

FISCAL SUSTAINABILITY COORDINATING COMMITTEE

Consolidation and Reorganization Report

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SUMMARY

Adapting to reduced state funding, changes in demographics of learners, opportunities provided by technology, and societal workforce needs requires that ECU be able to respond and implement change in a unified fashion. Both strong collaborative leadership and a structure that aligns responsibility and accountability are important. The following recommendations focus on two primary functions, academic programs and fund raising. The recommended structural changes are intended to 1) facilitate strategic institutional responses to change by converging reporting lines for academic programs onto a single leadership position; 2) increase foundation funding to academic programs by reducing overhead costs of fundraising and investing in staff directly engaged with donors; and 3) increase consistency and effectiveness of business processes and reporting. A major challenge in implementing structural changes is ensuring that identities of units are preserved, and that the unique needs of programs are understood and met.

1. Change the reporting structure for the deans of BSOM, CON, CAHS, and SoDM such that all academic programs and functions that directly support academic programs report through a

single chief academic officer. Depending on her/his expertise, the Chief Academic Officer may appoint an appropriately credentialed assistant to provide clinical expertise to the leadership team, facilitate health programs, and oversee the regulatory and compliance offices.

2. Increase representation on Academic Council for Administration and Finance, Student Affairs, and Faculty and Staff Senates. If recommendation #1 is implemented, the representative for clinical and health programs should also be included.
3. Create a "Council of Deans" comprised of the deans from Academic Affairs and Health Sciences to advise Academic Council, improve communication, and provide greater input into decision making.
4. Explore consolidating or better aligning certain compliance and regulatory functions.
5. Engage an external consultant firm to conduct a comprehensive assessment of advancement at ECU and determine the best integrated model for future success. The Chancellor will appoint an ad hoc committee comprised of ECU leadership and the four foundations that will provide input to the consultant firm.
6. Create a working group under the *Ad Hoc* Committee to increase the net return from fundraising, to include reducing overhead costs of the foundations, build trust and collaboration across the foundations, improving communication, and decreasing the administrative burden on staff.
7. Create a second work group under the *Ad Hoc* Committee comprised of investment committee board members and financial services staff from all four foundations, to determine a unified investment strategy.
8. Coordinate scheduling of foundation board meetings to reduce workload on staff, improve communication, and increase stakeholders' understanding of the importance of each area of campus.
9. Use one centralized alumni and donor database for ECU and its foundations to reduce cost, coordinate contacts, and improve communication.

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

The following actions were taken to prepare the first draft of this report:

- 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 AGB 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. After the first draft of the report was share with campus, the following actions took place:

