FISCAL SUSTAINABILITY COORDINATING COMMITTEE
Consolidation and Reorganization Report
DRAFT

TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subgroup Information (Membership, Charge, Actions)</td>
<td>1</td>
</tr>
<tr>
<td>University Structure</td>
<td>2</td>
</tr>
<tr>
<td>Background Information and Findings</td>
<td></td>
</tr>
<tr>
<td>Recommendations</td>
<td>8</td>
</tr>
<tr>
<td>Foundations</td>
<td>10</td>
</tr>
<tr>
<td>Background Information and Findings</td>
<td>13</td>
</tr>
<tr>
<td>Revenue and Assets</td>
<td>23</td>
</tr>
<tr>
<td>Recommendations</td>
<td></td>
</tr>
</tbody>
</table>

CONSOLIDATION AND REORGANIZATION SUBGROUP

1. MEMBERSHIP

Keith Keene, PhD. Director of the Center for Health Disparities and Associate Professor of Biology

Purificación Martínez, PhD. Chair of the Faculty and Associate Professor of Foreign Languages and Literatures

Wendy Sergeant, Assistant Vice Chancellor for Academic Affairs Personnel

Kendra Alexander, Associate Vice Chancellor for Development

Michael Van Scott, PhD. Interim Vice Chancellor for Research, Economic Development, and Engagement (REDE)

2. CHARGE

Evaluate the current university, divisional, and college structures to identify strengths, weaknesses, and potential modifications that could improve efficiency and effectiveness.
3. ACTIONS

- Progress on recommendations from the 2014 Fiscal Sustainability Report was reviewed.
- Input from campus on sustainability was obtained through an electronic suggestion box. Over 130 recommendations were received and prioritized for follow-up.
- 40 past and present leaders at ECU (spanning the entire University), including chancellors, vice chancellors, faculty senate chairs, deans, directors, and chairs were interviewed and asked the following questions:
  - What are the pros and cons of our current University organizational structure, with five divisions/VCs, Athletics, University Counsel, and Faculty Senate reporting directly to the Chancellor; and Academic Council coordinating academic programs and scholarship?
  - What changes to the current University structure, if any, might reduce administrative costs and/or improve efficiency, effectiveness, and governance at ECU?
  - What are your thoughts about the recommendation to consolidate the four foundations?
  - What are your thoughts about the recommendation to combine the compliance offices?
  - Is the current distribution of colleges between Academic Affairs and Health Sciences effective, and if not, what changes would you suggest?
  - Is administration within schools and colleges organized for efficient and cost-effective support and oversight of academic programs?
- Best practices and reports on sustainable university structures and organizational charts for peer and UNC system institutions were reviewed.
- Members of the leadership team in the Division of University of Advancement were asked to provide the pros and cons of the recommendation to consolidate the foundations. Conversations with executive board members from all four foundations were also conducted.
- Reports on sustainable university advancement structures and organizational charts for peer institutions were reviewed. Consultations with peer institutions who recently went through a consolidation or have a foundation that is solely responsible for processing gifts were completed.
- A roundtable discussion at the ABG Conference in January was conducted by Vice Chancellor Chris Dyba. Members of senior University Advancement leadership attended sessions that discussed implementing a consolidation of foundations. Additional materials from EAB and AGB were also collected and reviewed.
- Financial information was received from ECU Financial Services staff.
- A draft report was compiled by the subgroup and vetted by the full Fiscal Sustainability Coordinating Committee prior to submission to Chancellor-elect Rogers. Subsequent interviews were conducted, and modifications were made to the report following feedback from Chancellor Rogers and the additional interviewees.

BACKGROUND INFORMATION-UNIVERSITY STRUCTURE

Current ECU leadership structure. ECU’s senior leadership includes ten direct reports to the Chancellor including the Chief of Staff, Provost/Senior Vice Chancellor for Academic Affairs, five division Vice Chancellors, Director of Athletics, University Counsel, and Chair of the Faculty (Figure 1). The Chancellor is advised by three bodies:
1. Faculty Senate;
2. The Chancellor’s Cabinet that consists of the Chief of Staff, Provost, University Counsel, Director of Athletics, and Vice Chancellors for Health Sciences, Student Affairs, University Advancement, Administration and Finance, and Research, Economic Development, and Engagement (REDE);
3. The Executive Council made up of the Chancellor’s Cabinet, Associate Provost for Equity and Diversity, Assistant Secretary to the Board of Trustees, and Chief Communications Officer.

An Academic Council consisting of the Provost, Vice Chancellor for Health Sciences, and the Vice Chancellor for Research, Economic Development, and Engagement coordinate programs across the two major academic divisions, Health Sciences and Academic Affairs. The Provost and Vice Chancellor for Health Sciences each have advisory bodies that include the deans and other senior leaders within their respective divisions.

