



## **BOARD OF REGENTS POLICY:** *Foundations at the University*

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### **SECTION I. PURPOSE.**

#### **Subd. 1. Purpose of Foundations.**

Private support for public higher education is an accepted and firmly established practice throughout the nation. Foundations are established to enhance this practice, to enable institutions to accomplish more than public funding allows. Their private, independent nature also provides the University with the added advantages of dedicated donor services and management flexibility.

#### **Subd. 2. Definition of Foundation.**

Charitable organizations of various legal types and descriptions. These various entities are referred to as "foundations" throughout this policy.

#### **Subd. 3. Recognized Foundations.**

The University of Minnesota benefits from the activities of many foundations. The relationship with some foundations is very close and the foundations have, as their primary mission, support of the University of Minnesota and its programs. The University of Minnesota Foundation and the Minnesota Landscape Arboretum Foundation are accorded the status of "Recognized Foundations" as defined in this policy.

#### **Subd. 4. Other Foundations.**

Other foundations may provide substantial support to the University and its programs while their main focus and mission are of regional or national scope or centered upon specific research or service goals. These foundations may provide support to several recipients in addition to the University of Minnesota. Generally, the mutual expectations of these foundations and the University are defined in the gift, grant or award document. To the extent that such expectations or other reciprocal arrangements, such as use of University space or services are not clearly defined, a separate written agreement should be established in order to clarify the obligations of the University and the foundation.

#### **Subd. 5. Policy Objectives.**

Aware of the value of its own long-standing foundations to the well-being of the University, yet conscious of its responsibility to assure the proper relationships with them, the Board of Regents establishes this policy with the following objectives:

- (a) Preserve and enhance the operation of foundations appropriately recognized by the University of Minnesota.

- (b) Support the fund raising activities of such foundations, and promote a positive relationship with their staff and volunteer members.
- (c) Assure that the University and its foundations operate effectively and responsibly, consistent with the reasonable expectations of both public and private interests, on behalf of the University.

## **SECTION II. POLICY STATEMENT.**

### **Subd. 1. Board Affirmation.**

To accomplish these objectives the Board of Regents affirms the work and conduct of those University-related foundations whose practices have consistently embodied a common set of operational and financial standards for University recognition.

### **Subd. 2. Foundation Establishment.**

The president of the University of Minnesota may afford recognition to a foundation that satisfies certain basic criteria, specified below. However, because it is desirable to have University-related gift solicitation and donor relations efforts concentrated in a limited number of organizations, a prospective foundation will be recognized only if it is determined that its proposed functions cannot be adequately met by the University or existing recognized foundations.

### **Subd. 3. Board Control.**

In principle, the Board of Regents recognizes that it cannot, and should not, have direct control over foundations that enhance and support the University's mission. These foundations exist to serve the University, but are governed separately.

However, this relationship also requires that the Board of Regents protect the integrity and name of the University and its programs, and assure that foundations acting on its behalf exemplify the standards it has come to expect from its own recognized foundations.

## **SECTION III. PURPOSE.**

### **Subd. 1. Characteristics of Recognized Foundations.**

Recognized foundations should satisfy the following characteristics:

- (a) are created and operated primarily in support of the University's interests, and their work is compatible with the institution's purposes;
- (b) have as their primary purpose to secure, manage, and invest private support for the benefit of the University;
- (c) provide private support for a significant segment of the operations or programs of the University.
- (d) operate as private legal entities, separate from the University;
- (e) use sound fiscal and auditing procedures; and
- (f) obtain and maintain status as tax-exempt, charitable organizations under state and federal income tax laws to ensure that gifts and bequests received may qualify as deductible, charitable contributions for the donor.

### **Subd. 2. Privileges of Recognized Foundations.**

In return, foundations acting on behalf of the University may be granted various privileges, which may include:

- (a) use of the name and seal of the University, provided that University delegations of authority and policies are observed;
- (b) use of University space, equipment, and staff in the performance of the foundation's activities; and

- (c) the University may urge, suggest or recommend contributions to the recognized foundations in support of University activities.

### **Subd. 3. Unrecognized Foundations.**

Except as specifically provided in written agreement with the University, prospective foundations or nonprofit, tax-exempt organizations unable or unwilling to embody these standards should not expect the recognition and privileges accorded those foundations that satisfy University standards. Specifically, foundations not recognized by the University may not:

- (a) occupy University facilities or property reserved for non-public uses;
- (b) use any University asset, credit, goodwill, or the name of the University;
- (c) be recommended for contributions; and
- (d) use or assume benefit of the University's tax-exempt status under state or federal laws.

