

# **BOARD OF REGENTS BRIEFING PAPER**

**1. AGENDA ITEM TITLE: DRI Foundation Management Fee**

**MEETING DATE:** March 2, 2017

**2. BACKGROUND & POLICY CONTEXT OF ISSUE:**

Acting President Gagosian has set four major priorities to strengthen DRI and expand its funding base. One of the key priorities is to increase individual and Foundation philanthropic efforts with an emphasis on fund raising and private donations, to complement grants and contracts, and to increase the donations to a significant and consistent part of the DRI annual budget within five years. To accomplish this objective DRI must expand the development office effort and increase staffing in this area. In support of this objective the DRI Foundation has committed to increase their funding for development office staffing and the DRI Foundation is seeking approval to assess a 1.0% management fee in the balance of DRI's endowments. The NSHE Board of Regents Handbook (Title 4, Chapter 10, Section 3c) states the following:

*Subject to Board of Regents approval of an institutional request, an annual fee of up to 1.5% of the institution's portion of the NSHE endowment pool subject to restrictions in Subsection d below, calculated and distributed in the same manner as the dividend, will be transmitted to that institution in consideration of additional foundation management, stewardship and development activities. Any transfer of such funds directly to the foundation for such activities is subject to the institution having an operating agreement in place between the institution and the foundation providing for adequate accounting and oversight of such funds consistent with Board of Regents requirements specified in Title 4, Chapter 10, Section 10.*

On October 14, 2016, the DRI Foundation Board of Trustees unanimously voted to approve a 1.0% management fee as outlined in the NSHE Board of Regents Handbook (Title 4, Chapter 10, Section 3c) and forward the request to the NSHE Board of Regents for their approval.

**3. SPECIFIC ACTIONS BEING RECOMMENDED OR REQUESTED:**

DRI and the DRI Foundation seek NSHE Board of Regents approval of an institutional request for an annual fee of 1% of the institution's portion of the NSHE endowment pool, calculated and distributed in the same manner as the dividend to be transmitted to that institution in consideration of additional Foundation management, stewardship and development activities. The DRI Foundation respectfully requests that the 1% administrative fee be assessed effective July 1, 2017.

**4. IMPETUS (WHY NOW?):**

To effectively increase DRI fund raising capability to yield a consistent and significant level of annual support to DRI will require expansion of staff to the development office.

**5. BULLET POINTS TO SUPPORT REQUEST/RECOMMENDATION:**

- The DRI request meets Board of Regents handbook requirements (Title 4, Chapter 10, Section 3c).
- Currently, other NSHE institution's foundation's use the management fee for management, stewardship and development activities.
- Acting President Gagosian's plan is to help DRI raise significant funds from donations and fund raising over the next five years. It will require an investment in the DRI Foundation's stewardship and development activities to accomplish that goal.

**6. POTENTIAL ARGUMENTS AGAINST THE REQUEST/RECOMMENDATION:**

None

**7. ALTERNATIVE(S) TO WHAT IS BEING REQUESTED/RECOMMENDED:**

None

**8. COMPLIANCE WITH BOARD POLICY:**

<input checked="" type="checkbox"/>	Consistent With Current Board Policy: Title # <u>4</u> Chapter # <u>10</u> Section # <u>3c</u>
<input type="checkbox"/>	Amends Current Board Policy: Title # _____ Chapter # _____ Section # _____
<input type="checkbox"/>	Amends Current Procedures & Guidelines Manual: Chapter # _____ Section # _____
<input type="checkbox"/>	Other: _____
<input type="checkbox"/>	Fiscal Impact: Yes ___ No <u>X</u>
	Explain: _____
	_____



**DRI –DRI FOUNDATION-NSHE ENDOWMENT DISTRIBUTION**  
**OPERATING AGREEMENT**

**THIS AGREEMENT** is effective July 1, 2017 and is by and between the Board of Regents of the Nevada System of Higher Education (“NSHE”), on their own behalf and on behalf of Desert Research Institute (“DRI”) and the DRI Foundation (“DRIF”), a Nevada Non-profit Corporation organized and operated exclusively for the purpose of supporting Desert Research Institute (“DRI”) and exempt from taxation pursuant to 26 U.S.C. Sec. 501(c) (3).

**WHEREAS**, The Regents adopted a resolution on March 2, 2017 to compensate the DRI Foundation for activities described in Paragraph A of this operating agreement (“Resolution”); and

**WHEREAS**, the DRI Foundation exists to raise and manage private resources supporting the mission and priorities of DRI and has developed special knowledge, experience and expertise in that regard; and

**WHEREAS**, NSHE requires management, stewardship and development activities and services to be provided relative to that portion of the current NSHE endowment pool attributable to DRI and for future gifts to DRI, as well as those to the NSHE on behalf of, or for the benefit of DRI; and

**WHEREAS**, the NSHE Board of Regents Handbook, Title 4, chapter 10 provides that member institutions of the NSHE may enter into operating agreements with their member institution foundations to provide such services;

**THEREFORE**, in consideration of the mutual commitments herein contained, and other good and valuable consideration, receipt of which is hereby acknowledged, the parties agree as follows:

- A. The following services shall be provided as applicable to the DRI Foundation to DRI on an ongoing basis:

1. IDENTIFICATION OF DONORS, including but not limited to, (a) prospect research to identify potential donors and (b) research to identify family members and associates of existing living and deceased donors;
2. CULTIVATION OF DONORS, including but not limited to, (a) management of communication with donors, (b) connecting donors, volunteers and prospective donors with DRI, (c) development and dissemination of messaging for involvement opportunities, (d) publication of newsletters and other communications, e.g., e-mail, websites, audio/video, and printed material for friends, corporation and community audiences, (e) production of on-and off-campus events to invite prospective donors, (f) and development of an engagement strategy for major donors and major gift prospects;
3. SOLICITATION OF DONORS, including but not limited to, (a) request of funds for unrestricted, restricted and endowed purposes, (b) production and distribution of collateral materials for gift appeals, gift renewals, and giving campaigns, (c) creation of memoranda of understanding regarding gifts in cooperation with the General Counsel for DRI, and (d) communication of donor restrictions regarding use of designed funds to receiving units with DRI.
4. STEWARDSHIP OF GIFTS, including but not limited to, (a) deposit of gifts and issuance of gift receipts and acknowledgements, (b) recordation of confirmation from DRI units that expenditures are consistent with gift restrictions; (c) investment management, (d) maintenance of records regarding investment earnings, (e) monitoring and implementation of all Uniform Prudent Management of Institutional Funds Act requirements, (f) provision of communication to donors regarding confirmations of gift designations, (g) provision of recognition of donors through communications, events and awards, (h) production of communications designed to document impact of gifts, (i) production of customized impact reports for significant gifts and pledges, (j) production of customized annual endowment reports of fund performance for donors;
5. GIFT OPERATIONS, including but not limited to, (a) establishment of procedures for security for electronic and paper records of donors, including gift histories and updated contact and biographical information, as to gifts processed through the DRI Foundation, (b) establishment of new funds in accordance with gift agreements, (c) ensuring compliance with Internal Revenue Service regulations regarding gift and receipting transactions, (d) maintenance of separate projects and funds for NSHE gifts designated for DRI, which will share in a pooled allocation of investment earnings and expenses deposited into appropriate

restricted or endowment accounts. The DRI Foundation will determine whether it would make the most sense to deposit the funds to NSHE depending upon existing accounts, (e) provision of regular annual reports and quarterly reports, as requested, regarding performance of NSHE pooled assets, (f) provision of regular reports to DRI units regarding new funds, fund growth and gift designations, which are available through the campus computing system and, in the event campus units cannot generate such reports, the DRI Foundation would provide the reports, (g) implementation of payout policies approved by the DRI Foundation Board of Trustees, (h) engaging DRI to prepare or contracting with an accounting firm to process all bookkeeping duties, (i) contracting for and supporting an annual audit by and independent certified public accounting firm licensed in Nevada done in accordance with generally accepted auditing standards.

- B. In addition to providing such administrative support to the DRI Foundation that the parties deem warranted DRI shall ensure that:
1. Pursuant to the Resolution, when DRI is provided by the NSHE with an amount equal to one percent (1.0%) of DRI proportion of the NSHE endowment pool, calculated and distributed in the same manner as the dividend ("Foundation Fee") DRI and the DRI Foundation shall utilize the Foundation Fee to expand development staffing and fund necessary management, stewardship and development efforts on behalf of DRI and the DRI Foundation.
  2. Gifts to the institution, when they are transferred by the NSHE to the institution and gifts to the NSHE on behalf of DRI or that can be otherwise determined to be for the benefit of DRI, shall be directly transferred to the DRI Foundation for management in its endowment accounts, and for stewardship and development as described in Section "A" herein. Such funds shall be subject to the same rules, regulations, practices and fees imposed on other funds so maintained by the DRI Foundation, except that the NSHE may obtain the return on the principal and income of these funds at any time for the purpose of depositing such funds in the NSHE endowment pool, subject to any investment restrictions that limit when such funds may be liquidated.
- C. This agreement is subject to the following general terms:
1. All procedures and practices adopted by the parties to implement this Agreement shall be in compliance with any and all applicable provisions of the NSHE Board of Regents Handbook and the NSHE Procedures and Guidelines Manual, as they may be amended from time to time.

2. This agreement is subject to cancellation annually on June 30, upon 15 months prior written notice received no later than March 1 of the preceding year by either party, delivered to the President of the DRI Foundation or to the President of DRI, or by a timely resolution to that effect adopted at a noticed public meeting of either the Board of Regents of the Nevada System of Higher Education or the Board of Trustees of the DRI Foundation.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be duly executed on the 20<sup>th</sup> day of January, 2017.

BOARD OF REGENTS OF THE NEVADA SYSTEM OF HIGHER EDUCATION, ON THEIR OWN BEHALF AND ON BEHALF OF DESERT RESEARCH INSTITUTE,

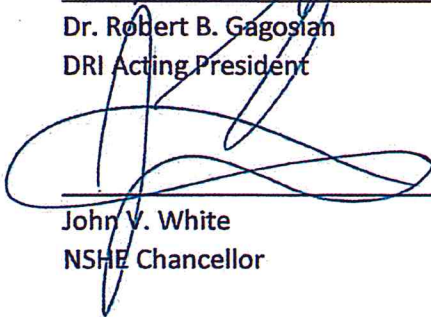
Recommended by:



Ellie Oppenheim  
DRI Senior Vice President, Finance and Administration, COO



Dr. Robert B. Gagosian  
DRI Acting President



John V. White  
NSHE Chancellor

DESERT RESEARCH INSTITUTE FOUNDATION

Approved by:



Charles T. Creigh  
President