



MICHIGAN STATE UNIVERSITY

Philanthropy and the Development Enterprise in Higher Education

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MICHIGAN STATE
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University Advancement



Agenda

- Where Does Philanthropy Fit in the Higher Ed Funding Mix?
- Who Gives and Why?
- How is the Development Enterprise Organized?
- What is Your Role?
- What are Capital Campaigns and Why Do We Do Them?
- What are the Different Types of Gifts?
- What is the College/Unit's Role in Managing and Stewarding those Gifts?



Philanthropy in Higher Education

- What is the New Reality?
 - A changing funding mix
 - The influence of philanthropists
 - The importance of the “Development Enterprise”
- Which of your departments are recipients of private philanthropy?
- What is your mindset toward fundraising?
 - This is a necessary evil...
 - Do we really have to do this?
 - This something I never thought I’d have to think about
 - I love it!
- What are your questions or concerns about development, fundraising and philanthropy?



2017 Top Fundraising Institutions

1.	Harvard University	\$1,284
2.	Stanford University	\$1,129
3.	Cornell University	\$744
4.	Massachusetts Institute of Technology	\$673
5.	University of Southern California	\$668
6.	Johns Hopkins University	\$637
7.	University of Pennsylvania	\$626
8.	Columbia University	\$603
9.	Yale University	\$596
10.	Duke University	\$581
11.	New York University	\$567
12.	University of Washington	\$554
13.	University of California-Los Angeles	\$551
14.	University of Chicago	\$483
15.	University of Michigan	\$456
16.	University of Notre Dame	\$451
17.	University of California-San Francisco	\$422
18.	University of California-Berkeley	\$405
19.	Ohio State University	\$402
20.	Indiana University	\$398

Public Universities

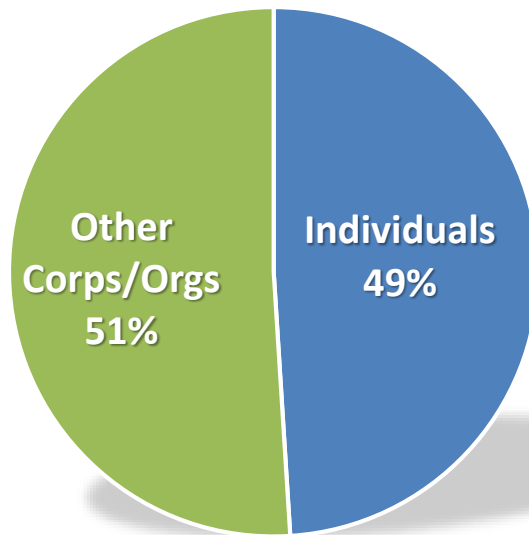
Source: The Council for Aid to Education 2017 Voluntary Support for Education survey

****Michigan State University raised \$255M in FY17**

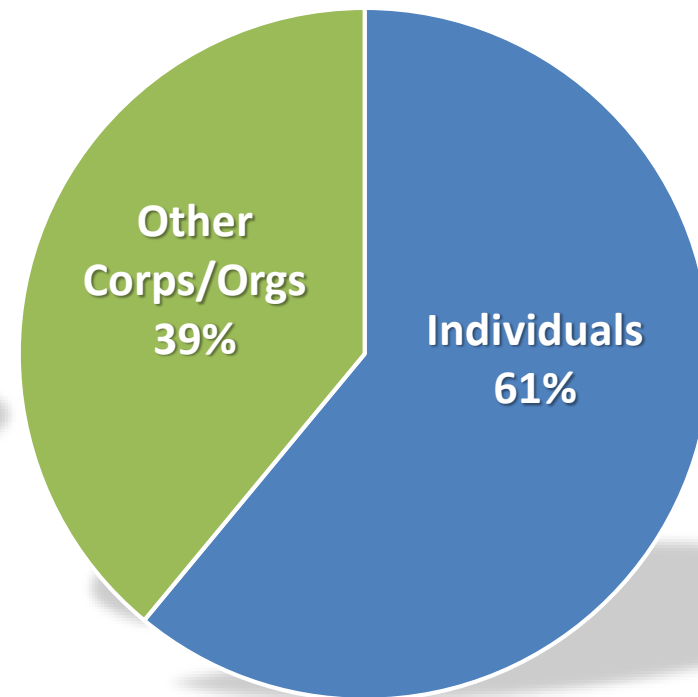


Growing Support from Individuals

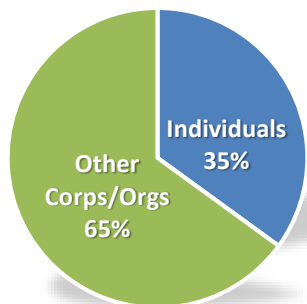
**Previous Campaign
1999-2007**



***Empower Extraordinary Campaign
2011-2018***



FY 1998





Quick Facts about MSU and University Advancement

- Database of more than 1,000,000 alumni, friends, corporations, foundations and other organizations
- Living Addressable Alumni*: 480,000
- Number of Employees: 240+
- Staff Supported: 350+ (UA provides database access, training and coordination to school, college and unit employees who do not report to UA)



University Advancement at MSU

Mission

To advance MSU's excellence and enrich its future

Vision

To build the best culture of engagement and philanthropy of any major public university in the country



