Committee: Advancement

Date of Meeting: September 8, 2009

Agenda Item: Proposed Amendments to Board Policy 8.3 College, University, and System-Related Foundations

X Proposed Policy Change

☐ Approvals Required by Policy

☐ Other Approvals

☐ Monitoring

☐ Information

Cite policy requirement, or explain why item is on the Board agenda:
A first reading of the initially proposed amendments to Board Policy 8.3 occurred at the July Board of Trustees Advancement Committee meeting. To accommodate suggestions from the Board and to provide additional clarity, the proposed policy was rewritten to an extent requiring a new first reading.

Scheduled Presenter(s):
Maria McLemore, Executive Director, System and Foundation Relations

Outline of Key Points/Policy Issues:
See accompanying documents

Background Information:
Proposed changes have been shared with individuals who served on the Affiliated Foundations Task Force.
Proposed Amendments to Board Policy 8.3 College, University, and System Related Foundations

BACKGROUND
At the request of the Board of Trustees, the Affiliated Foundations Task Force was established to address policy-related matters raised in the Office of Internal Auditing’s report, *College, University, and System Foundations*. The task force held monthly meetings from January 2009 through June 2009; proposed amendments to Board Policy 8.3 were the end results of their work. Proposed amendments to Policy 8.3 were shared with the Board of Trustees at the Board’s July 2009 meeting. To accommodate suggestions from the Board, the Affiliated Foundations Task Force and the broader community, the initially proposed policy has been rewritten to an extent requiring a new first reading.

RECOMMENDED COMMITTEE ACTION
The Advancement Committee recommends that the Board of Trustees adopt the following motion: The Board of Trustees adopts Board Policy 8.3 as presented in the Board packet.

RECOMMENDED MOTION
The Board of Trustees adopts Board Policy 8.3 as presented in the Board packet.

*Date of Implementation:* These amendments apply to any new contract with a related foundation. An existing contract with a related foundation shall be amended in accordance with these amendments at the time of any amendment to the contract or July 1, 2010, whichever is earlier.

*Date of Adoption:* 09/09/09
8.3 College-, University-, and System-Related Foundations

Part 1. Definitions

Purpose.

College-, University-, and System-related foundation: A private, non-profit organization legally incorporated under IRS statutes 501(c)3 and officially recognized by the president or chancellor to support programs and activities which benefit the college, university, or system.

Administrative support: May include the use of college or university or system employees, equipment, and facilities that are needed to carry out foundation policies and authorizations. The foundation board is responsible for managing its financial resources, including authorizing fund raising strategies, budgeting the use of funds, and establishing investment policies.

Foundations and their board members play an important role in providing needed resources for the Minnesota State Colleges and Universities and their students, as well as creating public awareness of the important contributions made by our colleges and universities to students, their communities, and the state. This policy establishes the standards to be met in order to help ensure that the relationships between colleges, universities, the system and their supporting foundations are stable and long-term, productive and efficient, and foster the maximum support possible for the system and its colleges and universities. Colleges, universities, and the office of the chancellor must ensure that any public resources, including employee time, which support the activities of a related foundation are used prudently and in a manner consistent with their respective missions, board policies and system procedures.


Subpart A. Related Foundation. The chancellor and each college or university president may contract with a foundation whose primary purpose is to support the college, university or system. The college, university or system may agree to provide administrative support to the foundation. A related foundation is a private, non-profit organization whose purpose is to support a college, university, or the system through fundraising and other activities and is officially recognized by the president or chancellor through a written contract. An organization whose primary purpose is other than fundraising for a college, university, or the system is not a related foundation under this policy.
Subpart B. Administrative Support. The contract must require that, in return for administrative support, the foundation will contribute to the system, college, or university an amount equal to or more than the value of the administrative support provided by the system, college, or university to the foundation. This requirement may be waived for a limited time for new foundations or foundations undergoing structural or mission change pursuant to the conditions set forth in Procedure 8.3.2. Administrative support means the use of college, university, or system employees, equipment, and facilities that are needed to carry out related foundation policies and authorizations. The related foundation board is responsible for managing its financial resources, including authorizing fundraising strategies, budgeting the use of funds, and establishing investment policies.

Subpart C. Fundraising. The term of the contract shall not exceed three years and may be renewed at the chancellor's or a college or university president's discretion. Contracts are subject to review and approval by the system office. Copies of contracts shall be kept on file in the system office. Fundraising means direct solicitations, receipt of gifts, management of endowed funds and other activities directed at raising foundation funding on behalf of the college, university or its students.