Figure 1. Organizational chart as of 9/16/2020.

**Campus leadership interviews.** Interviews with past and present leaders at ECU indicated that the current leadership structure aligns with the current divisional structure but may not be functioning optimally. While structural changes may improve functionality, there was a consensus that no structure will be effective if the leadership team is not coordinated in their activities and aligned with the mission and strategic directions of the institution.
Faculty and Staff Senates reporting directly to the Chancellor ensures shared governance and advocacy for concerns of the faculty, and communication between SHRA, EHRA non-teaching, and CSS staff. The Chancellor’s Cabinet, Executive Council, and Academic Council are small, which allows agile decision-making; and representation from each division ensures inclusion of the major institutional constituents in decisions and setting strategic directions. The vertical, “top-down” structure allows the Chancellor and Vice Chancellors to focus on strategy and problem solving, as opposed to consensus building, which is characteristic of more horizontal structures (EAB).

The positive characteristics of the current leadership and leadership structure are countered by perceptions that ECU does not function as one university, but rather as two or more siloed entities with different missions, revenue streams, policies, procedures, and expectations. Lack of transparency and communication are commonly cited as ongoing problems. A common example is programs and operations within Academic Affairs and Health Sciences, such as division-level human resources offices that function and communicate very differently, resulting in inconsistent processes and communications related to personnel. Other examples include fragmentation of compliance and regulatory functions; student services across Academic Affairs, Health Sciences, and Student Affairs; and different methods for archiving academic data necessary for SACS accreditation. Similarly, there is a general perception that decisions regarding facilities and finances are not informed by the academic units with responsibility for meeting the mission.

In the past, campus climate surveys identified communication as a recurring problem at ECU, and a variety of newsletters and forums have been created to convey information. Some reorganization attempts to address those issues, such as the creation of the University Council, resulted from past surveys. University Council is a body that includes vice chancellors, assistant and associate vice chancellors, deans, directors, Faculty Senate officers, Staff Senate officers, and SGA leadership; and the purpose is to convey information to leaders across campus. Information flow in these venues is largely unidirectional, with little discourse or dialogue.

Separation of the deans into two divisional councils that are not consistently informed or involved in strategic and tactical decisions make it difficult for them to build support for and act upon decisions conveyed from senior leadership. Deans, chairs, and faculty felt that they do not have sufficient resources for the work required of them, nor do they understand the flow of funds across the institution, which leads to mistrust between units. There is a perception that divisions and colleges compete for resources, which engenders mistrust and reduces unified approaches to addressing current and emerging challenges. This perceived academic division impacts student services and research, with compromised efforts and duplicative services present on both east and west campuses that should be better integrated. There is great need for a unified voice that will allow for efficiency, alignment of resources, and sustainability especially during times of budget cuts.

Finally, there was agreement that the Dean of the Brody School of Medicine should not serve simultaneously as the Vice Chancellor for Health Sciences. From the dean’s perspective, the workload is too great, and programs under their direction can lack attention. From the vice chancellor’s perspective a conflict of interest can exists that can result in, inequitable distribution of resources, even if unintended. Mark Stacy, who currently holds both positions provided the following comment: “While there are places of synergy in the duties of the dean and vice chancellor, it is reasonable to consider distributing these positions to two people. As with all aspects of our operations, we should evaluate
pros and cons of our current structure and determine if change would be beneficial, either now or in the future.”

**Sustainable university structures and models.** In a 2016 analysis, EAB described four university reporting structures:

- Independent – VCs report to Chancellor, but meet monthly
- Integrated – VCs report to Provost but sit on Chancellor’s Cabinet
- Dual – VCs and CFO report to both Provost and Chancellor
- Distributed – Chancellor and Provost offices are populated by staff that share responsibilities but report to different leaders across the institution

Nationally, chancellors are becoming more outward facing leaders, and the role of the Provost has expanded to include duties typically associated with an executive vice president, including oversight of academic programs, student life, research, information technologies, facilities, and other services that impact academic programs. With this change, the focus of the position changes from the end user to the life cycle (i.e., all programs and support services that affect student success). These changes result in growth of the Provost office, and services are centralized from earlier distributed infrastructure. ECU’s current structure is best described as “independent”, with vice chancellors that report directly to the Chancellor, but meet twice a month as the Chancellor’s Cabinet and Executive Council.

