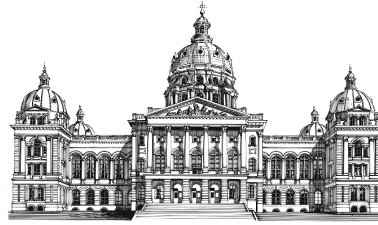

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Regent Affiliated Organizations

ISSUE

An informational document on the mission, equity, assets, revenues, and expenditures relating to the foundations and other organizations affiliated with the State Board of Regents.

AFFECTED AGENCIES

The 3 institutions of higher education under the control of the State Board of Regents:

University of Iowa (SUI)

Iowa State University (ISU)

University of Northern Iowa (UNI)

CODE AUTHORITY

Section 262.9(7), Code of Iowa.

BACKGROUND

Affiliated organizations of the Board of Regents, which include foundations, not-for-profit organizations, and other related entities, exist to provide financial assistance to the 3 institutions of higher education under the control of the State Board of Regents. Each affiliated organization has a board of directors, which controls investments and expenditures. Typically an institution targets specific institutional needs or goals for an affiliated organization to raise money for. The mission of each organization varies, depending on the original purpose for the organization. More recently created affiliated organizations have emphasized research. Additional organizations are usually created when an institution's administration determines a need for assistance. The amount and purpose of the assistance provided by each organization also varies, depending on the financial ability and the funding sources of the organization. **Attachment 1** describes the mission for each affiliated organization and provides fiscal information for FY 1991.

CURRENT SITUATION

The institutions provided the annual financial audits for 21 affiliated organizations. The number of other holdings not classified as affiliated organizations is unknown. The 21 organizations included in this analysis have an FY 1991 total equity (assets less liabilities) of \$269.8 million, FY 1991 assets of \$350.6 million, FY 1991 revenues of \$93.9 million, and FY 1991 expenses of \$63.8 million. Current gift campaigns underway by the largest foundation at each institution have a joint fundraising goal of \$380.9 million. These amounts are not included in the previously delineated FY 1991 totals. The current gift campaigns at each institution consist of specific goals such as academics, buildings, endowments of faculty positions, and athletics. In most instances, the institutions reported the Board of Directors of each organization has investment control over the assets of the organization rather than the institution itself. Stocks, real estate, and certificates of deposit are common investments of the affiliated organizations which have assets to invest.

OTHER INFORMATION

The August 26, 1992 issue of The Chronicle of Higher Education provided an FY 1991 comparison of College and University Endowments over \$65 million. In this comparison, the University of Iowa Foundation ranks 130th of the 166 colleges and universities included. The Market Value of the Endowment in the ranking ranged from \$4.7 billion at Harvard University to \$65.5 million at Simmons College. The FY 1991 Market Value used for the SU1 in the survey was \$93.7 million.

GOVERNANCE ISSUES

The pending sale of WOI-TV for \$14.0 million and the recent settlement of the FAX patent owned by ISU is expected to generate \$28.0 million in FY 1993 and raises the issue of ownership of the generated funds and appropriate expenditures or investments of the generated funds by the institution or controlling Board of Directors.

The Policies and Procedures manual of the Board of Regents requires all affiliated organizations submit annual reports to the Board Office and Members of the Board. When the reports for this Issue Review were requested from the Board Office, only 2 of 7 from SU1 and 8 of 12 from ISU had been received by the Board Office for FY 1991. The University of Northern Iowa had submitted both of the required reports. There is no governance or oversight provided by the Members of the Board or the Board Office for these affiliated organizations. Once established, the Board of Directors of each organization has control over investment and expenditure of funds. Although the institutions may indicate the planned investment and expenditure of funds, it is the responsibility of only the controlling board of directors as to whether the plans are implemented and consequences do not exist in the event funds are not invested or expended as planned.

ADDENDUM

An addendum to be issued at a later date will include specific information as to the planned expenditures and investments of:

The proceeds from the sale of WOI-TV.

The funds generated from the FAX patent settlement owned by ISU.

Greater detail regarding the investment aspect of the available funds of all of the affiliated organizations.

