Direct Support Organizations Committee Meeting

PRESENTED BY

Thomas Haynes, Ph.D.
Wednesday, September 10, 2014

Florida Agricultural and Mechanical University
BOARD OF TRUSTEES REPORT
SEPTEMBER 2014
Action Items

• Approval of March 5, 2014 Committee Minutes
• Approval of Changes to Spending Policy
• Approval of Use of the Tookes Center for the President’s Inaugural Gala
• Approval of DSO Budgets
• Approval of Recommended Changes to Naming Policy
Approval of Minutes

Approval of March 5, 2014, Committee Minutes

Rationale:
In accordance with the Florida Statues, a governmental body shall prepare and keep minutes or make a tape recording of each meeting of the body.

Recommendation:
Approve the minutes of the March 5, 2014, DSO Committee Meeting.
Approval of Changes to Spending Policy

Current Policy:
At the present time, the Foundation calculates the annual distribution and administrative fee as a percentage of the contributed value of the endowment accounts on deposit with the Foundation. The current spending rate is 3.5% and the administrative fee is 2%.

Proposed Policy:
The Foundation will use 12 quarters of market value as a basis for calculating the annual endowment distribution which is the most common method among Florida’s state university foundations. The proposed spending rate is 4% and the administrative fee is 1.75%.
## Spending Policy

### Approval of Changes to Spending Policy (continued)

### Comparative Tables:

<table>
<thead>
<tr>
<th></th>
<th>FAU</th>
<th>FGCU</th>
<th>FIU</th>
<th>FSU</th>
<th>UCF</th>
<th>UF</th>
<th>UNF</th>
<th>USF</th>
<th>UWF</th>
<th>FAMU</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Endowment 12/31/2013</strong></td>
<td>$201M</td>
<td>$70M</td>
<td>$172M</td>
<td>$598M</td>
<td>$147M</td>
<td>$1.463B</td>
<td>$88M</td>
<td>$403M</td>
<td>$61M</td>
<td>$124M</td>
</tr>
<tr>
<td><strong>Administrative Fee</strong></td>
<td>1.70%</td>
<td>1.50%</td>
<td>2.00%</td>
<td>2.20%</td>
<td>2.25%</td>
<td>2.20%</td>
<td>0.00%</td>
<td>2.00%</td>
<td>1.89%</td>
<td>2.00%</td>
</tr>
<tr>
<td><strong>Spending Rate</strong></td>
<td>3.90%</td>
<td>4.00%</td>
<td>3.00%</td>
<td>4.00%</td>
<td>4.00%</td>
<td>4.00%</td>
<td>4.35%</td>
<td>4.00%</td>
<td>4.00%</td>
<td>3.50%</td>
</tr>
<tr>
<td><strong>Total Annual Rate</strong></td>
<td>5.60%</td>
<td>5.50%</td>
<td>5.00%</td>
<td>6.20%</td>
<td>6.25%</td>
<td>5.20%</td>
<td>4.35%</td>
<td>6.00%</td>
<td>5.89%</td>
<td>5.50%</td>
</tr>
<tr>
<td><strong>Valuation Method</strong></td>
<td>5YR AVG</td>
<td>3YR AVG</td>
<td>N/A</td>
<td>3YR AVG</td>
<td>Formula</td>
<td>N/A</td>
<td>3YR AVG</td>
<td>5YR AVG</td>
<td>3YR AVG</td>
<td>HCV</td>
</tr>
</tbody>
</table>

### Endowment Value Alternatives

<table>
<thead>
<tr>
<th>Admin Fee</th>
<th>Market 110,585,495</th>
<th>3YR AVG 97,189,861</th>
<th>4YR AVG 95,095,642</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.00%</td>
<td>1,105,855</td>
<td>971,899</td>
<td>950,956</td>
</tr>
<tr>
<td>1.50%</td>
<td>1,658,782</td>
<td>1,457,848</td>
<td>1,426,435</td>
</tr>
<tr>
<td>1.75%</td>
<td>1,935,246</td>
<td><strong>1,700,823</strong></td>
<td>1,664,174</td>
</tr>
<tr>
<td>2.00%</td>
<td>2,211,710</td>
<td>1,943,797</td>
<td>1,901,913</td>
</tr>
</tbody>
</table>
A 1.75% administrative fee and 4% spending rate would certainly be more appealing to potential donors than our current profile and should enhance fundraising effectiveness. A decision to increase our spending rate to 4% would raise the total annual distribution to 5.75% of a three-year (12 quarters) rolling average market value.