## **SECTION IV. GUIDELINES FOR ESTABLISHING AND MAINTAINING RELATIONSHIPS.**

### **Subd. 1. Enabling Documents.**

A recognized foundation's enabling documents (e.g., articles of incorporation, bylaws, constitution) and any amendments are to be filed with and reviewed by the University president or a designee. These documents must include a clause requiring that in the event of its dissolution, the foundation's assets and records will be distributed to the regents of the University of Minnesota, provided the regents remain a qualified charitable organization under relevant state and federal income tax laws.

### **Subd. 2. Membership of President.**

The president or a designee must be an ex officio voting or nonvoting member of a recognized foundation's governing board and of any executive or similar committee empowered to act for the governing board.

### **Subd. 3. Bonded Officers and Staff.**

Officers and staff members of a recognized foundation should be bonded as appropriate in amounts to be determined by the foundation's governing board. General liability and directors' and officers' liability insurance should be obtained in amounts determined by the governing board to be reasonable and appropriate.

### **Subd. 4. Accountability and Stewardship.**

The University and the foundations want to maintain the highest levels of accountability and stewardship, and each entity shall retain primary responsibility for funds under its respective management. To accomplish those goals, they will share information, develop reporting processes and institute compliance and auditing procedures that ensure donated funds are accounted for, expenditures are made in accordance with donors' wishes and reports are made to donors on the use of such funds.

### **Subd. 5. Unrecognized Foundations.**

No unrecognized foundation, nonprofit or profit organization shall, unless as an exception, represent itself to be involved directly or indirectly with the University or use the name of the University in such things as research, fund raising, testing or other activities related to the mission of the University. Exceptions must be approved in writing by the President of the University.

## **SECTION V. GENERAL OPERATING PROCEDURES.**

### **Subd. 1. Intent.**

To protect and preserve their mutual integrity, the University and its recognized foundations should follow sound and appropriate operating procedures, to include the following.

**Subd. 2. Assistance to University.**

From time to time, the University may request the assistance of a recognized foundation in providing services to other support groups such as cash management, stewardship, accounting, gift and tax reporting or fund raising activities. Such assistance would be provided at the option of the foundations.

**Subd. 3. Payments to University Employees.**

In general, consulting fees, loans, or perquisites may be paid to a University employee, director, officer, or staff member only with the written approval of the appropriate University official. Payments to the University president must be approved by the regents and similar payments to a foundation trustee or director approved by its board.

**Subd. 4. Governing Board Approval.**

Transactions involving the foundation and the personal or business affairs of a trustee, director, officers, or staff member should be approved in advance by the foundation's governing board. In addition, trustees, directors, officers, and staff members of a recognized foundation disqualify themselves from making, participating or influencing a decision in which they have or would have a financial interest.

**Subd. 5. Personal Acceptance of Gifts.**

No director, trustee, officer, or staff member of a recognized foundation shall accept from any source any gift or gratuity that is offered, or reasonably appears to be offered, because of the position held with the foundation; nor should an offer of a gift or gratuity be extended by such an individual on a similar basis. This does not include informational material, such as books, reports, calendars, or other unsolicited promotional material; nor modest entertainment, such as a meal or refreshment in connection with meetings, conferences, or public ceremonies, or home hospitality.

**Subd. 6. Disallowed Activities.**

No substantial part of the activities of a recognized foundation should consist of disseminating propaganda, attempting to influence legislation, or participating or intervening in any political campaign on behalf of a candidate for public office.

**SECTION VI. COMMUNICATION PROCEDURES.****Subd. 1. Disclosure to Donors.**

Foundations recognized by the University make it clear to prospective donors that:

- (a) the foundation is a separate, legal and tax entity organized for the purpose of encouraging voluntary, private gifts, trusts, and bequests for the benefit of the University;
- (b) responsibility for governance of the foundation, including investment of gifts and endowments, resides in the foundation's board;
- (c) checks for charitable gifts to any of the University's participating academic and support programs should be made payable to the foundation; and
- (d) gifts made for a designated purpose will be dedicated in their entirety to that purpose unless it is specifically stated that an administrative charge will be applied.

**Subd. 2. Conditions of Gift Acceptance.**

In accepting gifts of all kinds, recognized foundations:

- (a) advise donors that any restrictive terms and conditions they attach to gifts for the University are subject to University approval;
- (b) ensure that gifts are reported to and approved for acceptance by the University president and/or Board of Regents in accordance with pertinent University policies and delegations of authority;
- (c) coordinate their funding goals programs, and campaigns with the University; and

- (d) gifts, grants, or contracts that include a financial or contractual obligation binding upon the University must have prior concurrence in writing from the provost and/or appropriate vice president or their designee.