Leadership structures can be vertical and/or horizontal. Vertical structure allows leadership to focus on strategy. Horizontal structure requires the leader to spend more time building consensus. ECU’s current structure tends to be vertical, with a small Chancellor’s Cabinet, Executive Council, Academic Council, and Deans Council that pass decisions down to colleges, chairs, and faculty. In interviews with leaders at ECU, preference for the different structures depended on the level of leadership position. Chairs and deans preferred a horizontal structure that provided deans direct input into decisions and the final authority for decisions (i.e., the Chancellor or Chief Academic Officer). In contrast, higher leadership positions preferred a small decision-making body, such as Executive Council, whose members had advisory groups made up of leaders that report to them.

Institutional structure should minimize conflict, promote communication, allow for strategic leadership, align decision-making with reporting lines to ensure implementation, and allow leadership to focus 3 to 5 years out. In addition, to be effective, the structure should reflect the institutional culture and history. The current divisional and senior leadership structure at ECU has evolved over time in response to growth and funding. The structure was built on the principles of teamwork, collegiality, and service; and it accommodated differences in culture across the divisions. The structure allowed for generation of a strong strategic plan and noteworthy progress on the goals within that plan. Over the last five years, changes in key leadership positions and difficult political and financial environments have challenged the institution and forced leadership to make rapid tactical decisions. The structure enabled leadership to respond quickly, but the ability of leadership to act without developing consensus has raised concerns about the current structure, decision-making processes, and consistency of operations across the institution. If structural changes are pursued, they should enable agile leadership while promoting
transparency and communication. If the number of individuals engaged in leadership is increased, accountability for added cost, and rapid and definitive decisions when needed must be conveyed.

The Provost at ECU is designated as the Senior Vice Chancellor, but currently does not function in that capacity. With all other vice chancellors reporting directly to the Chancellor, the Provost is not empowered to coordinate all aspects of academic programs across the institution. The structure does not codify his/her decision-making authority over all academic programs. The result is that each division functions autonomously.

One argument for autonomy of Health Sciences under a separate vice chancellor is that programs in health sciences are funded differently from Academic Affairs, but only the medical and dental professional programs are funded by direct state appropriations received specifically for those programs. The MS, PhD, and MPH programs in BSOM, and all programs in Nursing and Allied Health Sciences are funded by student credit hour production, and revenues from those programs are aggregated with revenue from academic programs in Academic Affairs, making the separation of the two divisions difficult to justify based on funding. In contrast, differences in geography and focus on patient-centered programs exist between the two divisions.

Separate divisions for Academic Affairs and Health Sciences necessitates the need for the REDE division to coordinate research, outreach, and creative activities across the two academic divisions. Faculty do not report through REDE, and the ability of REDE to influence activities in Academic Affairs and Health Sciences is dependent on the Provost and Vice Chancellor for Health Sciences setting research expectations in their divisions, and/or availability of funds that REDE can award, or invest, in academic units. In recent years, academic pressures and limitation in funds available to REDE have limited the Division’s effectiveness. Empowering the Provost as the Senior Vice Chancellor and moving research administration under the Provost would result in research and scholarship expectations being set by one office instead of 3. REDE would move under the Provost and eliminate the division-level offices, although many of the functions and the workload would remain, which would limit the financial savings.

Most of ECU’s peer institutions have Provosts that serve as Senior Vice Chancellors or Executive Vice Presidents. Likewise, NC State University and UNC Chapel Hill have Executive Vice-Chancellors that oversee all academic programs, including the academic program in Medicine and Veterinary Medicine.

Table 1 shows the reporting lines at peer institutions for medicine, nursing, student affairs, and research and engagement report.
### Table 1. Reporting structures for ECU’s peer institutions and North Carolina State University (NCSU) and UNC Chapel Hill.

