

Finance Literacy Fundraising, Gift Funds and Gifts

March 21, 2018
150 University Hall
10:30 – 12:00

Presenters: Nancy
McKinney, Ali De Gros and
Matthew Weaver

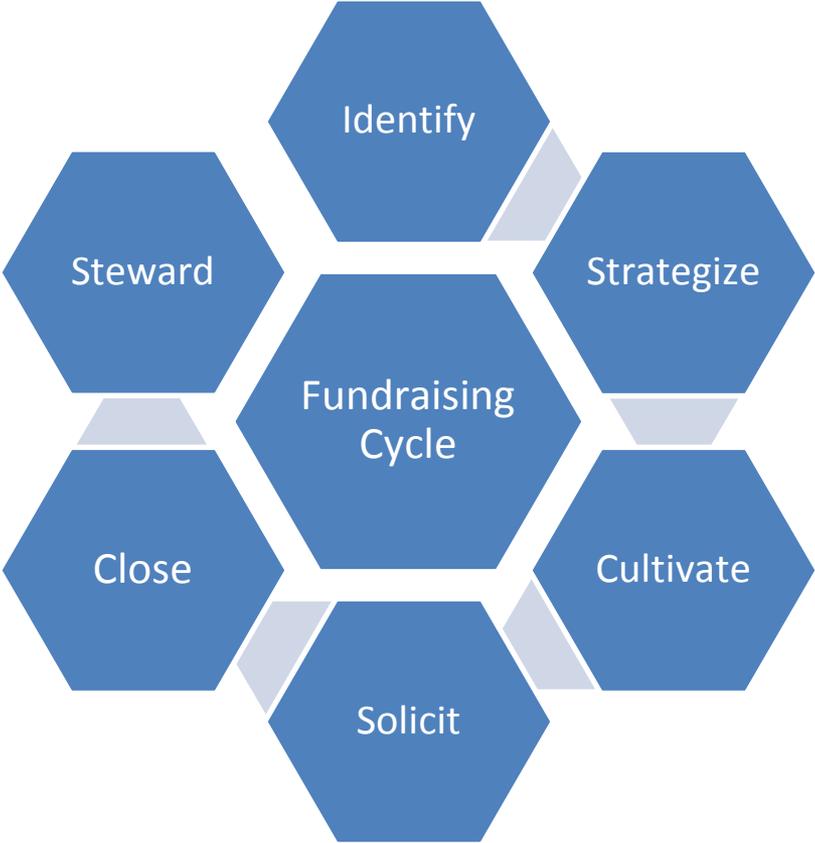
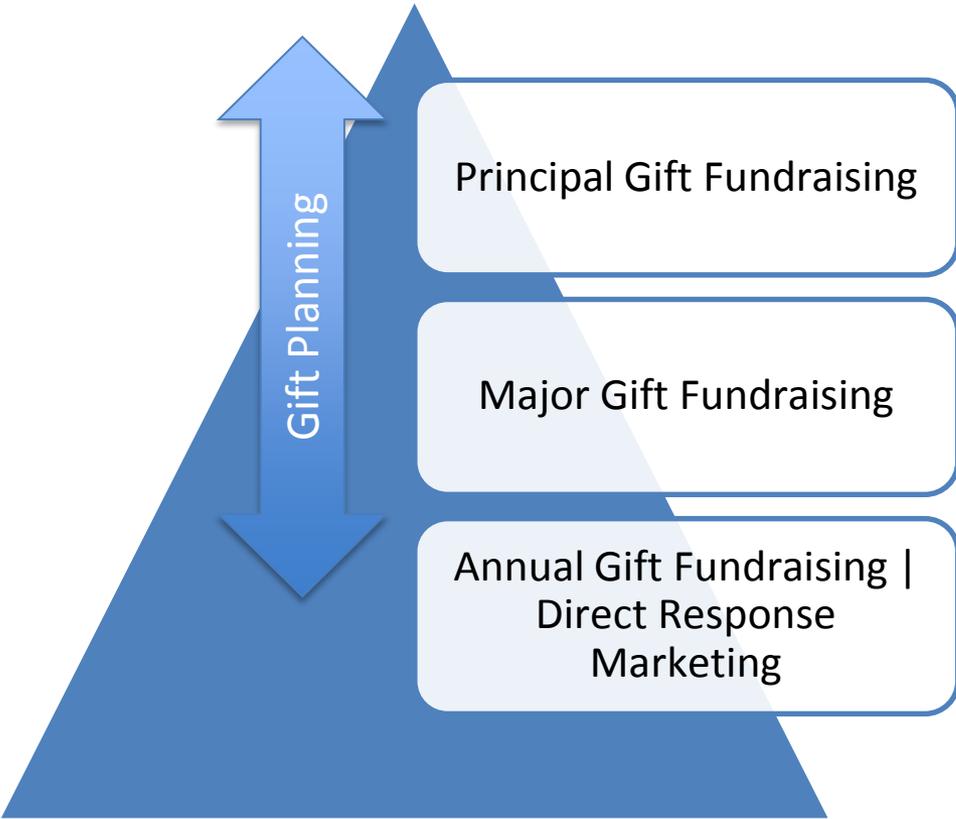


