UW-Whitewater Foundation, Inc.

Proposed Changes to Fund Foundation Operations

The Foundation Operations budget faces some challenges in the coming years. Future projections show that our current sources of budget funding will be insufficient to underwrite operations shortly. Because of this, we need to look at new funding sources if we want to grow our budget at even a modest rate in the future.

**Sources Used to Fund Foundation Operations:**

Currently we have four main sources to fund Foundation Operations.

**Endowment Management Fee:** A fee of 2% is charged based upon the July 1 cash balance in our endowment funds. This level is about the same as our UW System peers, but is high compared similar foundations nationwide. The Investment Committee would like us to decrease this as a funding source over the course of time.

**Unrestricted Gift Income:** We use unrestricted gift income to first pay University-wide priorities that are detailed in our Annual Loyalty Fund budget. Any unused balance is directed toward Foundation Operations.

**Unrestricted Endowment Earnings:** These are the annual earnings off our unrestricted endowed funds.

**College Phonathon Reimbursement:** The four colleges reimburse us for the phonathons we run on their behalf each spring. These reimbursements are based on a percentage of their overall pledge total, and generally do not cover all of the costs these phonathons generate.

In the past, we used to also use all non-endowed investment earnings for Foundation Operations. Given that we are carrying smaller non-endowed cash balances, and earn very little on those balances, it has become a negligible source of income.

**The Problem:**

Attached you will find a spreadsheet that shows some projections of our budget into the future. The size of the budget uses a 1.5% annual growth rate, which we think is appropriate and will not have a negative impact on our operations.

The future Endowment Fee projections were calculated by considering future pledge payments and gifts to the endowment, while also considering that the Janesville Promise Fund will be decreasing over time. Significant endowment gifts would obviously change our income from this source. The other three sources were kept at level amounts. Our concern is that if our current sources remain unchanged that our budget will move into deficit as early as 2014-15, with that deficit growing significantly over the next few fiscal years.
Executive Committee Recommendation:

The Executive Committee has recommended the implementation of a new allocation procedure to help fund Foundation Operations beginning with the 2014-15 fiscal year.

Currently all allocations are made to endowment funds based on the July 1 balance of the current fiscal year. The new procedure would allocate earnings based upon the July 1 balance of the previous fiscal year with the Foundation collecting the difference for operations. This is a very common policy across the industry.

This would generate about $20,000 per year in additional operating income.

Next Steps:

The Board of Directors approves this recommendation, the new fee will begin to impact gifts made to the endowment after July 1, 2013. This will give us the rest of the 2013-13 fiscal year to educate our donors and our campus community of this change. The new allocation procedure will begin on July 1, 2014.
## Foundation Operation Budget Projections - Current Fee Structure

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<tr>
<td>Endowment Fee (2%)</td>
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<td>College Phon. Reimburse</td>
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<td>Unrestricted Donations</td>
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<td>Potential Surplus / (Deficit)</td>
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