**Recommendation:**

(To be effective July 1, 2014):
1. Adopt a three-year rolling quarterly average market value approach to calculating annual endowment distributions.
2. Reduce the Foundation’s administrative fee from 2.00% to 1.75%.
3. Increase the annual distribution (spending) rate from 3.50% to 4.00%.
Rationale:
Pursuant to FAMU Board of Trustees Regulation 3.021, no alcoholic beverages may be possessed, served, sold, consumed or distributed at the University except the following FAMU Designated Areas: President’s Box (Bragg Stadium); Alumni House; Faculty Club House; Center for Viticultural Sciences & Small Fruit Research Center for Water Quality; Alfred Lawson Multipurpose Teaching Gymnasium, Grand Ballroom/Student Union; Black Archives; President’s Club (located at the northern end zone of the stadium during football games and other stadium events); Bragg Stadium; and the College of Law. In light of the President’s Inaugural Gala on October 3, 2014, at the Tookes Center, which is not a FAMU Designated Area, the FAMU Board of Trustees is requested to approve the serving of alcoholic beverages at this event consistent with the requirements set forth in the Regulation.

Recommendation:
Approve the request to serve alcoholic beverages at the President’s Inaugural Gala that will be held at the Tookes Center.
DSO Budgets

Approval of FAMU Foundation Operating Budget

Material Changes from FY2013-14
• Projected Real Estate Income
• Salary Increase (filling two positions: Accounting Coordinator, and Senior Accountant for Scholarship Accounting and Donor Reporting)
• University’s Support

FY2014-15
• Provide maximum scholarship support
• Provide President with resources to use for expenses in place of E&G funds
• Provide fundraising dollars in support of the strategic plan

Recommendation:
Approve the FY2014-15 FAMU Foundation Operating Budget.
Approval of National Alumni Association Budget

The National Alumni Association (NAA) Budget is tied to the following objectives:

- Student Recruitment
- Alumni Chapter Development and Stewardship
- Fundraising
- Government Relations

Recommendation:
Approve the FY2014-15 NAA Budget.
DSO Budgets

Approval of Rattler Boosters Budget

Rationale:
The DSO Budgets are submitted for approval in accordance with FAMU Internal Management Memorandum (IMM) Number 2003-01, 8:

The DSO shall submit an annual operating budget, which has been approved by the DSO’s governing board and by the President and submitted to the Board for approval. The budget shall be submitted no later than sixty (60) days after the first day of the fiscal year for which the budget pertains.

Recommendation:
Approve the FY2014-15 Rattler Boosters Budget.
Approval of Recommended Changes to Naming Policy

During the March 2014 Board of Trustee DSO meeting, Vice President Thomas Haynes presented recommendations for changes to the Board of Trustees Policy Number 2008-05, Naming Opportunities. The rationale for the recommendation was to update the policy to do the following:

• provide more flexibility in negotiating the naming of facilities, programs and spaces;
• to take advantage of new and potential opportunities for which the old policy did not provide; and
• provide additional clarity around naming conditions and the removal of names.

Upon the recommendation of the DSO Committee, the Board of Trustees approved the policy up to Item VI. Duration and Modification of Namings. The Board requested that the Vice President present Section VI to the FAMU Foundation Board for advisement and an opportunity to respond.
Information Items

Update on Divisional Activities

• University Advancement & BOT Goals
• FAMU Foundation, Inc.
  ➢ DRAFT MOU
  ➢ Foundation Operations
  ➢ FAMU Collegiate License Plate Revenue
  ➢ Investments
• Alumni Affairs
• Rattler Boosters, Inc.
University Advancement & BOT Goals