<table>
<thead>
<tr>
<th>Institution</th>
<th>Medical School</th>
<th>Nursing</th>
<th>Student Affairs</th>
<th>Research and Engagement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Florida Atlantic University</td>
<td>Provost/Chief Acad. Officer</td>
<td>Provost/Chief Acad. Officer</td>
<td>Provost/Chief Acad. Officer</td>
<td>Provost/Chief Acad. Officer</td>
</tr>
<tr>
<td>Illinois State University</td>
<td>NA</td>
<td>Provision/Exec. Vice Pres.</td>
<td>President</td>
<td>President</td>
</tr>
<tr>
<td>Kent State University at Kent Northern Arizona University</td>
<td>Provost/Chief Acad. Officer</td>
<td>Provost/Chief Acad. Officer</td>
<td>President</td>
<td>Provost/Exec. Vice Pres.</td>
</tr>
<tr>
<td>Ohio University - Main Campus</td>
<td>Provost/Exec. Vice Pres.</td>
<td>Provost/Exec. Vice Pres.</td>
<td>President</td>
<td>President</td>
</tr>
<tr>
<td>University of Nevada-Las Vegas</td>
<td>Provost/Exec. Vice Pres.</td>
<td>Provost/Exec. Vice Pres.</td>
<td>President</td>
<td>President</td>
</tr>
<tr>
<td>Utah State University</td>
<td>NA</td>
<td>NA</td>
<td>President</td>
<td>President</td>
</tr>
<tr>
<td>Washington State University</td>
<td>President</td>
<td>President</td>
<td>President</td>
<td>President</td>
</tr>
<tr>
<td>Western Michigan University</td>
<td>NA</td>
<td>NA</td>
<td>President</td>
<td>President</td>
</tr>
<tr>
<td>NCSU</td>
<td>Provost/Exec. Vice Chancellor &amp; to Chancellor</td>
<td>Provost/Exec. Vice Chancellor</td>
<td>Provost/Exec. Vice Chancellor</td>
<td>Chancellor</td>
</tr>
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RECOMMENDATIONS-UNIVERSITY STRUCTURE

There is no perfect institutional structure, and all structures require positive relationships between senior leaders to be effective. First and foremost, ECU requires a strong collaborative senior leadership team. Under the right leader, a strong provost model may improve communication, coordination in academic programs, and inclusiveness in decision-making. In this model, all academic programs - including the medical and dental education programs -, student support programs, facilities and information technology services that support academic programs, and research administration could report through one chief academic officer, the Provost/Senior Vice Chancellor (Figure 2). A leader for health science education would be needed to address the unique needs of those programs. This position would oversee programs in BSOM, CON, CAHS, HHP, and SoDM. The individual in this position should not serve simultaneously as a dean. For this model to be effective, the Provost would need the unique skills to oversee academic affairs while having a clear understanding of the complexities of supporting clinical programs. In the proposed model, clinical practices and medical regulatory affairs would report directly to the Chancellor. Advancement, Athletics, and University Counsel would also continue to report directly to the Chancellor. Likewise, the Chairs of Faculty and Staff Senates, and Vice Chancellor for Administration and Finance report directly to the Chancellor but become more integrated into Academic Council to ensure coordination of academic and service programs. It is also recommended that the Chancellor appoint a committee of representative stakeholders to further review whether consolidation of certain compliance and regulatory functions is in the best interest of the University and to make recommendations to the Chancellor regarding the same. This review should include further examination of UNC and national best practices in management of compliance and regulatory functions.

The structure proposed in Figure 2 is not uniformly accepted across campus and would need to be further studied and socialized to avoid unintended consequences including but not limited to lower morale and weakening of strong clinical degree programs, which account for nearly all programs within the Division of Health Sciences.

The Chancellor’s Cabinet and Executive Council have functioned well to ensure communication and coordination between senior leaders, and the Chancellor should ensure proper membership for coordination in the key aspects of the institution’s mission. The Provost should lead Academic Council, which should be expanded to include representation from Health Sciences, REDE, Faculty Senate, Facilities, Finance, and Student Affairs. A unified council of deans that includes leaders of key support student services offices, should advise Academic Council. Current support offices should be joined but could remain geographically discrete.

It should be noted that transitioning to a strong provost model is not likely to directly generate significant financial returns, since functions and workloads remain; but there could be significant efficiencies through more consistent processes, procedures, and operations that allow units to more easily share services. In addition, it could lead to more inclusive decision-making on budget issues and ability to respond to emerging challenges and opportunities.
Figure 2. Proposed Organizational Chart
BACKGROUND INFORMATION-FOUNDATIONS

Current Foundation Structures. ECU has four foundations and two subsidiary foundations, that support various areas on campus: ECU Foundation, Inc., ECU Medical & Health Sciences Foundation Inc., ECU Educational Foundation Inc. (Pirate Club), and the ECU Alumni Association as well as Green Town Properties and the ECU Real Estate Foundation that are subsidiaries of the ECU Foundation. Each foundation has its own foundation board, endowment and other assets, investment strategy, fee structure, annual independent audit, among other fiduciary business items. Although there are some shared services between the foundations, the foundations generally operate independently. None of the four foundations at ECU are self-sustainable and every foundation is currently dependent on the University for operating expenses.

Current Foundation Board Structures. A description of each foundation’s board structure and assets is provided to capture the amount of time dedicated to managing the foundations and the foundation boards. All figures provided are as of June 30, 2020.