Agenda

- Berkeley's fundraising organization
- Donor intent
- Philanthropic gift funds
- Gift agreements and fund set-up
- Gift processing
- Using gift funds
- Funds functioning as endowments (FFEs)
- Working with Donor and Gift Services
- Questions

Berkeley's Fundraising Organization

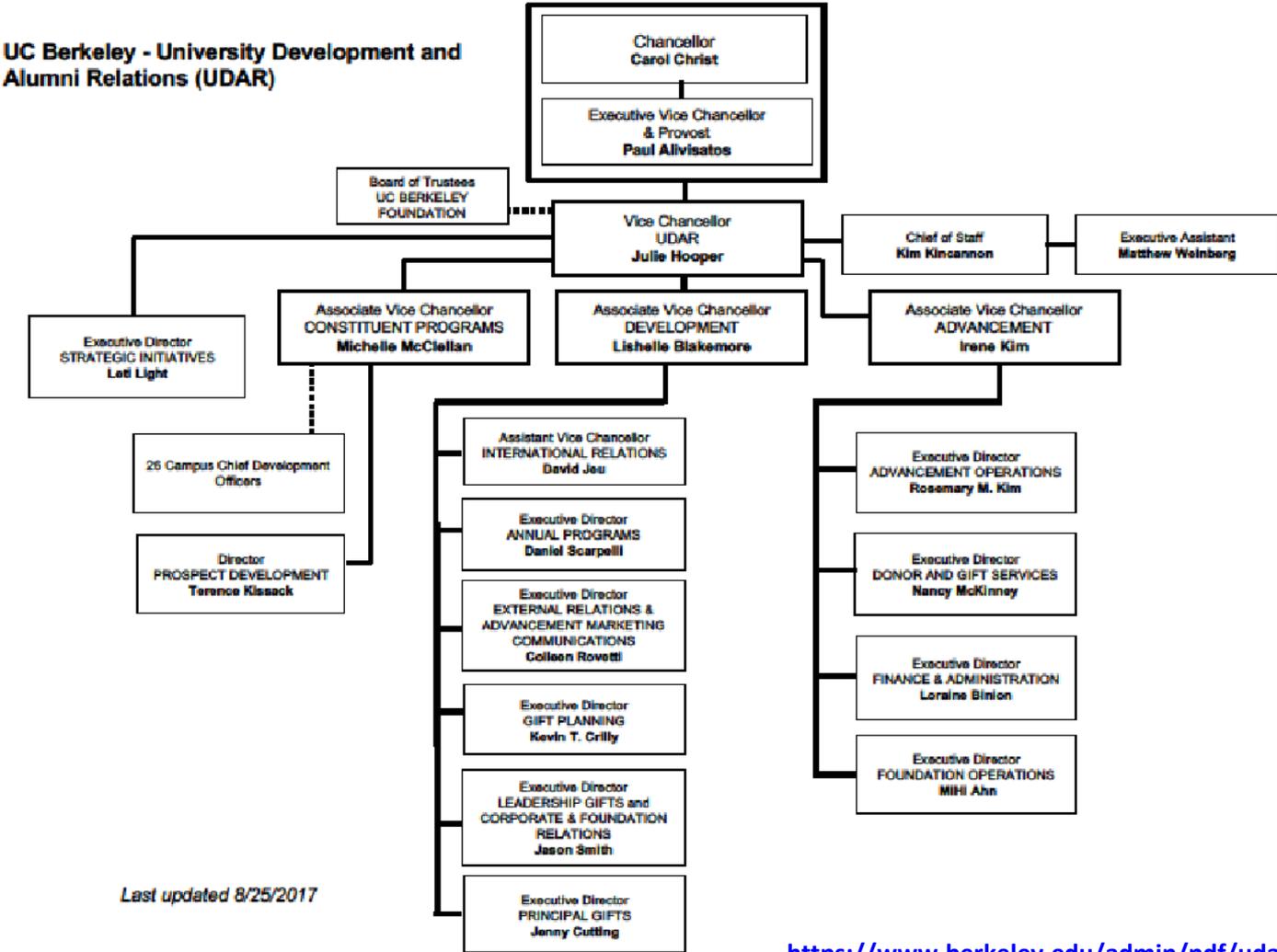
Fundraising Fundamentals



Funding Fundraising

- Philanthropic Allocation
 - 5% = 2.5% to benefitting unit + 2.5% to Chancellor
 - Every dollar spent by Berkeley's fundraising operation leads to approximately \$7 raised for the university
 - Compares favorably to other UCs and select private institutions
 - Read more: <https://advancement.berkeley.edu/sites/eureka/Documents/D11513%20Infographic.pdf>
 - Exceptions
- Research Administrative Fee
 - 10.5%
 - Exceptions
- Policy: <https://campuspol.berkeley.edu/policies/philanthropicallo.pdf?Refresh=0.799806985171&Refresh=0.799806985171>
- Endowment Cost Recovery
 - 80bp (Foundation) / 55bp (Regents)

University Development and Alumni Relations



Last updated 8/25/2017

<https://www.berkeley.edu/admin/pdf/udar.pdf>

Campus Fundraising Offices

- Campus units working most closely with UDAR
 - Schools and Colleges (Business, Chemistry, Education, Engineering, Environmental Design, Information, Journalism, Law, Letters & Science, Natural Resources, Optometry, Public Health, Public Policy, and Social Welfare)
 - Graduate Division, University Library, Athletics, BAM/PFA, Botanical Garden, CalPerformances
- Other fundraising efforts
 - Departments and programs
 - Faculty
 - Students
- Professional fundraising staff should be involved in any and every major gift
 - We will ask faculty, research administrators and other staff to work with them

Donor and Gift Services