University Advancement

- **Purpose**

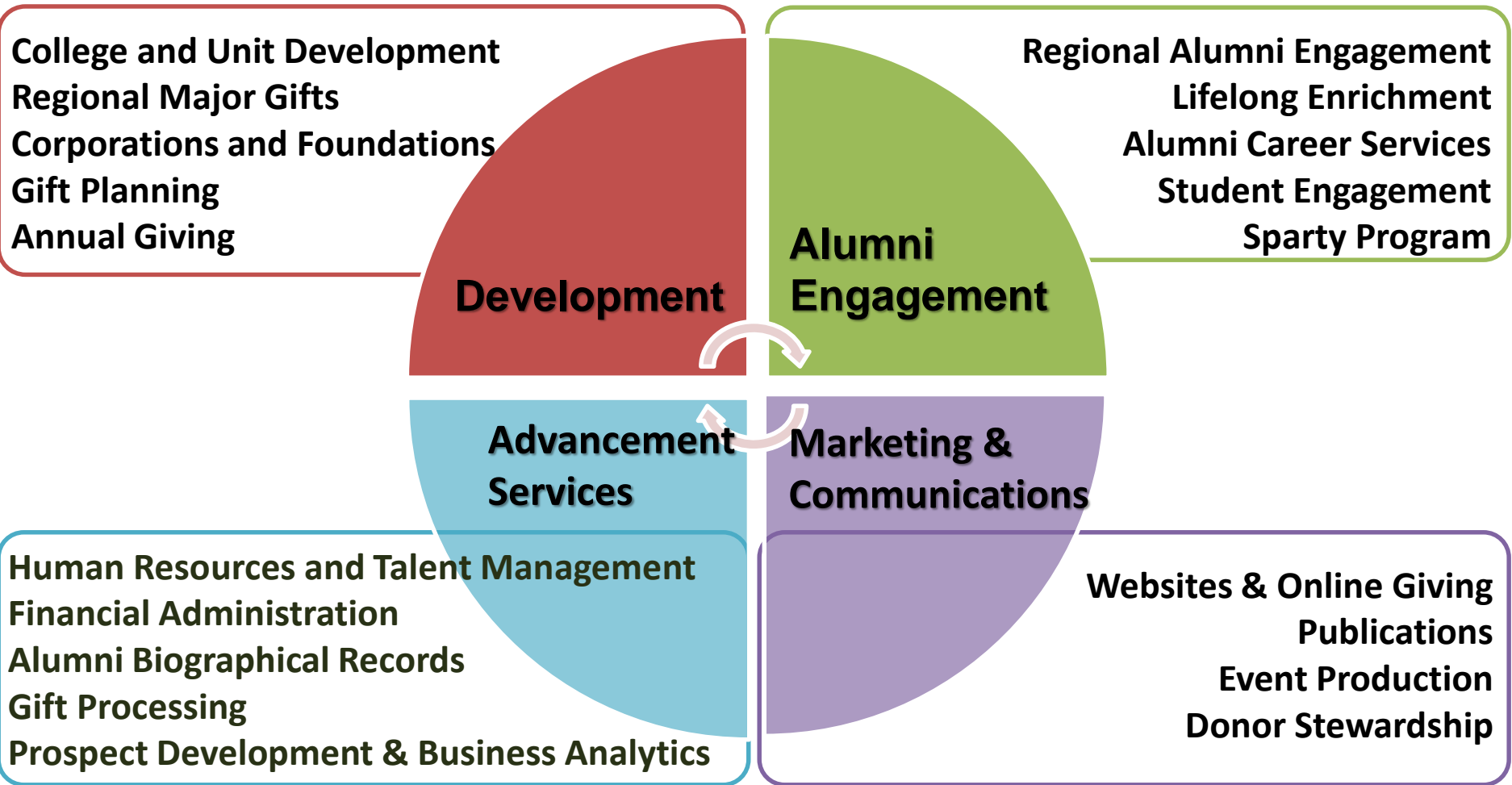
- Engage students/alumni/friends in life of university and with other Spartans
- Build a culture of fellowship, service and investment among alumni and friends
- Demonstrate the critical role that private philanthropy plays in the finances of MSU
- Build a culture of financially investing in MSU among our alumni and friends
- Secure private philanthropic financial support for Michigan State University

- **Guiding Principles**

- Involved students, alumni and friends are more likely to become invested
- Engage alumni and friends where they live to increase involvement with MSU
- Help alumni, friends and organizations satisfy their philanthropic passions at MSU
- Provide central staff and resources to help colleges and units raise monies for key initiatives
- Grow sustained private philanthropic financial support to MSU to \$250 million annually



