)

Selected Survey Questions		Governance Structure Independent	Governance Structure Dependent	Chi-Square	Significance
Operation					
I.1. Formal operating agreement	Yes	35	55	2.02110	.1550
	No	10	31		
a. Agreement includes:					
expectations of foundation	Does Not Apply	30	63	.34396	.5576
performance	Applies	15	23		
institution's commitment to	Does Not Apply	33	61	.00736	.9316
foundation budget	Applies	12	25		
personnel	Does Not Apply	34	56	1.05112	.3052
	Applies	11	30		
shared services and	Does Not Apply	24	42	.09289	.7605
equipment	Applies	21	44		
fees-for-service	Does Not Apply	31	73	3.69316	.0546
	Applies	14	13		
other (<5)					
I.2. Regular reports from foundation to institution (<5)					
I.3. Foundation board meetings	Yes	8	19	1.76340	.4141
open by sunshine laws	No	25	39		
	No, but open voluntarily	10	27		
I.4. Foundation committee	Yes	5	12	1.74219	.4185
meetings open by sunshine	No	31	50		
laws	No, but open voluntarily	8	23		
I.6. Institution administration	Yes	2	14	2.86616	.0905
has control over foundation	No	41	68		
I.7. Institution governing board has control over foundation (<5)					
I.8. Foundation originally funded	Yes	16	52	6.20343	.0128*
by institution	No	26	30		
a. If yes, now provides some	Yes	16	43		
funding	No	3	13		

APPENDIX G (continued)

Selected Survey Questions		Governance Structure Independent	Governance Structure Dependent	Chi-Square	Significance
I.9. Having foundation lessens state control over funds (<5)					
Functions					
II.1. Separate operating budgets (<5)					
II.6. Separate fundraising efforts	Yes	15	26	.11298	.7368
	No	27	58		
II.7. Mandated financial accountability by institution for foundation funds	Yes	6	34	7.93675	.0048*
	No	36	49		
II.8. Voluntary financial accountability by institution for foundation funds	Yes	20	50	1.89413	.1687
	No	17	22		
II.9. Foundation board control over distribution of funds	Yes	36	63	.64213	.4325
	No	7	20		
II.10. Who sets institutional fundraising priorities					
a. institution CEO	Does Not Apply	9	6	3.74068	.0531
	Applies	36	80		
b. Institution governing board	Does Not Apply	32	68	.64213	.4229
	Applies	13	18		
c. Institution development committee	Does Not Apply	35	70	.06882	.7931
	Applies	10	16		
d. Foundation executive (<5)					
e. Foundation board (<5)					
f. Other	Does Not Apply	42	74	.91186	.3396
	Applies	3	12		
II.11. Institution and foundation have same fundraising priorities (<5)					

APPENDIX G (continued)

Selected Survey Questions		Governance Structure Independent	Governance Structure Dependent	Chi-Square	Significance
II.12. Foundation board's fundraising policies take precedence over institution's (<5)					
II.13. Foundation makes block grants to institution (<5)					
II.14. Faculty submits proposals to foundation for funding grants	Yes	10	35	3.44747	.0633
	No	33	49		
II.15. Institution's CEO has input into foundation's funding process					
a. No	Does Not Apply	29	78	11.90884	.0006*
	Applies	16	8		
b. Yes	Does Not Apply	19	13	10.33532	.0013*
	Applies	26	73		
II.16. Institution officers involved with investing foundation funds	Yes	9	39	7.38823	.0066*
	No	36	46		
II.17. Foundation's records required to be audited (<5)					

VITA

Margaret Northern Kelley was born in Chattanooga, Tennessee on October 26, 1937. She attended elementary school in that city and was graduated from Chattanooga High School in 1955. The following September, she entered the University of Tennessee at Knoxville, but did not graduate. She reentered the University of Tennessee at Chattanooga in the fall of 1969 and graduated in June 1973 with a Bachelor of Science degree in English Education. In August of 1974, she was awarded a Master's of Science degree in English Education.

She took a position in September of that year as a feature writer at the Chattanooga News-Free Press, where she remained for seven years, becoming the Lifestyle Features Editor. She then accepted a position as Director of Development at The Bright School, a private elementary school in Chattanooga. In 1983, she became associated with the Chattanooga campus of the University of Tennessee as Assistant Director of Development. She received the Doctor of Education degree with a major in Leadership Studies in December 1999.

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