Four-Year Fundraising Comparison

<table>
<thead>
<tr>
<th></th>
<th>First Quarter</th>
<th>Second Quarter</th>
<th>Third Quarter</th>
<th>Fourth Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2010/11</td>
<td>$0</td>
<td>$777,745</td>
<td>$2,371,537</td>
<td>$3,282,540</td>
</tr>
<tr>
<td>FY 2011/12</td>
<td>$1,082,635</td>
<td>$1,965,763</td>
<td>$2,652,702</td>
<td>$3,197,820</td>
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<tr>
<td>FY 2012/13</td>
<td>$1,106,635</td>
<td>$1,947,765</td>
<td>$2,541,044</td>
<td>$3,226,011</td>
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<tr>
<td>FY 2013/14</td>
<td>$855,110</td>
<td>$1,822,062</td>
<td>$2,403,437</td>
<td>$3,315,699</td>
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<tr>
<td>Goal</td>
<td>$1,250,000</td>
<td>$3,250,000</td>
<td>$4,500,000</td>
<td>$5,500,000</td>
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</tbody>
</table>
## Comparison of Gifts by Constituencies - Fiscal 2013-14 and 2014-15

<table>
<thead>
<tr>
<th>Constituency</th>
<th>1st Quarter Financial Objectives</th>
<th>Giving as of Sept 8, 2013</th>
<th>Donors as of Sept 8, 2013</th>
<th>Giving as of Sept 8, 2014</th>
<th>Donors as of Sept 8, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alumni</td>
<td>$250,000.00</td>
<td>$76,459.58</td>
<td>513</td>
<td>$377,573.96</td>
<td>2,516</td>
</tr>
<tr>
<td>Non Alumni</td>
<td>$100,000.00</td>
<td>$54,024.79</td>
<td>307</td>
<td>$87,507.56</td>
<td>319</td>
</tr>
<tr>
<td>Corporate/Foundation &amp; Organizations (Includes Alumni Chapters)</td>
<td>$600,000.00</td>
<td>$185,485.43</td>
<td>70</td>
<td>$344,616.96</td>
<td>59</td>
</tr>
<tr>
<td>License Tag Revenue</td>
<td>$150,000.00</td>
<td>$105,095.59</td>
<td>N/A</td>
<td>$83,515.13</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Constituency Total:</strong></td>
<td><strong>$1,100,000.00</strong></td>
<td><strong>$421,065.39</strong></td>
<td><strong>888</strong></td>
<td><strong>$893,213.61</strong></td>
<td><strong>2,894</strong></td>
</tr>
<tr>
<td><strong>1st Quarter Financial Objective Attainment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>38.28%</strong></td>
<td></td>
<td></td>
<td><strong>81.20%</strong></td>
<td></td>
</tr>
</tbody>
</table>
## Comparison of Gifts by Purpose - Fiscal 2013-14 and 2014-15

<table>
<thead>
<tr>
<th>Purpose</th>
<th>1st Quarter Financial Objectives</th>
<th>Giving as of Sept 8, 2013</th>
<th>Donors as of Sept 8, 2013</th>
<th>Giving as of Sept 8, 2014</th>
<th>Donors as of Sept 8, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowed Scholarships</td>
<td>$250,000.00</td>
<td>$80,079.44</td>
<td>498</td>
<td>$205,620.29</td>
<td>582</td>
</tr>
<tr>
<td>Expendable Scholarships</td>
<td>$250,000.00</td>
<td>$141,265.38</td>
<td>47</td>
<td>$268,008.81</td>
<td>376</td>
</tr>
<tr>
<td>Temp. Restricted Funds</td>
<td>$250,000.00</td>
<td>$170,139.20</td>
<td>123</td>
<td>$325,983.45</td>
<td>433</td>
</tr>
<tr>
<td>SCI Discretionary</td>
<td>$250,000.00</td>
<td>$13,577.40</td>
<td>85</td>
<td>$37,407.82</td>
<td>425</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>$250,000.00</td>
<td>$16,003.97</td>
<td>166</td>
<td>$56,193.24</td>
<td>1,175</td>
</tr>
<tr>
<td>Purpose Total:</td>
<td>$1,250,000.00</td>
<td>$421,065.39</td>
<td>919</td>
<td>$893,213.61</td>
<td>2,991*</td>
</tr>
</tbody>
</table>