University Advancement



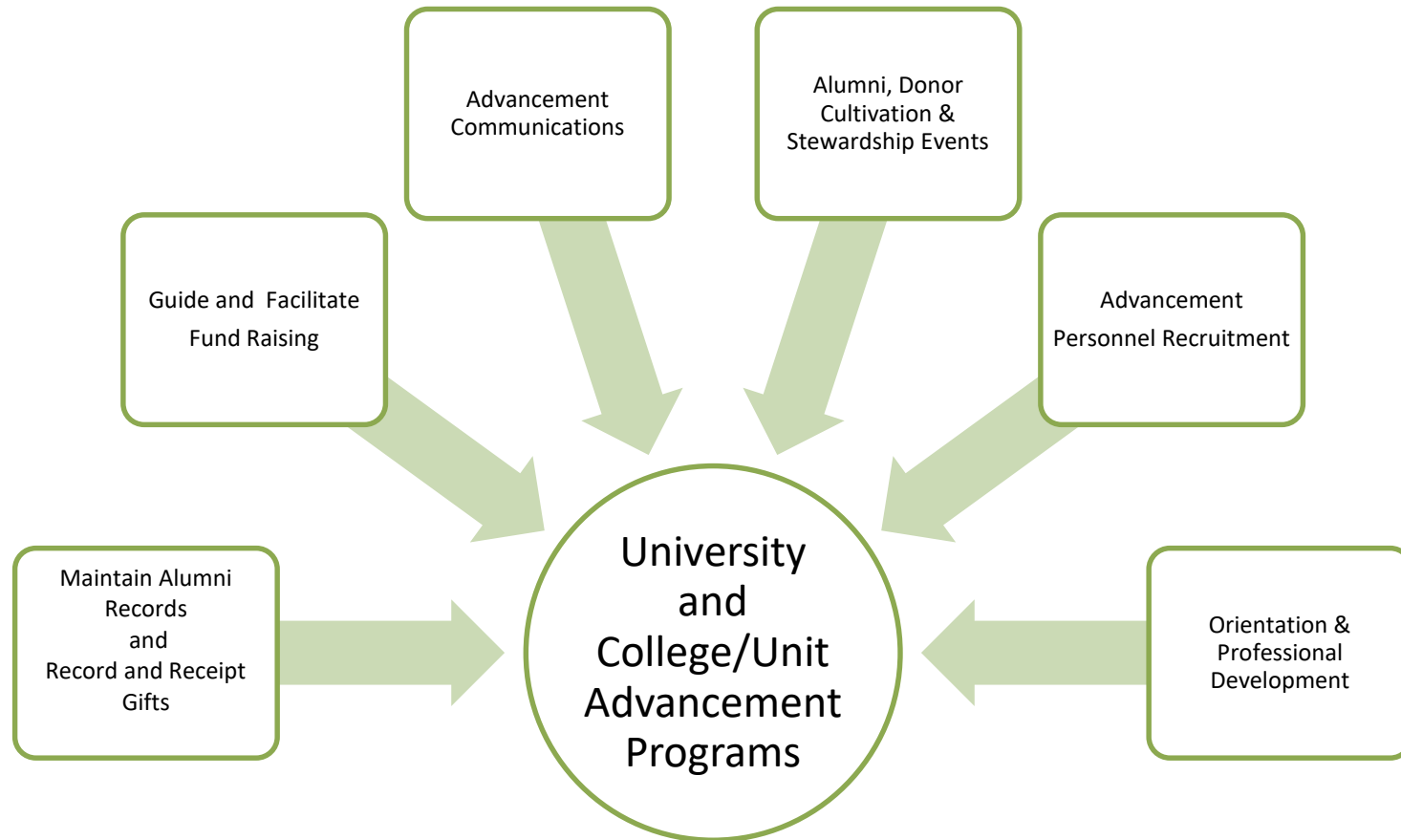


University Advancement Leadership Team





Campus-wide Advancement Services



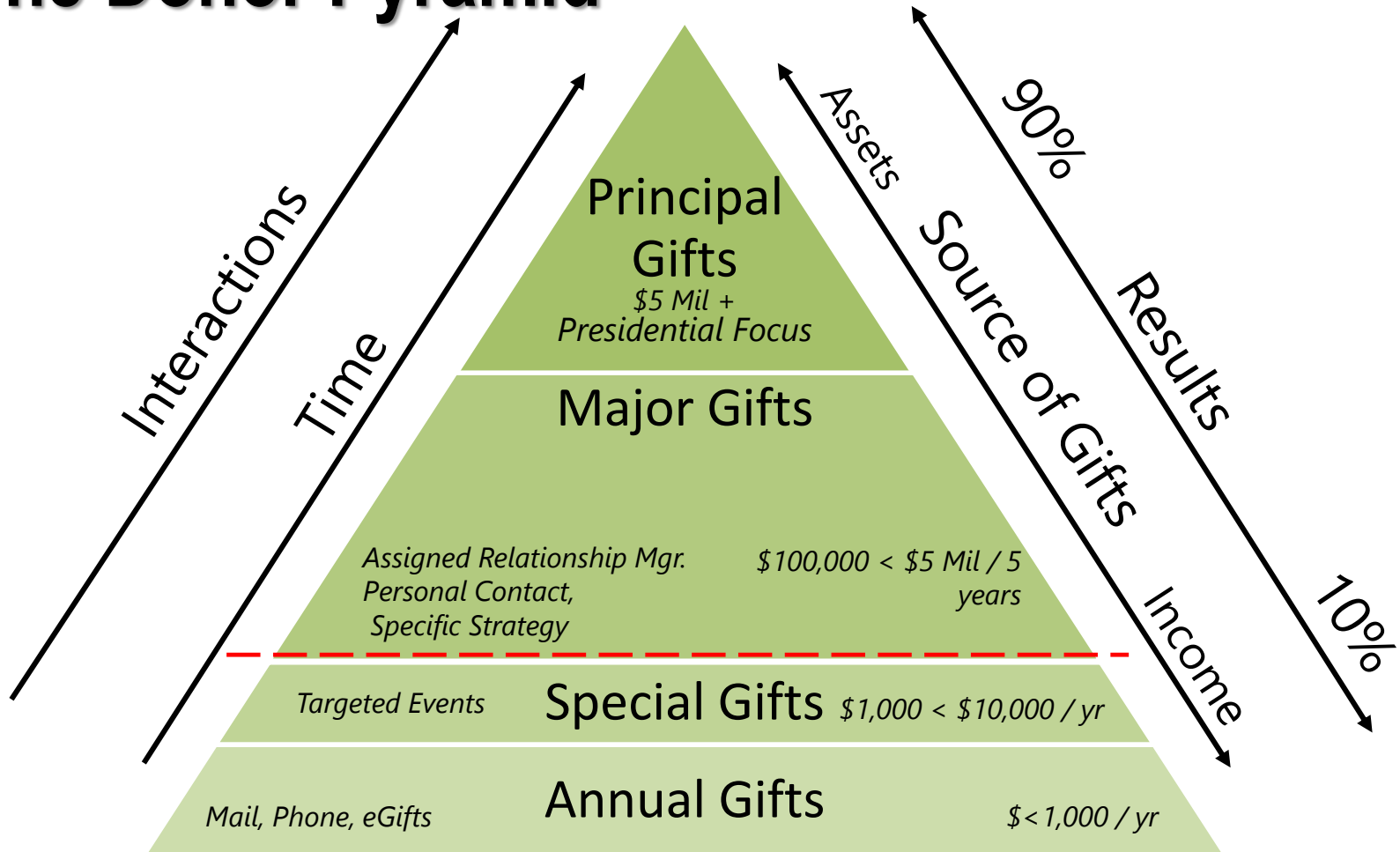


Fundraising and Advancement Programs at MSU

Colleges		Non-Degree
Agriculture & Natural Resources	Law	4-H Foundation
Arts and Letters	Lyman Briggs	Athletics
Broad College of Business	Music	Broad Art Museum
Communication Arts and Science	Natural Science	International Studies & Programs
Education	Nursing	Libraries
Engineering	Osteopathic Medicine	MSU Museum
Graduate School	Res. Col. in Arts and Humanities	Student Affairs
Honors College	Social Science	University Scholarships
Human Medicine	Veterinary Medicine	Wharton Center
James Madison		WKAR
Central Programs and Services		
Advancement Services		
Alumni Engagement		
Annual Giving (mail / phone / on-line)		
Communications and Marketing (including events)		
Corporate Relations		
Foundation Relations		
Gift Planning		
Principal Gifts		
Regional Major Gifts & Special Constituencies		