The ECU Alumni Association Board is currently made up of 30 voting board members and 29 emeritus members. The board meets collectively as a board three times a year. There are currently six committees with the executive committee meeting monthly, and the majority of the other 5 committees meeting twice a year. The ECU Alumni Association has a total of $3.7 million in net assets. Since there are few investable assets ($1,590,484), the ECUAA chose to merge their investments with the ECU Foundation; however, they still maintain an investment committee. All 30 voting members of the board have a fiduciary responsibility and thus the association must carry D&O Insurance since they are liable.

The ECU Educational Foundation Board is currently made up of 24 voting members. The board meets collectively as a board quarterly, and there are 7 committees. The Pirate Club holds $30 million in net assets. The value of the total portfolio for the ECU Educational Foundation is $17,473,503. Morgan Stanley and BB&T Scott & Stringfellow manage their $15,206,959 of investable assets. Again, all board members are liable for the assets of the foundation, so D&O Insurance is required.

The ECU Foundation Board is currently made up of forty-five voting board members and six emeritus members. The board meets collectively as a board twice a year. There are eight separate committees, and two additional 501c3 organizations (ECU Real Estate Foundation and Green Town Properties) that work with the ECU Foundation. Most committees meet quarterly. The executive committee meets monthly. The ECU Foundation has a total of $150.6 million in net assets. The total portfolio for the ECU Foundation is $132,566,206. The ECU Foundation choses to work with an investment consultant FEG (Fund Evaluation Group) but does invest 19.7% in the UNC Management Fund and increasingly in Private Equity opportunities. The ECU Foundation has $99,745,401 of investable assets. Similarly, all board members are liable for the assets of the foundation, so D&O Insurance is required.

The ECU Medical & Health Sciences Foundation Board is currently made up of 36 voting board members and 12 additional emeritus members. The board meets collectively as a board four times a year. There are eight separate committees, 4 of which meet three times a year. The Medical Foundation has a total of $53 million in assets. The M&HS Foundation choses to invest 100% of their $46,582,457 of investable assets in the UNC Management Company. They also manage funds for the Brody Brothers Foundation. The total portfolio for this foundation is $9,912,276 and $8,888,773 of their investable
assets are managed by Wilbanks, Smith & Thomas. Likewise, all board members are liable for the assets of the foundation, so D&O insurance is required. It should be noted that the M&HS Foundation does own real estate but does not have a subsidiary foundation. This exposes the M&HS Foundation to liabilities against the real estate. It has been offered in the past to put these properties under the ECU Real Estate Foundation to limit liability, but the request was rejected in the spirit of independence.

The ECU Endowment Fund has over $68,160,042 in its total portfolio. The ECU Foundation Board’s Investment Committee determines the fund’s investment strategy for the $54,632,737 of investable assets and is currently using FEG as a consultant.

**Current Realities.** ECU has lost over $40 million in revenue due to COVID-19 which mostly came from the loss of revenue in housing, dining, transit, and athletics.

In the fiscal year 2020, which ended on June 30, 2020, ECU received approximately $326 million in appropriations from the North Carolina General Assembly, providing an additional $14,239 towards the total cost of education for each resident student. State funding is highly dependent on enrollment, and a significant drop would result in a substantial decrease in state dollars.

Colleges and universities across the country have been bracing for a much-feared “demographic cliff”—a steep drop-off in potential first-time full-time freshmen— that is projected to arrive in 2025-2026. Last year, there were signals the decline had started to arrive early: even elite institutions ended up admitting more students from applicant pools and waitlists just to meet tuition revenue goals. Meanwhile, with the pandemic upending both K-12 and higher education plans, competition for first-time, full-time undergraduates will only get stronger (EAB-source). Scholarship dollars are needed more than ever to help recruit and retain students at ECU.

Due to ECU’s decentralized organizational structure, the lack of communication amongst the silos, and the variation of ways in which ECU distributes resources, substantial divide and mistrust has been created. This division is felt campus wide, including in the foundations.

None of the four foundations at ECU are self-sustainable. Three of the four foundations are currently dependent on state dollars for operating expenses. The ECU Educational Foundation does not receive any state funds, but they have not been able to cover the cost of scholarships, so the university has had to step in and balance the Athletic budget.

**National and statewide trends.** The financial model for higher education is under tremendous stress and does not produce enough direct margin to allow for continuous reinvestment into functional areas critical to our future. Prior to COVID-19, higher education was entering an era of consolidation. Specifically, there was a national trend to consolidate foundations in universities. The pandemic has only increased the number of institutions that are considering these structural changes (AGB).