Gift Services is responsible for:

- Accepting and receipting gifts and pledge payments, including those made via check, credit card, wire transfer, publicly traded securities and gifts-in-kind;
- Facilitating the Chancellor's and President's acceptance of gifts that exceed University Development and Alumni Relations' authority; and
- Philanthropic allocation and research administrative fee policy exceptions.

Donor and Gift Services

Fund Management is responsible for:

- Accepting terms to create new gift funds (operating and endowment); documenting and accepting pledges of future philanthropic support;
- Opening new funds and working with campus units and financial staff to ensure they are properly set-up so that gifts and endowment payout are distributed to the correct benefitting unit;
- Facilitating the President's approval of endowed chairs and professorships;
- Scholarship and fellowship reporting to donors;
- The endowment financial report sent annually to donors;
- Analysis of accumulated gifts and endowment payout; and
- Analysis of the campus's compliance in expending gifts and endowment payout according to donor intent.

Donor and Gift Services

Donor Recognition is responsible for:

- Gift acknowledgment letters from the Chancellor and the Vice Chancellor — University Development and Alumni Relations;
- Chancellor's and Vice Chancellor's birthday cards and holiday greetings;
- Memorial and honorific gift notifications;
- Annual, loyal, and cumulative giving donor recognition including The Charter Hill Society, Berkeley Loyal, and Builders of Berkeley;
- The personalized giving report sent annually to donors;
- Honor rolls and The Annual Report of Philanthropy; and
- Facilitating the approval of namings associated with philanthropic gifts.