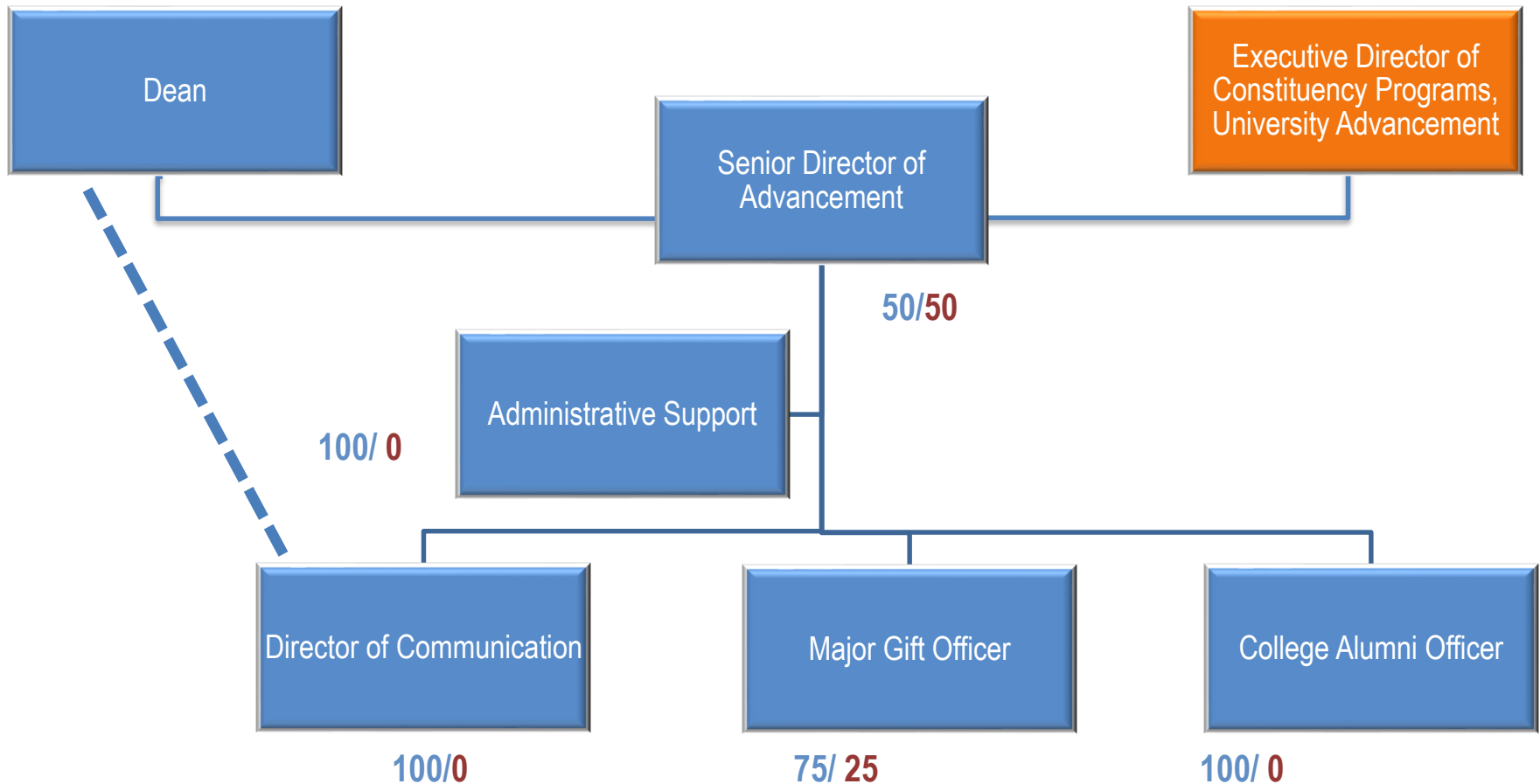


The Donor Pyramid





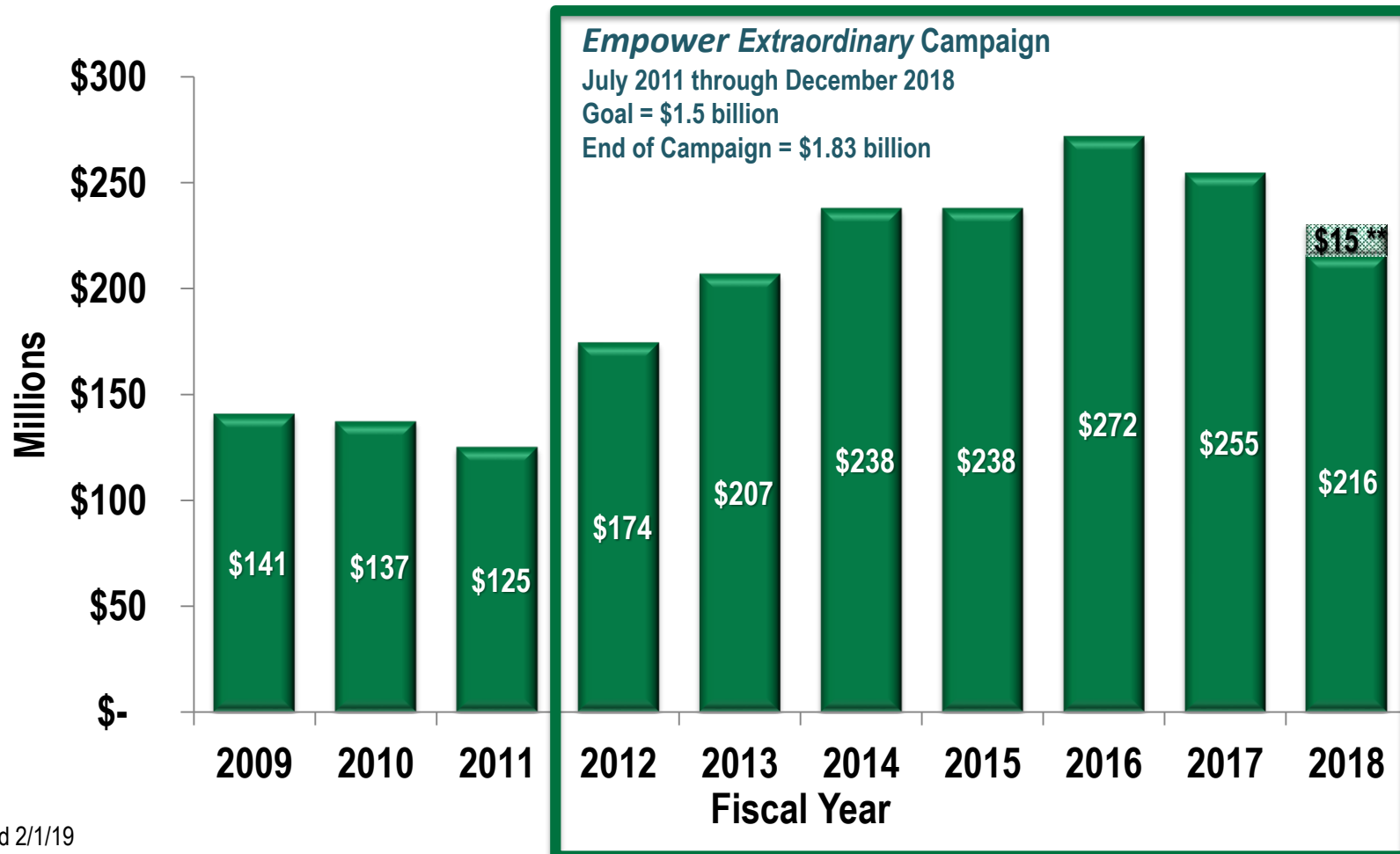
Sample College/Unit Partnership with UA





Total Gift Production

New Cash, Pledges, In-Kind and Planned Combined

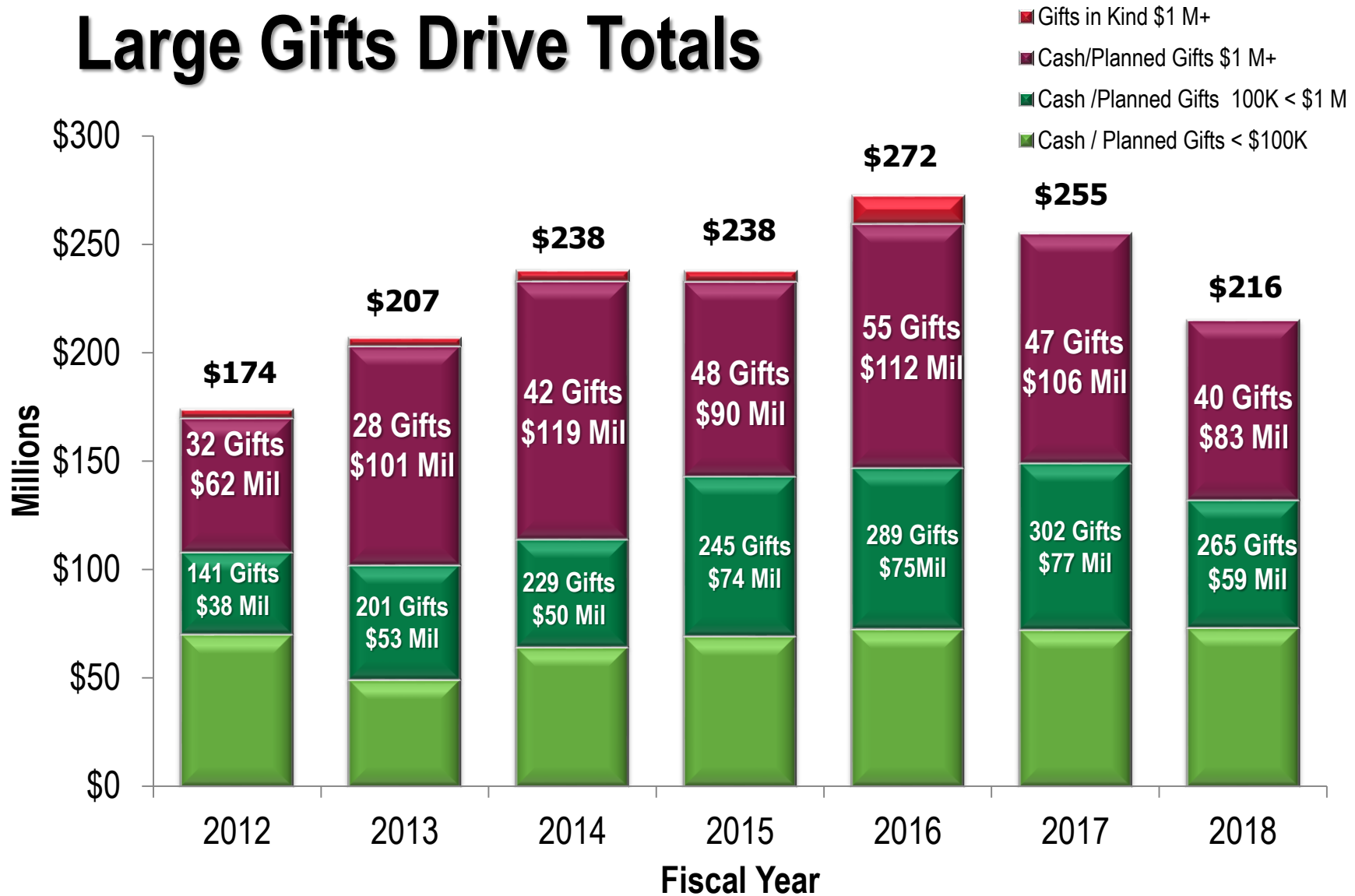


Updated 2/1/19

**FY2018 totals were lower also due to tax law changes in the treatment of Athletics seat license gifts and timing of campaign pledge payments. These revenues totaled \$15.0 million, which are reflected in the grand totals above.



Large Gifts Drive Totals





What are Capital Campaigns?

- Historically: Private Universities used them to raise capital
 - Endowment and Buildings
- Today: Most Universities conduct **comprehensive campaigns**
 - Endowment and buildings
 - Spendable Operating funds including research support from private sources
 - Annual Gifts
- Time bound to create urgency and deadlines
 - Quiet period
 - Public period
- Major Gift Focused – to raise sights, maximize impact, and efficiently use time and budget



Why Do They Work?

- They require and precipitate institutional focus
- They provide a framework for success
- They galvanize donor interest and commitment
- They raise sights internally and externally
- They accelerate the cultivation/solicitation cycle



EMPOWER
EXTRAORDINARY
THE CAMPAIGN *for* MICHIGAN STATE UNIVERSITY

\$1.83 BILLION!