1st Quarter Financial Objective Attainment | 33.69% | 71.46%  *incl duplicate gifts by donors
# University Advancement & BOT Goals

## First Quarter Fundraising Pipeline

<table>
<thead>
<tr>
<th>Source</th>
<th>Purpose</th>
<th>Status</th>
<th>Total Commitments to Date (Solicitations and Pending)</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faculty / Staff Payroll Pledges</td>
<td>Endowment and SCI Funding</td>
<td>n/a</td>
<td>$169,000</td>
<td>Campaign continues through October 31, 2014</td>
</tr>
<tr>
<td>Foundation Grants</td>
<td>SCI and Special Projects Funding</td>
<td>$350,000</td>
<td>$988,000</td>
<td></td>
</tr>
<tr>
<td>Sponsorships</td>
<td>President’s Inauguration Activities</td>
<td>$200,000</td>
<td>$972,500</td>
<td></td>
</tr>
<tr>
<td>Donor Proposals</td>
<td>Scholarships</td>
<td></td>
<td>$255,000</td>
<td>Inauguration Scholarships</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>$550,000</td>
<td>$2,384,500</td>
<td></td>
</tr>
</tbody>
</table>

*$20MM pending from FY2013-14
University Advancement & BOT Goals

Enhancing Institutional Fundraising

STRATEGIES:

• Hire Director of Annual Giving
• Deploy Comprehensive Annual Fund Campaign
• Establish fundraising plans for each school, college and athletics with targeted goals.
• Provide schools, colleges and athletics with fundraising appropriations
• Identify and Acknowledge Specialty License Plate Owners
• Re-engineer Phon-a-thon
• Continue to encourage and support web-based micro campaigns
DRAFT MOU (Memorandum of Understanding)

Since dissolution, the University has used the IMM (Internal Management Memorandum) as the sole document governing the relationship between the FAMU Foundation and the University. Last year, Trustee Marjorie Turnbull requested that the Vice President of University Advancement with the assistance of the FAMU Foundation Board of Directors, put together a more detailed MOU.

A draft MOU has been developed, reviewed by the FAMU Foundation General Counsel, University President’s Special Assistant, and University General Counsel.

Goal:
Add more structure to clearly define the role and relationship of the Foundation and the University.
Next Steps:

• Forward MOU to the By-Laws and Executive Committees of the Foundation, and the FAMU Board of Trustees for review.

• The division of University Advancement along with the President’s Special Assistant will collect all comments and recommendations, and make appropriate changes to update MOU document.

• Once the MOU has been fully vetted, it will be sent back to the full Board of the Foundation for a vote either through a called meeting, or during the regular Fall 2014 Board Meeting, November 2014.

• The MOU will then come to the FAMU Board of Trustees for final approval.
Foundation Operations

• The Fall 2014 FAMU Foundation Board of Directors Meeting: Nov. 20th - 22nd, Orlando, FL.

• The annual financial audit with BCA Watson Rice is complete; financial statements have been submitted to the University.

• The S. Davis & Associates accounting firm of Hollywood, Florida, completed the onsite portion of the Foundation’s operational audit in early August. The firm’s report is due in September.
FAMU Foundation, Inc.

Foundation Operations

- The Foundation hired Ms. Gena Palmberg as the Assistant Director of Accounting. Ms. Palmberg began work in May, and contributed to the timely completion of this year’s financial audit.

- Foundation staff continue to work with CBRE, Inc. to build out and market commercial space in the Foundation building. Currently there are eleven prospective tenants in various stages of evaluating the Foundation’s facilities.
Summary:
The following information provides a history and status report of the specialty license plate program.