Two Fiduciaries

- The UC Berkeley Foundation
 - Berkeley Endowment Management Company (BEMCO)
 - Directing all new gifts here
 - Why UDAR feels this improves the donor experience
- The Regents of the University of California
- Two endowment pools

BERKELEY ENDOWMENT MANAGED BY THE UC BERKELEY FOUNDATION

	6/30/17	6/30/16	6/30/15	6/30/14	6/30/13
Market Value (\$ thousands)	\$1,795,439	\$1,586,686	\$1,618,404	\$1,543,367	\$1,278,030
Annual Return on Investment	13.1%	-2.3%	3.8%	15.2%	12.8%

BERKELEY ENDOWMENT MANAGED BY THE UC REGENTS

	6/30/17	6/30/16	6/30/15	6/30/14	6/30/13
Market Value (\$ thousands)	\$2,502,979	\$2,220,102	\$2,427,046	\$2,370,049	\$2,052,522
Annual Return on Investment	14.9%	-3.4%	7.2%	18.7%	11.6%

Is It a Gift? Why is it Important?

- Definition of a gift
 - Voluntary
 - Philanthropic intent
 - Quid pro quo
 - Acceptance
- The law - IRS Publication 526
 - <https://www.irs.gov/pub/irs-pdf/p526.pdf>
 - Earmarking
- Leads to future gifts
- Alternative forms of support
 - Grants
 - Contracts

<https://vcresearch.berkeley.edu/research-policies/contracts-gifts-and-grants>

Restrictions and purposes

- Donor Intent: the purpose for which a donor had made a gift, defined by restrictions and preferences in a gift agreement (ideally), or other gift instrument. Donor intent is protected by law and must be adhered to by the campus.
- The campus has a set of common **purposes** for gifts: programmatic support, scholarship, fellowship, research, faculty professorships and chairs, centers/institutes etc. The purposes can be commonly seen as gift **restrictions**.
- A donor may set **broad restrictions** beyond the purpose of a fund
- A donor may also set **preferences** which will be adhered to when possible.
- Modifying donor intent

Purposes and Minima

- Endowments - one of our primary giving vehicles, are funds that are invested in perpetuity and pay-out annually.
- Minimum capitalization levels have been set for each 'type' of endowment. The endowment minima were recast as of FY2017-18.
 - Intentionality in setting minima
 - What we learned from benchmarking

Endowment Minima

- Unrestricted Chancellor's Endowment/ or Dean/Chair/Director's Endowment - **\$100,000**
- Programmatic Endowment - **\$250,000**
- Scholarship/ Targeted Scholarship/ Highly Targeted Scholarship - **\$100,000 / \$250,000 / \$500,000**
- Master's Fellowship/ Doctoral Fellowship/ Postdoctoral Research Fellowship - **\$250,000 / \$1M / \$1M**
- Professorship (assistant professors, non-tenured faculty) - **\$1M**
- Early career chair (associate professors) - **\$2M**
- Chair (full professors) - **\$3M**
- Administrative chair - **\$3M**
- Chancellor's (FTE) Chair - **\$6M**
- Other non-academic positions - **\$1M**
- Center/ Institute - **\$5M / \$10M**

Named current use funds - **\$25,000**

Fund Numbers and Ledger Equivalents

- Gifts and endowment payout must be transferred from the UC Berkeley Foundation (location F) to the Regents (campus ledger, 1) in order to be spent. This means that almost all Foundation funds have a ledger parallel. In addition, all endowments (Regents and Foundation have a ledger payout fund). These connections are hard-coded in BFS (the Berkeley Financial System).
- Gifts may not be transferred from the Regents to the Foundations unless it can be demonstrated that the check was erroneously made payable to the wrong entity.
- Regents endowments are not located on the Berkeley campus, but their payout funds are.
 - Regents endowments begin with a “0” or a “1”, their Loc 1 payout funds replace that with a “3” or a “4”
 - 04134 (principal)/34134 (payout)
 - 14567 (principal); 13567 (payout)
- Foundation funds begin with a letter on Loc F (W = endowment, all other letters are current use, i.e. N3255). These have a randomly assigned 3XXXX, 4XXXX or 5XXXX campus parallel
- Parallels may be looked up on BFS, or the Cal Answers - Current Use Reconciliation Report (within the Current Use and Endowments Dashboard).