The *Empower Extraordinary Campaign* is Michigan State University's third comprehensive capital campaign



Strengthened the Finances of the University

**Added 112 New
Endowed Chairs**

**\$781 Million Committed
for Endowments**

**3,500+ New
Scholarships
Created**

**\$1.24 Billion Already
Received in Either Cash
or New Pledges Payable
Over 5 Years**



Campaign Impact Summary

- \$1.83 billion raised
- \$1.2 billion already received and here at work
- \$376 million raised for scholarships
- 3,500+ new scholarships created
- 112 new endowed chairs and professorships
- 35% increase in funds for research
- 22 significant capital projects initiated
- \$781 million to grow MSU endowments
- 255,284 donors
- 363 gifts of \$1 million+ during campaign (242 \$1 million+ in all years prior)



Begin Planning for the Next Campaign

- New screening of database to identify new prospects
- Evaluate staff structure to ensure proper alignment
- Develop a new staffing plan designed to grow private support
- 54,000 unassigned prospects currently identified with \$50K+ capacity, with more likely coming from full database screening
- University Advancement required an additional investment of \$6 million/year to execute the *Empower Extraordinary Campaign*, which helped grow philanthropic support by \$100 million annually



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Gift Administration

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Key Characteristics of a Gift

- Voluntary transfer of funds or valuable items with donative intent
- Donor relinquishes control of funds/items but may have restrictions
 - Scholarships, Programs, Capital Projects
- Acceptance of gift with any restrictions
 - MSU can reject a gift if restrictions make it infeasible, illegal, or otherwise against our mission



Key Characteristics of a Gift (continued)

- “Hard” or “Soft” credit
 - Hard credit means tax deductible
 - Soft means NOT tax deductible but MSU still recognizes gift, counts toward donor societies
- No benefit to donor or donor-specified student/scholarship recipient
 - Donor gives \$10,000 to Dr. Spartan in Food Science for research on legumes = GIFT
 - Donor gives \$10,000 to Food Science specifically for Susan Student’s tuition = NOT A GIFT



OK...so what's the difference?

- Dr. Spartan, being an employee of the university furthering the mission of MSU, uses the donor's money to conduct research. Money is given to MSU, used by MSU, and is for the sole benefit of MSU...NOT Dr. Spartan specifically, but her department
- By selection of the donor, Susan Student is the sole beneficiary of a tuition gift. This is the same as the donor giving \$10,000 directly to the student...IRS does not recognize as a tax-deductible gift



Types of Gifts

- Outright gifts
 - Checks, Credit Cards, Cash
 - Marketable Securities
- Other Assets
 - Real Estate
 - Art
 - Intellectual Property
 - Special concerns for these gifts:
 - Completion of the gift, formal transfer
 - Appraisal / Valuation
- Planned gifts
 - Life Insurance, Bequests, Charitable Remainder Trusts, Charitable Gift Annuities



Purpose of Gifts

- Unrestricted – “Essential Edge”
- Restricted
 - Scholarships
 - Program Support
 - Research
 - Restricted to program but discretionary as to purpose
- Form of Gift
 - Expendable
 - Endowment



Expendable Gifts

- What is an Expendable Gift?
 - To be entirely spent on activities consistent with donor intent.
 - Unless recurring, once the gift has been spent, it is gone.
 - Exception:
 - Funds Functioning as an Endowment
 - Remaining expendable gift dollars, after completion of a project/program for which the gift was originally intended, invested in the CIF to provide perpetual operating funds



Endowed Gifts

What is an Endowment?

- An endowment is a non-expendable fund that is invested in perpetuity to preserve the purchasing power of the fund
- Endowments established at a minimum of \$50,000 within 5 years
- Mutual fund concept – invested in Common Investment Fund (CIF) via Treasury & Financial Mgmt and Office of Investments
- Each endowment has a principal account (cannot be spent) and an income account used by the department



Endowed Gifts

What is an Endowment? (cont'd)

- Part of the investment income is distributed to support the endowed program with the balance retained to hedge against inflation and pay investment expenses
- The current programmatic endowment income distribution percentage (over the long-term) approximates 4.4% of the endowments market value
 - Income is distributed per unit of CIF owned
 - Unit value and payout can be found at tfm.msu.edu
- The endowment income distribution percentage is reviewed annually by BOT



How We Help You With Endowments

- Endowment Agreement:
 - Establishment
 - Fiscal Administration
 - Purpose
 - Administration Criteria (Scholarships/Fellowships/Chairs)
 - Governing Laws and Policies
- Administration of Agreement
 - Lead by department cited in agreement
 - Support and guidance
- Work with the University Advancement staff in your college/unit for guidance and support



Depositing, Receipting & Acknowledging Gifts

- Gifts come in through mail, phone, internet and in-person
- All gifts need to be directed/sent to University Advancement
- Gift & Record Management processes gift, updates donor profiles, applies hard/soft credit
- Daily Service Billing transfers cleared gift revenue to department accounts
- Data sent daily to 3rd party vendor for tax receipt production and mailing
- 3-4 business days from gift arriving at MSU to tax receipt hitting the mail