Subpart D. Contracts shall provide that the Office of the Legislative Auditor and MnSCU shall have complete access to the financial records of the foundation.

Subpart E. Contracts shall require that the foundation annually provide to the college or university and the system office a copy of its most recent financial report filed with the attorney general pursuant to Minn. Stat. Ch. 309 (see related documents below). Foundations receiving less than $350,000 in revenues annually shall submit a copy of an external financial audit at least every three years.

A related foundation must be legally incorporated as a nonprofit corporation under Minnesota law, in good standing, and must be qualified as a tax-exempt charitable organization under 26 U.S.C. § 501(c)(3). The governance of a related foundation is the sole responsibility of its board of directors and the related foundation must be maintained as a legal entity separate from Minnesota State Colleges and Universities. System policy and procedure establish standards to be met by foundation seeking to serve as related foundations to receive support services and recognition from colleges, universities, or the system.

A president or the chancellor may enter into a written contract with a related foundation to provide administrative support to the related foundation in accordance with board policy and system procedure and to allow the related foundation to use the name of the college, university, or system.

Subpart A. Return of value. The chancellor may establish the return of value ratio required for each contract with a related foundation. Before establishing the ratio for the related foundation of a college or university, the chancellor shall consult with the college or university president.
Subpart B. Contract term, approval. The term of the contract shall not exceed three years and may be renewed at the chancellor's or president's discretion. The contract is subject to review and approval by the system office. A copy of the contract shall be kept on file in the system office.

Subpart C. Access to information. The contract shall provide that the Office of the Legislative Auditor and Minnesota State Colleges and Universities shall have complete access to the financial records of the related foundation.

Subpart D. Foundation reports. The contract shall require that the related foundation annually provide to the college or university and the system office a report as set forth below. The chancellor shall establish the deadline for filing the report and any provision for filing extensions in system procedure. The annual report shall include the following information:

1. A copy of the annual report required to be filed with the attorney general pursuant to Minnesota Statutes § 309.53. A related foundation that is not required to file audited financial statements with the attorney general pursuant to Minnesota Statutes § 309.53, Subd. 3, shall submit an audited financial statement and the information in Subpart D(2) at least once every three years.

2. Any written communication from an independent auditor that discloses any material weakness in internal controls identified in conjunction with the audit of financial statements. For any material weakness reported, the related foundation shall provide a written response which includes its explanation for accepting the risks associated with the weakness or its plans to implement corrective action.

3. A report on return of value for the prior fiscal year, including the value of administrative support received and the value returned to the college, university, or system and its students.

Subpart E. Ex-officio member. The contract must provide that the president or chancellor, or their designee, serve as an ex-officio, non-voting member of the respective related foundation’s governing board and of any executive or similar committee empowered to act for the governing board.

Subpart F. Additional conditions. The chancellor may identify additional conditions that must be met by a related foundation in order to contract with a college, university, or the system for administrative support, if the chancellor determines that the conditions are needed to improve effectiveness, legal compliance or other factors affecting the operational viability or integrity of the related foundation. Before making the determination for the related foundation of a college or university, the chancellor shall consult with the college or university president.

Part 5. Annual Report. The chancellor annually shall report to the board information for each related foundation including the dollar value of administrative support provided, the dollar value of returns to the college, university, or system or its students, information on any waiver granted under System Procedure 8.3.2, and any other information the chancellor deems appropriate.
Date of Implementation: These amendments apply to any new contract with a related foundation. An existing contract with a related foundation shall be amended in accordance with these amendments at the time of any amendment to the contract or July 1, 2010, whichever is earlier.

Date of Adoption: 09/09/09

Related Documents:
- Procedure 8.3.1 College-, University-, and System Office-Related Foundations Procedure
- Procedure 8.3.2 Waiver to College-, University-, and System-Related Foundations Policy

To view the following related statute, go to the Revisor's Web site (http://www.revisor.leg.state.mn.us/). You can conduct a search from this site by typing in the statute number.

- Minnesota Statute Chapter 309

Date of Implementation: 3/21/95
Date of Adoption: 3/21/95

Date & Subject of Revisions:
12/17/03 Changed Name to include “system-related.” Also amends Part 2, Subpart B, to temporarily waive the requirement to contribute an amount equal to the administrative support, for new foundations or those undergoing changes to the foundation’s mission, purpose or structure.

Click here for additional 8.3 HISTORY