Many institutions have switched or are switching to a centralized approach where the foundation operates as a “bank.” The foundation is fiduciarily responsible to process the gifts according to the wishes of the donors. The support to the various entities on campus does not change, only the place in which the donation is received, processed, invested, managed, and distributed. The foundation board has an investment, audit, and budget committee and is no longer involved with any fundraising, alumni engagement, strategic planning, or advocacy initiatives.
In addition to the shift to one foundation, a common structural change is for a “Center for Advancement” to be created. All back-office operations including marketing, stewardship, and events are combined and coordinated across campus, through that “center”. All fundraisers report up through middle management to the Vice Chancellor of Advancement, including athletic fundraisers. Fundraisers still represent various programs, colleges, and regions but the reporting structure is to the VC of Advancement not another staff member on campus.

The overwhelming feedback from institutions that have gone through a consolidation is that it was a difficult process, but the structural change resulted in reduced costs, increased revenue, and improved efficiencies. The unified structure provides opportunity for deeper alumni and donor engagement, streamlined communication, and increased philanthropic support. The key to successful mergers has been transparency and continued communication throughout the process. Many universities formed an ad-hoc committee made up of staff and board members from each foundation and/or hired a consultant to provide input on how to implement the shift to a more centralized model for Advancement.

More and more campuses are transitioning to a unified model, but each institution is choosing the integration of boards differently. Some campuses are keeping the various boards in place, but the focus is entirely on fundraising, alumni engagement, and advocacy. Others are creating one large council that has representation of all areas on campus.

Initial findings revealed that of the nine peer institutions identified by IPAR, only one of the nine has a decentralized foundation model. Clemson, Florida International and Auburn operate under a centralized model. University of Oregon, University of Iowa, Oregon State University, Colorado State University, and Western Michigan University are among the institutions that recently transitioned from a decentralized model to a unified model.

Even within the UNC System, NC State and UNC Chapel Hill have a decentralized foundation model, but they have a centralized accounting structure that does all accounting, as well as only one investment strategy and one set of policy procedures. Likewise, in 2019, UNC Greensboro merged their foundations and have been working through the model recommending for ECU. Appalachian State University, University of North Carolina Wilmington, and Western Carolina also operate in a unified structure.

**Campus Leadership Interviews.** A decentralized foundation model has been debated by campus leadership for many years as to its overall effectiveness and efficiency. There are ways in which a more centralized model would provide the opportunity to increase revenue, cut costs, and increase efficiency, but the culture associated with each foundation has hindered a change in structure.

Most of the current and past campus leadership agreed that a consolidation of back-office support among the four foundations would be beneficial. All agreed that the consolidation of the four foundations at ECU would be met with great resistance.

When this recommendation was explored in the past, board members, staff, faculty, and campus leaders feared the loss of institutional identity and mission if a consolidation was to occur. Reorganization does not correct for culture or leadership. A long-standing culture with a preference to operate independently must be addressed by campus and divisional leadership, no matter what decision is made about the consolidation. Clear communication about the needs and benefits for a change in the
current model and being transparent throughout the process is necessary for earning trust and building partnerships on and off campus.

College partners need more support for discretionary dollars. Due to budget cuts and staff turnover, many college level directors of development positions are vacant. Most colleges have advancement councils for their area on campus. The consensus from campus is that more staff is needed to support fundraising efforts at ECU, particularly during this challenging time when philanthropy is so critical. University Advancement needs to operate as efficiently as possible to meet the needs of ECU and fulfill the mission.

**Financials Per Foundation.** Below are a series of graphs and charts that provide financial data about each foundation over the last five years. This data was provided by the ECU Financial Services staff. An online financial dashboard can be found at: [https://give.ecu.edu/s/722/19/adv-landing.aspx?sid=722&gid=1&pgid=2802](https://give.ecu.edu/s/722/19/adv-landing.aspx?sid=722&gid=1&pgid=2802).
Net Assets Per Foundation (2016-2020)

The consolidated net assets for all four foundations is $237.4M as of end of FY20.

Market Value and Growth for Each Foundation (2014-2020)

At the end of FY20, the total market value of all the foundation’s endowments combined was $212.2 million.

Endowments are important to East Carolina University because they provide perpetual financial support. The perpetual nature of endowments make them an important component of long-term university funding.
Historical Returns Per Foundation (Averages per year)

The historical returns for three of the four foundations at ECU show that the ten-year average is less than 4%. NACUBO’s ten-year average is 5.7%.

* The National Association of College and University Business Officers (NACUBO) is a membership organization providing leadership and sector-wide guidance on accounting, finance, and tax issues in higher education.

The ECU Educational Foundation historical returns:
The historical returns for the ECU Educational Foundation show that the ten-year average is 8.73%.
FY20 Management and Fee Comparisons

Below are two charts that provide information on the investment consultant and manager structures as well as the fees for all four foundations as of June 30, 2020. The third chart provides a comparison of costs versus our current model and projected fees if 100% was invested in UNC Management.