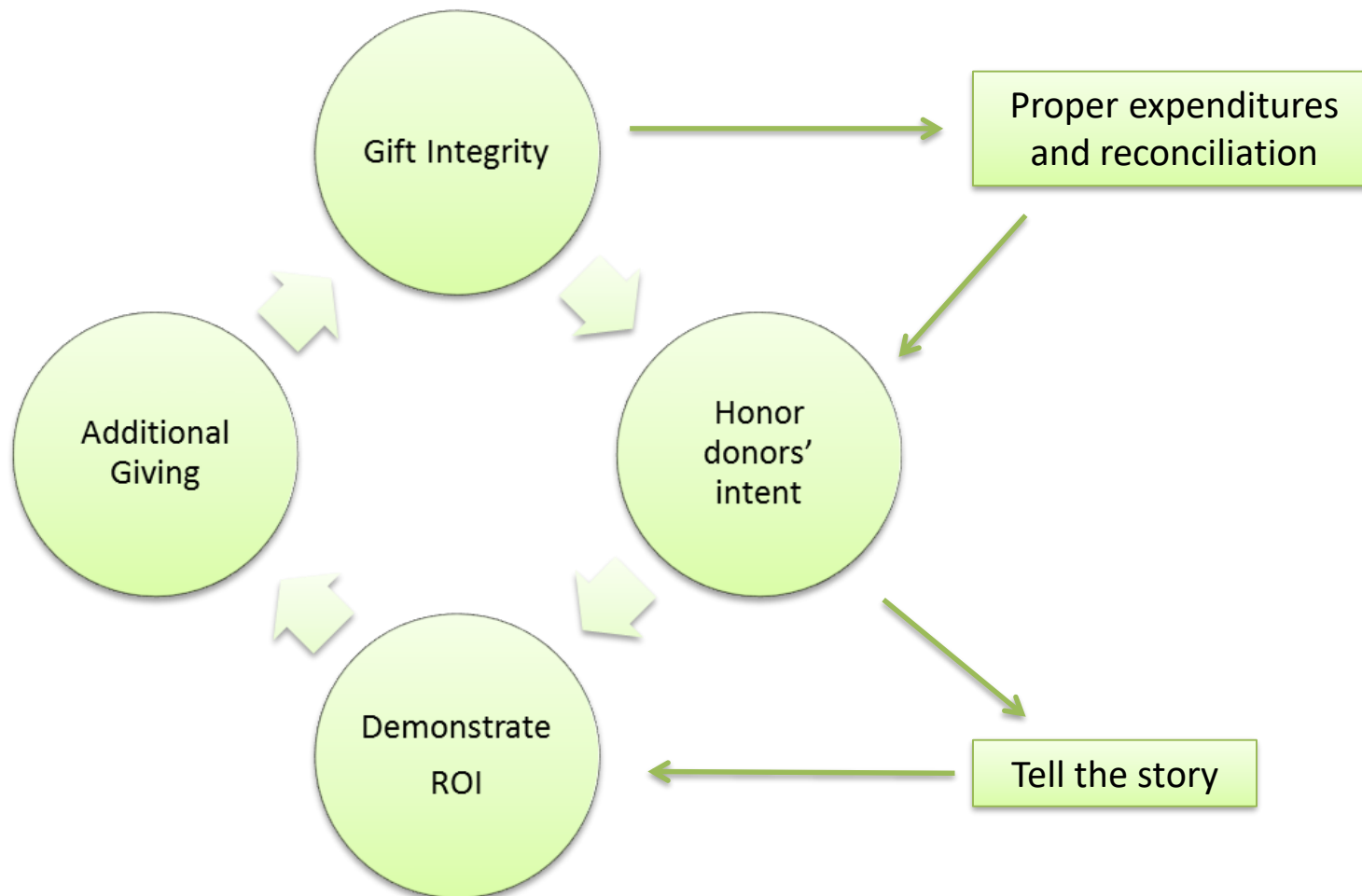


Timing

- Timeliness of gift processing is important
- Becomes a gift as soon as MSU receives it, **NOT** once a department gets it to Advancement
 - Calendar year-end – tax implications for donor, reporting and reconciliation for University
 - Fiscal year-end – reporting and reconciling for University
 - Quarter end – Endowment purchases
 - Each month – Campaign progress reports
 - Lag between gift and tax receipt is a target for auditors, internal and external
 - Also important for donors to receive a timely, accurate receipt



Department's Role in Stewardship





Additional Resources

- [University Advancement](#)
 - Includes org charts, newsfeed
- [University Development](#)
- [MSU Alumni Association](#)
- [Gift Planning](#)
 - Includes examples of charitable gift planning techniques through tax and estate planning
- [Endowments at MSU](#)
 - Includes most recent annual endowment performance report, endowment FAQ, and link to Office of Investments and Financial Management
- [Honored Faculty Website](#)
 - Featuring Faculty who hold Endowed Chairs and Professorships
- [MSU online giving site](#)
- [Empower Extraordinary Launch Recap](#)
- [FY2016 Best Fundraising year ever!](#)
- [September 2017 – Campaign Exceeds Goal a Year Early!](#)
- [College and Unit Campaign Case Statements](#)
- Don't Fear Fund Raising, David Perlmutter, Chronicle of Higher Educ.
 - [Part 1 – The ins and outs of asking 'friends' for money](#)
 - [Part 2 – Matching donor passion to your department's needs](#)



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Questions

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