Approval Timeline:
• FAMU Foundation Board of Directors: January 25, 2011
• FAMU Board of Trustees (DSO Committee): February 9, 2011
• FAMU Board of Trustees (Full Board): February 10, 2011
• Florida Board of Governors (Full Board): June 23, 2011

How are funds used?
• Funds are used to support First Generation Scholarships & Presidential Scholars Scholarships.
FAMU Collegiate License Plate Revenue (continued)

Tag Revenues:

<table>
<thead>
<tr>
<th>Year</th>
<th>Fundraising 75% (A)</th>
<th>Scholarships 25% (B)</th>
<th>Tax Revenue Total (C)</th>
<th>Scholarships Raised (D)</th>
<th>Total Scholarship Pool (B+D)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011-12</td>
<td>$343,943</td>
<td>$114,647</td>
<td>$458,590</td>
<td>$1,282,822</td>
<td>$1,397,469</td>
</tr>
<tr>
<td>2012-13</td>
<td>$335,316.99</td>
<td>$111,772.33</td>
<td>$447,089.32</td>
<td>$1,075,949</td>
<td>$1,187,721.33</td>
</tr>
<tr>
<td>2013-14</td>
<td>$328,627.94</td>
<td>$109,542.65</td>
<td>$438,170.59</td>
<td>$1,394,261</td>
<td>$1,503,803.65</td>
</tr>
<tr>
<td>Total</td>
<td>$1,007,887.93</td>
<td>$335,961.98</td>
<td>$1,343,849.91</td>
<td>$3,753,032</td>
<td>$4,088,993.98</td>
</tr>
</tbody>
</table>

Note:
Total scholarship pool represents the 25% tag revenue plus scholarship dollars raised from the 75% investment (tag revenue) to support fundraising.
FAMU Foundation, Inc.

Investments

Investment Returns for the Period Ended June 30, 2014:

<table>
<thead>
<tr>
<th></th>
<th>FYTD – 7/1/13 – 6/30/14</th>
<th>12 Months – 7/1/13 - 6/30/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Returns</td>
<td>16.14%</td>
<td>16.14%</td>
</tr>
<tr>
<td>Composite Benchmark</td>
<td>15.35%</td>
<td>15.35%</td>
</tr>
<tr>
<td>Investment Goal</td>
<td>8.50%</td>
<td>8.50%</td>
</tr>
</tbody>
</table>

Fiscal Year to Date (FYTD) total investment portfolio returns of 16.14% for the 12 months ended June 30, 2014 outperformed both the portfolio’s composite benchmark returns of 15.35%, and the portfolio’s investment goal of 8.50%. The outperformance of total portfolio returns against the composite benchmark is primarily the result of U.S. equity investments with returns of 26.86% that outpaced benchmark returns of 25.22%. Hedge fund returns of 9.82% outperformed benchmark returns of 7.52%, and fixed income returns of 7.19% exceeded benchmark returns of 6.03%. Also, real asset returns of 14.69% underperformed against their benchmark returns of 16.71%.
Investments (continued)

Comparison of Investment Returns for Trailing 12 Months to Prior Years:

<table>
<thead>
<tr>
<th>For the Trailing Twelve Months Ending:</th>
<th>6/30/14</th>
<th>6/30/13</th>
<th>6/30/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Returns</td>
<td>16.14%</td>
<td>9.72%</td>
<td>-0.50</td>
</tr>
<tr>
<td>Composite Benchmark</td>
<td>15.35%</td>
<td>11.41%</td>
<td>-1.60</td>
</tr>
<tr>
<td>Investment Goal</td>
<td>8.50%</td>
<td>8.50%</td>
<td>8.50</td>
</tr>
</tbody>
</table>

The returns for the trailing twelve months ended 6/30/12 were much lower than the other two years in the table due to high negative returns during the last two calendar quarters of 2011 that were the result of extreme market volatility following the credit downgrade of U.S. Government Debt in August 2011.
Alumni Affairs

- Participated in the National Alumni Association (NAA) Annual Conference, May 2014, Louisville, Kentucky.
  - $100,000 generated in cash and pledges

- Participated in the NAA Northeast Region’s C 50th Anniversary Regional Conference, August 2014, Elizabeth, New Jersey.

- Conducted a series of welcome receptions to introduce President Elmira Mangum.
The Rattler Boosters organization is currently undergoing review by the FAMU President to determine the appropriate organizational structure. The plan is to leave the current structure and budget in place for this fiscal year while the review is being completed.
“At FAMU, Great Things Are Happening Every Day.”

established 1887