*Note that alternatives include hedge funds, limited partnerships, and others. Some of the alternatives are products the consultants provide, therefore additional fees to the consultant are generated. They are broken out separate to show the full consultant relationship. ECU Educational Foundation fees are not currently broken down to show alternatives separate. Requested updated information was not available at the time of the report. This causes the investment manager’s effective rate for their main investment pool to be skewed.

*If the foundations were to consolidate and adopt the investment strategy to solely use UNC Management, ECU would save $136,705.

Revenue provided to ECU by Foundation (2016-2020)

The graph below shows the amount of money that each foundation provided back to campus for the last five years. The average allocation to campus is $21.6 million per year. During the past five years, the ECU-related foundations have provided approximately $112 million in support to the University.
Campaign Totals

As of April 9, 2021, the university has raised $324.4 million towards the $500 million campaign goal. The graph below shows that $1.1 million has supported the Alumni Association, $97.5 million has supported Athletics, $153.3 million has supported the ECU Foundation, and $72.4 million has supported the Medical & Health Sciences Foundation. Of the $324.4 million raised, the chart on the right provides a description of how much money went to the various entities on campus thus far and the campaign fundraising goal of each area.
Dollars Raised Per Foundation (2016-2020)

Below are graphs that show a comparison of the total consolidated fundraising totals are from all four foundations and how much of the total was distributed to the various areas on campus.

2016 Campus Allocations
2017 Campus Allocations

2018 Campus Allocations
### 2019 Campus Allocations

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Donation Amount</th>
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</thead>
<tbody>
<tr>
<td>2019</td>
<td>52.20M</td>
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**East Campus Priorities**
- 25,695,745.66 Donation Amount
  - Academic Affairs: 7.1M
  - College of Business: 5.8M
  - College of Arts and Sciences: 3.6M
  - College of Education: 2.2M
  - ECU Foundation: 1.8M
  - College of Fine Arts & Comm.: 1.0M
  - Student Life: 0.6M
  - College of Health & Human: 0.6M
  - College of Engineering and...: 0.6M
  - Honors College / SC Scholars: 0.6M
  - Research and Grants: 0.3M
  - Joyce Library: 0.2M
  - Access Scholarships: 0.1M
  - STEP Project: 0.1M

**West Campus Priorities**
- 7,992,039.05 Donation Amount
  - Brody School of Medicine: 4.3M
  - College of Nursing: 1.4M
  - School of Dental Medicine: 1.3M
  - College of Allied Health Scs.: 0.8M
  - Medical & Health Sciences...: 0.1M
  - East Carolina Diabe Bo.: 0.1M
  - William E. Logan Health Scs.: 0.1M
  - East Carolina Heart Institute: 0.1M

**Alumni Association**
- 148,262.32 Donation Amount

**Athletics**
- 18,359,895.00 Donation Amount

### 2020 Campus Allocations

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Donation Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>43.08M</td>
</tr>
</tbody>
</table>

**East Campus Priorities**
- 23,013,391.52 Donation Amount
  - College of Arts and Sciences: 3.8M
  - College of Business: 3.1M
  - Academic Affairs: 2.8M
  - Honors College / SC Scholars: 2.8M
  - College of Education: 2.6M
  - ECU Foundation: 2.3M
  - College of Fine Arts & Comm.: 1.9M
  - Student Life: 1.3M
  - College of Engineering and...: 0.9M
  - Joyce Library: 0.9M
  - College of Health & Human: 0.9M
  - Access Scholarships: 0.6M
  - STEP Project: 0.1M
  - Research and Grants: 0.1M

**West Campus Priorities**
- 7,532,652.07 Donation Amount
  - Brody School of Medicine: 3.7M
  - College of Nursing: 1.6M
  - School of Dental Medicine: 1.6M
  - College of Allied Health Scs.: 0.3M
  - Medical & Health Sciences...: 0.2M
  - William E. Logan Health Scs.: 0.1M
  - East Carolina Heart Institute: 0.1M
  - East Carolina Diabe Bo.: 0.1M

**Alumni Association**
- 110,155.67 Donation Amount

**Athletics**
- 12,426,269.00 Donation Amount
Sources of Academic Gifts to the ECU Foundations FY20

Corporations and charitable foundations are the largest group of contributors to the University’s foundations, representing 38% of total giving. Alumni and other individual account for the next largest source of contributions at 37% and 25%, respectively. Other individuals include parents and non-alumni contributors.

RECOMMENDATIONS -FOUNDATIONS

ECU should strongly consider combining all four foundations into one large foundation with two subsidiary real estate foundations.