Endowment Payout

- It's complicated and you can't replicate it
- Basic calculation / concepts

<https://advancement.berkeley.edu/sites/eureka/gifts/funds/Pages/Understand-Endowment-Payout.aspx>

- Recent policy update for Foundation

Summary of UC Regents Endowment Payout					
FY07-08 through FY17-18					
(in thousands of dollars)					
Fiscal Year Ending	Actual Payout Rate	Calculated Payout Amount	No. of Funds	Market Value as of 06/30	Effective Payout Rate
6/30/18	4.20%	\$91,985	1,938	\$2,762,233	3.33%
6/30/17	4.20%	\$87,377	1,927	\$2,590,354	3.37%
6/30/16	4.20%	\$84,823	1,921	\$2,250,330	3.77%
6/30/15	4.20%	\$80,942	1,905	\$2,317,206	3.49%
6/30/14	4.20%	\$77,873	1,869	\$2,370,049	3.29%

UC Berkeley Foundation Historical Endowment Payout

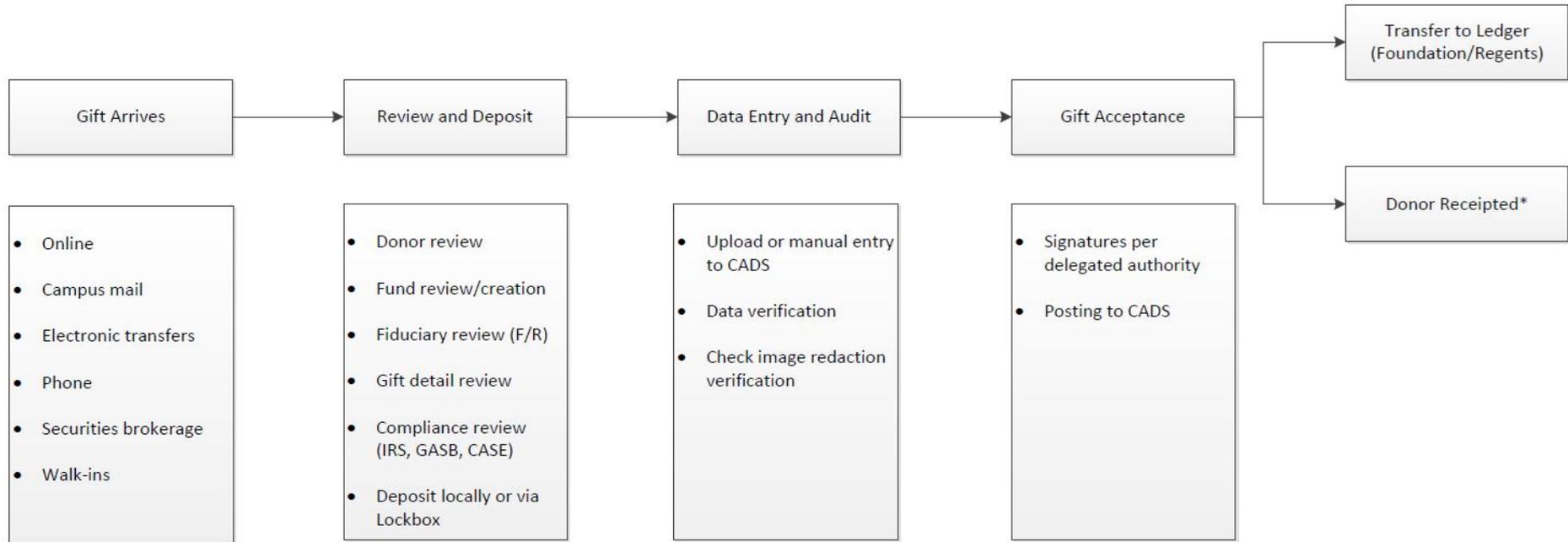
A	B	C	D	E	F	G
Fiscal Year	Approved Payout Rate	12 Quarter Moving Average Market Value (Dollars)	Calculated Payout Amount (Dollars) (B x C)	# of Endowment Funds	Market Value of Endowments on 3/31 (Dollars)	Effective Payout Rate (D / F)
FY17-18		1,678,786,656	-	3,135	1,915,347,504	
FY16-17	4.25%	1,561,878,896	66,379,853	3,017	1,746,877,830	3.80%
FY15-16	4.25%	1,455,338,157	61,851,872	2,931	1,561,285,457	3.96%
FY14-15	4.25%	1,321,520,628	56,164,627	2,797	1,547,052,711	3.63%
FY13-14	4.25%	1,163,654,914	49,455,334	2,683	1,429,132,558	3.46%