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REGENT AFFILIATED ORGANIZATIONS - FY 1991

Institution and Affiliated Organization	Mission	FY 1991 Assets	FY 1991 Equity	FY 1991 Revenues	FY 1991 Expenditures	Significant expenditures	Notes
SUI - Foundation	Solicit, receive, and manage gifts for the sole benefit of research and education at SUI.	\$197,626,406	\$163,945,156	\$39,072,051	\$20,945,156	Administration - 20.3% Scholarships and Research - 76.7% Fundraising - 3.0%	Nine gift campaigns currently being undertaken, with a total goal of \$170,950,000. This amount is not included in the financial information.
SUI - Facilities Corporation	Acquiring and holding property for the benefit and use of the University.	24,287,736	748,159	1,721,034	1,619,995	Property tax - 28.0% Insurance - 22.8%	Owns land, the lower level, and first floor of an 8-story commercial building in Iowa City, the other 7 floors are owned by the University (Jefferson Building). Owns 273 acres of land near Muscatine. Owns the Human Biology Research Facility building and the Engineering Research building on the SUI campus.
SUI - Iowa Measurement Research Foundation	Advance knowledge in field of educational testing, to enrich training of research workers in this field, and to support the development of measuring instruments of potential value to school personnel.	10,951,129	8,467,757	472,506	455,082	University expenses - 90.2%	
SUI - Alumni Association	Advance the cause of education and promote and strengthen the U of I by providing programs and services for its graduates, students, former students, and friends.	2,718,494	2,336,242	1,738,912	1,689,791	Administration - 53.6% Membership - 12.0% Special Events - 25.5%	Twenty two percent of the organization's operations budget comes from SUI for support and maintenance of alumni records database.
SUI - Research Foundation	Manage intellectual property for the institution.	562,187	36,117	499,263	627,472	Patent acquisition costs - 44.7% Royalties - 38.2% Salaries - 10.8%	

ATTACHMENT 1

REGENT AFFILIATED ORGANIZATIONS - FY 1991

Institution and Affiliated Organization	Mission	FY 1991 Assets	FY 1991 Equity	FY 1991 Revenues	FY 1991 Expenditures	Significant expenditures	Notes
SUI - Student Publications	Provide a newspaper for students and employees of the University.	356,797	185,205	1,549,200	1,578,156		Plans a fundraiser for the 125th Anniversary of the Daily lowan to endow the scholarship fund.
SUI - Oakdale Research Park	Increase academic viability of SUI and assist and promote academic research and cooperation between SUI and public and private research-oriented activities consistent with education, research, and scientific mission of the University.	218,113	162,680	194,538	198,682	Administration - 53.6% Legal fees - 37.7%	Leases 173.5 acres of SUI Oakdale campus for \$1 per year.
SUI Subtotal		<u>\$236,720,862</u>	<u>\$175,881,316</u>	<u>\$45,247,504</u>	<u>\$27,114,334</u>		

REGENT AFFILIATED ORGANIZATIONS - FY 1991

Institution and Affiliated Organization	Mission	FY 1991 Assets	FY 1991 Equity	FY 1991 Revenues	FY 1991 Expenditures	Significant expenditures	Notes
ISU - Foundation	Generating private financial support for programs, activities, and projects for which public tax funds are not available.	\$ 77,307,245	\$ 69,470,316	\$ 23,010,109	\$ 13,809,600	Administrative - 32.4% Projects - 54.1% Scholarships - 9.4% Research - 0.4%	Owns subsidiaries of Gateway Center (Holiday Inn) and University Retirement (Green Hills). Owns other properties adjacent to Gateway Center, Green Hills, and ISU Research Park, with a value of \$2,722,453. Owns farm properties with a value of \$2,500,000. A debt of \$4,487,582 remains to be paid for a portion of the costs relating to the Computation Center. The Foundation is undergoing a Capitals Campaign, with a goal of \$185 million. This amount is not included in the financial information.
Iowa State Memorial Union	For the social, moral, religious, literacy, scientific, and educational development and the welfare of students, faculty, alumni, friends, and guests of ISU.	8,558,214	6,448,946	5,425,351	5,108,485	Sales - 17.3% Salaries/wages - 43.6%	The ISU General Fund paid \$1,264,067 in FY 1991, with the annual amount based on student enrollment.
ISU - Research Park	Educational, scientific, and research purposes in promotion, support and assistance in technology development and technology transfer.	3,813,168	675,234	589,118	623,425	Expense detail not provided.	
ISU Press	Educational Welfare of ISU and the students, alumni, and faculty, through conduct of printing and publishing activities.	2,666,780	1,154,539	3,030,617	3,084,758	Editorial - 13.8% Marketing - 30.7% Administrative - 22.3%	