## **SECTION VII. FINANCIAL PROCEDURES.**

### **Subd. 1. Standards.**

Foundations hold and invest endowments and funds functioning as endowments on a long-term basis. For this purpose, they should ensure that appropriate standards such as the following are applied:

- (a) Prudent Practices. In general, foundation investment procedures should be conducted in accordance with prudent, sound practices to ensure that gift assets are protected and enhanced, that a reasonable return is achieved, and with due regard for the fiduciary responsibilities of the foundation's governing board. The investments must be consistent with the terms of the gift instrument.
- (b) Administration of Income. Income from investments, net of administrative fees, should be administered in accordance with pertinent foundation board policies, and, where appropriate, transferred to the University and expended from the designated University department or program accounts.
- (c) Expenditures. Except as provided in this paragraph, the foundations shall expend their funds through University-designated program accounts. Foundations may maintain and use accounts for the payment of expenses incurred for foundation purposes and programs in accordance with procedures approved by the University. Payments for specific authorized expenses incurred by University senior administrative officials, scholarships, honoraria, awards, appropriately documented reimbursements and other authorized University - and foundation-related projects - may be paid directly from foundation accounts. The foundation shall summarize these direct expenditures in an annual report to the University.
- (d) The foundation shall also prepare an annual report to the University that summarizes the funds transferred to each University department. The report shall summarize these amounts by each account and the total for each department. The University and foundation shall provide each other with other reports necessary to assure proper financial oversight.

### **Subd. 2. Accountability of Funds.**

Consistent with good stewardship, University principals into whose department or program the foundation funds are transferred, are responsible both to account for them in accordance with University policies and procedures, and to notify the foundation on a timely basis regarding the use of such funds. The foundation in consultation with the University shall determine who shall be responsible for reporting to the donor regarding the use of such funds.

### **Subd. 3. Consistent with University Mission.**

Foundations should carry out financial commitments and expenditures consistent with pertinent policies, plans, and budget approved by the foundation's governing board and consistent with the University's mission.

### **Subd. 4. Donation Designation.**

While the University will accept gifts made directly to the University or the Board of Regents, absent unique circumstances making a direct gift to the University more appropriate, donors shall be requested to make gifts to one of the recognized foundations. Where possible, without violating the terms of the gift or applicable law, and where the donor's ability to deduct the gift for tax purposes would not be impaired, donations to the University or the Board of Regents shall be deposited to the recognized foundation best suited to administer the gift.

**Subd. 5. Recording of Gifts.**

The University of Minnesota Foundation is designated as the central development office of the University. All gifts received by the University or one of its recognized foundations shall be reported to the University of Minnesota Foundation to ensure the proper receipting and recording of all gifts to the University in accordance with federal tax law.

**Subd. 6. Financial Statement.**

Foundations should maintain books in accordance with generally accepted accounting principles, and should be audited annually by a firm of certified public accountants. Copies of the audited financial statement and a current list of foundation officers, directors or trustees, should be made available to the University president.

**Subd. 7. Review by University Officials.**

Because private funds are raised to support public projects, there are occasions when it is appropriate for foundations to permit authorized University officials or their designees to inspect the pertinent foundation books and records that do not violate rights to privacy and confidential donor information.

**Subd. 8. Compliance Reviews.**

The University will conduct periodic compliance reviews of the use of donated funds. These reviews will be conducted by the University on an annual basis. Their purpose will be to ensure that dispositions of donated funds have complied with the purposes and restrictions set forth by the donors and/or the foundation. The scope of the review and extent of testing will be mutually agreed upon in advance by the University and the foundation. This agreement shall take place through the Board of Regents Audit Committee as a part of the annual audit plan approved in April of each year. A written report of the results of such review shall be provided to the foundation.

**Subd. 9. Designation as a Gift.**

Funds received by the University shall only be accounted for as gifts where the appropriate donative intent is present. Amounts received solely in exchange for services or property shall not be accounted for as gifts.

**SECTION VIII. AFFIRMING RELATIONSHIPS.**

The University of Minnesota, its president and Board of Regents, affirm and encourage the work and conduct of its foundations and their volunteer boards. When members of the University community learn that concerned citizens are contemplating the creation of organizations or foundations in support of University of Minnesota programs, the prospective organizers should be urged to seek the assistance of the University, or University of Minnesota Foundation to ensure the appropriateness of their relationship with the University of Minnesota and the potential for utilizing existing foundations to achieve their objectives. In the event existing foundations cannot provide the necessary services, the new organization should seek University recognition and its related privileges by exemplifying the standards and guidelines set forth above.

**REVISION HISTORY**

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**Amended:** March 11, 1994

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**Supersedes:** Fund Raising - Policy Statement dated October 8, 1965.