There is a broadly held perception by faculty, staff, and administrators that ECU does not function as “one university”, but rather as three separate divisions: Academic Affairs, Health Sciences, and Athletics. Ironically, most donors and alumni view ECU as one.

The continuous declines in state budget allocations, the anticipated dip in enrollment in higher education nationally, and repercussions from COVID will all significantly strain the university’s budget for years to come.

ECU must have a more sustainable and efficient fundraising model, so that it is in a stronger position to fulfill its mission of student success, public service, and regional transformation.

Consolidation would transition foundation president administrators to become more revenue generating positions. In addition to the repurposing of salary lines to focus on fundraising and alumni engagement, the following cost savings could be realized:

$120,000 annually in duplication of audit fees, D&O insurance fees, registration to solicit fees.

$100,000 annually in financial services staff savings.
$130,000 in annually if the consolidated foundation invested through UNC Management.

National trends of shifting to a centralized model has resulted not only in cost savings and increased efficiencies but also increased in dollars raised. For the past four years, over 50% of the total dollars raised at ECU came from collaborating with centralized advancement teams (Planned Giving and Corporate and Foundations). There is a track record that demonstrates collaboration and centralized fundraising works at ECU. With a full consolidation, it is likely that ECU will follow the national trend of being able to raise more money than in operating a decentralized model.

The recommendations included in this report are intended to provide institutional leadership with a framework for change.

1. **Shift in Culture** - A consolidation would be a significant shift in the current culture at ECU. The workgroup recommends creating two Ad Hoc committees. The first Ad Hoc committee should include representation from staff from all four foundations. The second Ad Hoc committee should include members from all four foundation boards and the Board of Trustees. The focus of the workgroups should be finding ways to preserve the identities of the funding priorities of Athletics, Health Sciences, and main campus, while also shifting to a more unified philosophy and structural model.

2. **Transparency** - Remaining transparent throughout the entire consolidation process is necessary to build trust amongst the four foundations. The decentralized model has created misperceptions that need to be overcome and proven wrong. The workgroup recommends that leaders implement a strategy that routinely provides updates to stakeholders on the consolidation process and provide opportunities for all voices to be heard.

3. **Unified Messaging** - In addition to being transparent, ECU must be thoughtful and intentional about the messaging to all key stakeholders, including the need for the change and how the change will have a positive impact on ECU. The workgroup recommends having materials prepared for the Advancement staff, Chancellor, upper administrators, and board members to have as a reference to help guide conversations with constituents.

4. **Legal** - The workgroup recommends hiring a consultant and refer to legal counsel for help with the restructure logistics.

5. **Back-office operations** - The workgroup recommends current processes and procedures become more streamlined to help reduce expenditures, eliminate redundancies, and mitigate impacts on staff workload.

6. **Staffing** - The workgroup recommends leadership redirect some cost savings to hire more staff in areas that could increase revenues outside of state funding, including but not limited to Advancement. In comparison to our peers, ECU’s University Advancement staff is significantly smaller. The workgroup recommends the University reinvest resources recouped by consolidation in University Advancement to help bridge the gap in decreasing state funds and increasing need for private dollars.

7. **Communication** - Increased communication will be needed to the frontline fundraising staff so that all are equipped to talk with donors on how they can give to multiple areas on campus. The workgroup recommends that leadership determine ways to ensure fundraisers are asking donors to support all areas of campus based on the donors’ giving history and expressed interests.
8. **Board transitions**: The recommendation for ECU is to have all volunteer boards embrace a strong focus on fundraising and alumni engagement instead of the fiduciary responsibilities of managing a foundation. The need for philanthropy is greater than ever before, so ECU needs help from its loyal board members and volunteers to help advocate for alumni and donors to actively engage and give to ECU. The second Ad Hoc committee and campus leadership will need to develop a plan addressing volunteer structure as ECU moves forward.

9. **RFP for investment strategy**: ECU should submit a request for proposals to consider what is the best investment strategy moving forward and which consultant(s) should be hired. An RFP for audits would also need to occur.

10. **Turn Passion into Philanthropy**: To reach long term sustainability, we must turn ECU’s constituents’ passion into philanthropy. The workgroup recommends leadership to examine ways in which a culture of philanthropy can be strategically implemented on and off campus.

11. **Focus on Revenue**: For long term sustainability, the percentage of ECU’s annual revenue from gifts should be significantly higher than its current 2%.

12. **Be good stewards**: It would be irresponsible to not address the cost and operating inefficiencies found during this analysis. Innovative change to the current model or a consolidation is needed for long term efficiency, sustainability, and to be good stewards of the dollars received.