Gift Agreements and Fund Set-Up

- Types of gift agreements
 - Outright gift vs. pledge vs. documented intention
 - New vs. existing fund
 - Various donors
- Components of gift agreements
 - Purpose, administration, capitalization, and contingency
 - Why are there signatures and what do they mean?
- Roles and partnerships
 - Of fundraising
 - Of finance
 - Of UDAR
- Innovations
 - Agreement automation
 - DocuSign

Recording and Receipting of a Gift

Recording and Receipting of a Gift



*For online gifts donors receive a pdf receipt at time gifts are made on the website.

How to Facilitate Gifts

- What is the payment?
- Who is the gift from?
- Why is the gift being made?
- Where should the gift be deposited?
- When will the gift arrive?
- How will the gift arrive?
- Logistics
 - Drop safe at 1995 University Avenue, suite 401
 - Forms (Eureka.Berkeley.edu)
 - Transmittal cover sheets
 - 700-U
 - Stock transfer forms
 - UDEV-100 (Gifts in Kind)
 - Processing timeline - depends on the gift and the time of year!

Channels, legal tender, and workflows

- 20 Channels
 - USPS, campus mail, online, phone, departmental upload, UCOP financial journal, events
- 12 Legal tender types
 - cash, check, credit card, wires, ACH, payroll deduction, securities, e-currency, property
- Each gift/pledge has a combination of channel, tender, purpose, tax treatment, and fiduciary that steers it into one of 30+ unique processes:
 - Lockbox
 - Gift Management Module
 - Cybersource
 - Research Gift compliance review
 - Gifts in Kind

FY17 Landscape & Processing Variables

- 2 fiduciaries
- 67.1K active donors
- 20 gift/pledge types
 - 9 pledge types (e.g., straight, conditional, documented intention)
 - 11 gift types (e.g., gift, matching gift, bequest)
- 12 tender types (e.g., cash, credit card, securities, wires)
- 20 channels (e.g., USPS, online, telemarketing)
- 130 campus “units” + 10 Affiliate organizations
- 12,000 philanthropic gift funds

FY17 - 105K gifts / 121K transactions

FY18 - 26K gifts processed for December reporting period

Key factors in efficient processing

- Alignment of fiduciary, fund, and payment
 - Approved remit devices for direct mail solicitations
 - Accurate wire instructions to donors
 - Accurate check payee instructions
- Cash handling compliance per Finance Bulletin BUS-49
- Completeness of Transmittal forms and documentation
 - Donor ID, fund, contacts for questions
- Awareness of Gift Services deadlines
 - Calendar year-end
 - Fiscal year-end
 - Big Give

Current Use Funds Transfer to the Ledger

- Foundation Monthly transfer
 - The 8th or 9th of each month, transfers what was received in the prior month up to the month-end.
 - June gifts are transferred by June 30th as long as they have been processed through to BFS.
- Regents transfers
- Scenarios that create delays
 - Gift had to be deposited to wrong entity and then transferred manually
 - Gift was deposited to CDS but not to a fund because it wasn't established
 - Donor's directions were not clear

Annual Endowment Payout

- Annual transfer of ~5,000 endowments
 - August, Regents and Foundation payout are transferred separately.
 - Estimates available in CADS in April
 - Upon transfer account codes for Regents and Foundation are different. Regents payout is moved to campus as a transfer whereas Foundation payout comes to campus as revenue.
- Using CADS to understand payout for your funds
 - Estimates for individual funds are uploaded in April
 - CADSMart Payout Estimate Report

Restrictions

- Restrictions and preferences
- Unit earmarking
- Who owns the money?
 - Primary dept ID
- When should you spend gift funds?
 - Current use - within the FY
 - Endowment - as payout is transferred (annually)
 - Always follow the terms if guidance is given
 - Funds with 2+ years of a payout balance are accumulated
- Funds and chartfielding
 - When is a new fund created? Whenever there is a new purpose, restriction, preference, or stewardship expectation.
 - Can we use chartfields to indicate purpose instead? (In short, no).

