



OFFICE OF THE PROVOST

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MEMORANDUM

TO: Deans and Directors
FROM: Pat Cain *Pat* and Doug True *D*
RE: Funding Formula to Support Fund Raising Activities
Date: May 27, 2004

President Skorton formed a task force last year to advise the University and the UI Foundation (UIF) on the most equitable and appropriate way to reimburse the Foundation for the services it provides to the University, including each of your units. The Task Force was chaired by Barry Butler and included Gary Fethke, Linda Maxson, Jean Robillard, Donna Katen-Bahensky and Bob Bowsby. CFO and Treasurer of the UIF Tiffani Shaw, and UI Assistant Vice President and Controller Terry Johnson also participated in the Task Force meetings.

With the advice and endorsement of this group, the UI Foundation established a funding formula, including a tiered gift fee on expendable, non-endowment gifts effective July 1, 2003. This action was combined with a UIF expense reduction of more than \$1 million, including a decrease of nearly 9% in the number of FTE employees. In accord with the recommendations of the committee chaired by Dean Butler, the UI is implementing an identical fee which will be in effect July 1, 2004.

Based on early experience with the gift fee, a number of procedural issues were identified that needed to be addressed. The enclosed guidelines were developed jointly by staff of the UI administration and the UI Foundation. They have been reviewed with Dean Butler. We hope they will be useful to you in understanding how the gift fee is intended to be administered.

We especially want to note the slight adjustment in the gift fee structure. Formerly the fee was 5% on the amount of each gift up to \$500,000 and 2.5% on the amount of the gift of \$500,000 and above. As you will note in the enclosed document, there is now a third tier for the portion of each gift above \$1 million. Gifts in this category will be subject to a fee of 1% rather than the previous 2.5%. This adjustment to the gift fee was recommended to the UI Foundation Executive Committee and has been adopted.

If you have questions regarding the enclosed guidelines or other aspects of the gift fee structure jointly adopted by the UI and the UIF, please contact either of us, or contact Tiffani Shaw or Terry Johnson.

c: President Skorton
Michael New
Terry Johnson
Tiffani Shaw

UI/UIF Procedures Regarding Application of Gift Fee to Expendable (non-endowed) Gifts

May 4, 2004

I) Background

The UI requires the performance of a variety of development programs and has designated the UIF to provide such services. One form of reimbursement for these services is the application of fees to expendable gifts made to the UIF for support of various programs as directed by the donors. Fees are also applied to endowment accounts created by donor contributions.

A one-time tiered fee of 5 percent is applied to the portion of each expendable gift up to \$500,000; a fee of 2.5 percent is applied to the portion of such gifts in the amount of \$500,000 up to \$1 million; and a fee of 1 percent is applied to the portion of such gifts of \$1 million and above. The fee is applied at the time the gift is received. In the case of commitments being paid in multiple installments, each payment is regarded as an individual gift, for purposes of this formula.

The purpose of this document is to address procedural issues that may arise in the application of this fee to certain categories of gifts.

II) Application Of Fees On Expendable Gifts

The tiered fee applicable to expendable gifts (i.e., gifts not for endowment) will be applied to all such gifts upon receipt. If the unit designated by the donor as the ultimate beneficiary of the gift prefers to pay the fee from another source, it may do so by notifying the Director of Gift Accounting, UIF Finance Department, of the alternate source to be used. Such requests should be made as early as possible in the gift solicitation/acceptance process.

There may also be instances when a unit wishes to request payment from a source other than the gift itself, but has no other funds from which to pay the fee. When this occurs, the unit director should request that it be paid from a source outside the unit (e.g., if the unit is a department, payment might be requested from collegiate funds). Such requests should be directed through appropriate channels to the administrator of the unit from which payment is requested. Requests should state the rationale for the alternate source of payment. If another source of payment cannot be identified, the Executive Committee of the UIF, in consultation with the UI President, will determine whether and under what conditions the gift will be accepted.

Application Of Gift Fee To Selected Categories Of Gifts

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The gift fee described above does not apply to the following categories of gifts:

A) The guidelines or bylaws of some foundations and corporate giving programs preclude payment of any type of administrative or fund-raising fee from the amount of the grant. A list of such corporate and foundation funding sources will be maintained by the UI Office of Research and the UI Foundation. The gift fee will not be applied to grants and gifts from these organizations when a written policy is available prior to the request. If it is not known in advance whether the foundation or corporation prohibits payment of the gift fee, the fee must be included in the grant or gift proposal.

B) Gifts of tangible assets (i.e., "gifts in kind") received prior to July 1, 2003, will not be subject to the fee. Gifts of tangible assets received after July 1, 2003, will also not be subject to the fee, unless the asset is sold. In such cases, the fee will be applied to the sale proceeds at the time they are received.

III) Conclusion

The purpose of the fees described above is to support UIF fund-raising activities and services provided to The University of Iowa and its component constituent units. The fees were established in consultation with and upon the recommendation of a task force of deans and unit directors appointed by the University President. It is expected the fee structure will be reviewed periodically.