REGENT AFFILIATED ORGANIZATIONS - FY 1991

Institution and Affiliated Organization	Mission	FY 1991 Assets	FY 1991 Equity	FY 1991 Revenues	FY 1991 Expenditures	Significant expenditures	Notes
ISU - Committee for Agricultural Development	Arrange for the orderly increase and distribution of new plant materials with the income used to further the work of the Iowa Agricultural Experiment Station.	2,549,349	1,993,905	717,217	807,288	Production costs - 54.0%	This audit separated the restricted and unrestricted funds and the financial information includes both. Owns 12 farms totalling 1,413 acres with an asset balance of \$2,196,928. One additional farm of 160 acres is included in the restricted fund.
ISU - 4-H Foundation	Receive and disburse funds for the best interest of 4-H and other youth in Iowa.	1,539,458	1,512,393	774,530	691,993	Program Services - 49.3% Administration - 10.5% Local/State/National Programs - 25.0%	
ISU - Alumni Association	Promote welfare of University, faculty, graduates, students, and former students.	1,342,209	1,020,782	1,367,621	1,020,782	Salaries - 48.6% Publications - 20.3% Membership - 5.7% Special Projects - 5.8%	The Alumni Association and ISU Equities Corporation are stockholders in University Systems Technology, marketing alumni association computer hardware and software developed for use in higher education. FY 1991 Fund balance of University Systems Technology was \$91,929 with assets of \$120,151. FY 1991 receipts were \$323,996 and expenses were \$232,067.
ISU - Agricultural Foundation	Acquiring, owning, improving, maintaining, managing, and operating farms.	1,175,026	112,258	401,172	224,054	Crop expense - 28.2% Wages/benefits - 15.6% Real Estate fees - 8.5%	Transferred ownership of a farm valued at \$1,521,500 to ISU during the audit year.

REGENT AFFILIATED ORGANIZATIONS - FY 1991

Institution and Affiliated Organization	Mission	FY 1991 Assets	FY 1991 Equity	FY 1991 Revenues	FY 1991 Expenditures	Significant expenditures	Notes
ISU - Research Foundation	Protect and license technology and educational materials developed by University personnel while working on projects financed by the University, with net income used for scientific study, education, and research in the University.	1,107,713	68,891	2,081,631	1,986,906	Patent expenses - 57.5% Inventors - 27.6% Administrative - 4.0%	This Foundation holds the FAX patent, expected to generate \$28 million in FY 1993. Owns property valued at \$697,212 and a portion of Edge Technologies valued at \$125,282.
ISU - Daily Publication Board	Publishing and selling ISU student newspaper to promote welfare of and providing business and editorial experience for students						The fiscal information was not provided.
ISU - Equities Corporation	Holding company, to assist in carrying out the ISU education, scientific, charitable, or other objectives. Serves as holding company for ISU Broadcasting.		-2,215,650	6,769,897	6,725,492	Expenses not detailed.	Provided ISU \$195,210 for interest costs. Audit was not provided. Equity of WOI-TV is not included.
ISU - Stanton Memorial Carillon Foundation	Not provided.		96,941	524	413	Expense detail not provided.	
ISU Subtotal		\$100,059,162	\$ 80,338,555	\$44,167,787	\$34,083,196		

REGENT AFFILIATED ORGANIZATIONS - FY 1991

Institution and Affiliated Organization	Mission	FY 1991 Assets	FY 1991 Equity	FY 1991 Revenues	FY 1991 Expenditures	Significant expenditures	Notes
UNI - Foundation	Assist the University in projects which are vital to growth and development but most appropriately financed from private funds.	\$ 13,585,352	\$ 13,585,352	\$ 4,391,897	\$ 2,580,233	Scholarships - 24.0% Designated projects - 62.9% Administration - 4.2% Fundraising - 8.9%	Undergoing a \$25 million Capitals Campaign, which includes a \$9 million Performing Arts Center. This amount is not included in the financial information.
UNI - Alumni	Promote the interest of the alumni.	286,678		99,302	86,182		
UNI Subtotal		<u>\$ 13,872,030</u>	<u>\$ 13,585,352</u>	<u>\$ 4,491,199</u>	<u>\$ 2,666,415</u>		
Regent Grand Total		<u>\$350,652,054</u>	<u>\$269,805,223</u>	<u>\$93,906,490</u>	<u>\$63,863,945</u>		

The Mission is specified by the affiliated organization in the annual audit or bylaws.
 FY 1991 Assets include cash and property owned by the organization.
 FY 1991 Equity is the Assets less the Liabilities.
 FY 1991 Revenues are the operating and other revenue.
 FY 1991 Expenditures are the monies spent by the organization.
 Significant expenditures are examples of major expenditures incurred during FY 1991.
 Notes are possible items of interest from the FY 1991 audit.
 The sources for this document are the FY 1991 audits of the affiliated organization.