CalAnswers Reports

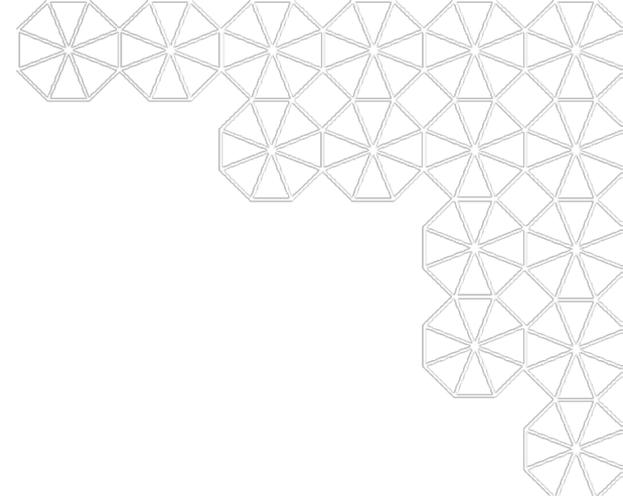
- UDAR, Haas and CFO, Financial Planning and Analysis worked together to create a new gift and endowment reporting dashboard for Cal Answers
- The Dashboard has three reports:
 - **Gift and Endowment Terms and Balances** - View your portfolio of gift/endowment funds, with balances by chartfield and enhanced data including full CADS fund terms; purposes (chair, scholarship, fellowship etc); sub-purposes; endowment types; market values and payout etc. Reports are generated to view funds by owner vs. non-owner.
 - **Foundation Current Use Reconciliation** - Reconcile transfers from the Foundation ledger by month for funds with activity in both Foundation and campus ledgers, with the Foundation and campus ledger balances displayed next to each other
 - **Foundation Funds (replaces BAIRS Foundation Report)** - view gift and investment detail for Foundation funds
- **Wiki:** <https://wikihub.berkeley.edu/pages/viewpage.action?pageId=150241865>
- **Job aid:**
https://calanswers.berkeley.edu/sites/default/files/cal_answers_gift_endowment_reporting_job_aid.pdf

Evolving Use of FFEs at Berkeley

- Funds functioning as endowments, or FFEs are invested and function as a true endowment does, with the crucial distinction that the institution (depending on the terms) may withdraw all or part of the corpus of the fund and expend it for the purpose designated by the donor.
- While FFEs are expendable, they should generally be considered as endowments, i.e. only payout is spent. FFEs are invested for the long-term, and so an FFE investment is not a good way to create short term gains.
- Most FFEs are administratively established by campus, either with gift revenue, non-gift revenue, or when the campus receives a bequest gift that does not have a stated fund type.
- FFEs may be created or added to through a process called reallocation. They also may be withdrawn from in the 4th quarter of the fiscal year. The rules surrounding these actions are governed by UCOP guidelines, which are currently under review for updates: <https://policy.ucop.edu/doc/6000435/Gifts-Regents>
- Campus is currently working on its own rules for implementing the UCOP guidelines, a collaborative effort between the CFO and UDAR.

Working with Donor and Gift Services

- Use Eureka
- Use email aliases for service
 - GiftHelp@berkeley.edu (general help)
 - MatchingGifts@berkeley.edu (corporate matching)
 - GiveSecurities@berkeley.edu (stock gifts)
 - GiftInKind@berkeley.edu (property and hosted events)
 - Adjustments@berkeley.edu (gift adjustments)
 - Receipts@berkeley.edu (if donors need duplicates)
 - Fundhelp@berkeley.edu (all fund-related topics)
- Remittance devices
- Online giving (give.berkeley.edu) and Crowdfunding (crowdfund.berkeley.edu)



Questions? Thank You!

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