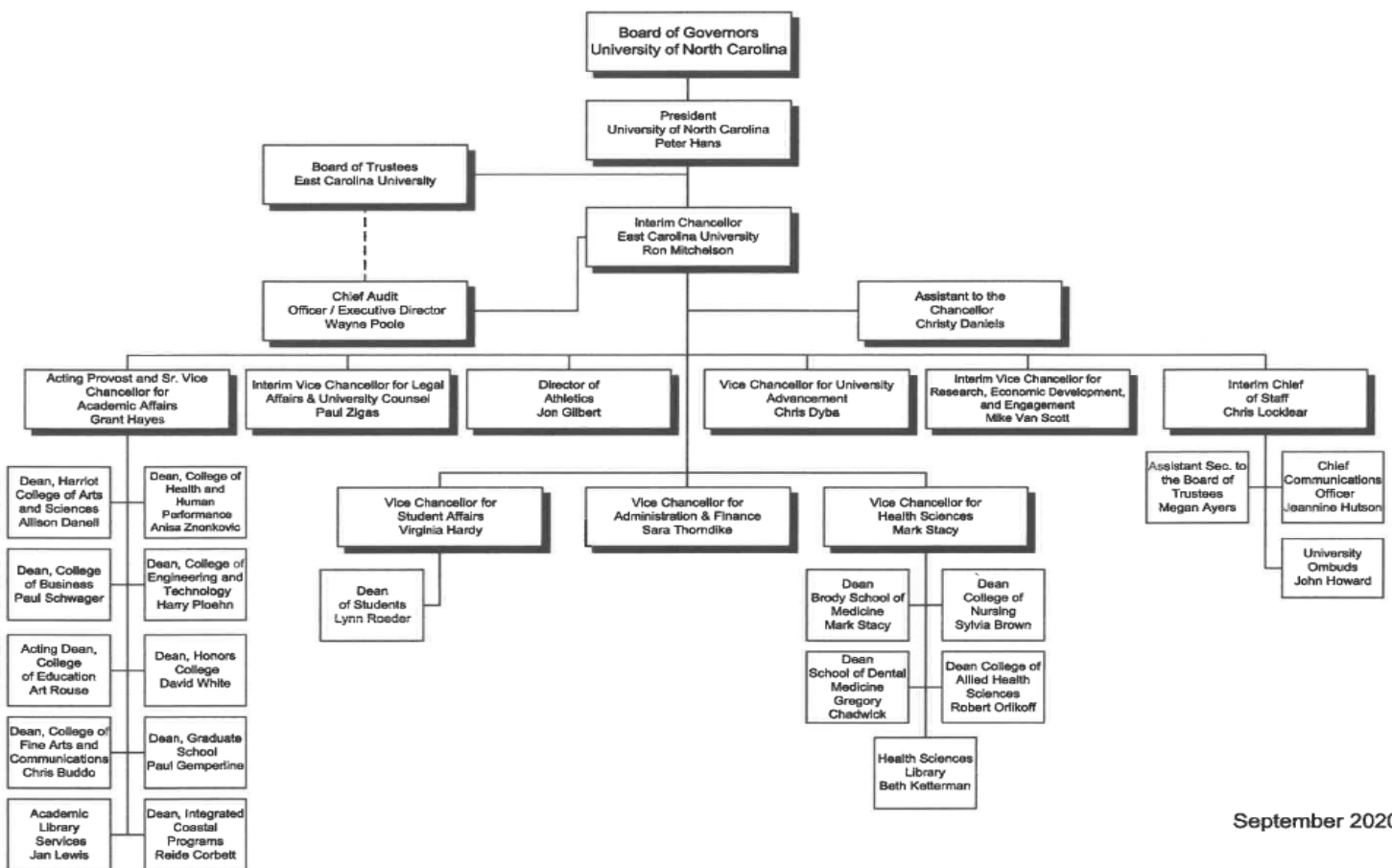
- Public feedback was received through two open forums, invited participation in group meetings, and an electronic form.
- The organizational models of five additional universities provided by the Division of Health Sciences were evaluated.

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); and
3. the Executive Council that is 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 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.



September 2020

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 faculty concerns, and communication between SHRA, EHRA non-teaching, and CSS staff. The Chancellor's Cabinet, Executive Council, and Academic Council are small, allowing agile decision-making, and representation from each division ensures the inclusion of the significant 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, see below).

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 independent entities with different missions, revenue streams, cultures, policies, procedures, and expectations. Lack of transparency and communication are commonly cited as ongoing problems. A widely cited 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 fragmented compliance and regulatory functions; duplication of 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 responsible 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. University Council, which includes vice chancellors, assistant and associate vice chancellors, deans, directors, Faculty Senate officers, Staff Senate officers, and SGA leadership, was created to convey information to leaders across campus. Information flow in these venues is largely unidirectional, with little discourse or dialogue.

The separation of the deans into two divisional councils that are not consistently informed or involved in strategic and tactical decisions makes it difficult to influence 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 conflict between units. There is a perception that divisions and colleges compete for resources, which engenders conflict and reduces unified approaches to addressing current and emerging challenges. Separate academic division with duplicative services present on both east and west campuses impacts student services and research, the academic divisions, or at least the services, 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 continued budget cuts.

Finally, the Dean of the Brody School of Medicine serving simultaneously as the Vice Chancellor for Health Sciences can result in inequitable representation of the subordinate schools and colleges, and distribution of resources, even if unintended.

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 who share responsibilities but report to different leaders across the institution

As chancellors have become more outward facing leaders, the Provost role 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 centralization of services. ECU’s current structure is best described as “independent,” with vice chancellors that report directly to the Chancellor and meet twice a month as the Chancellor’s Cabinet and Executive Council.

EAB described leadership structures as vertical or horizontal. Vertical structure allows leadership to focus on strategy, while horizontal structure requires the leader to spend more time building consensus. ECU’s current structure tends to be more 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 prefer a horizontal structure that increases their access to the final authority for decisions (i.e., the Chancellor or Chief Academic Officer) and provides greater input into decisions. In contrast, higher leadership positions preferred a small decision-making body, such as the 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 three to five 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 cultures across the divisions. This structure allowed for the 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 challenging 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 questions about the structure, decision-making processes, and uniformity of operations across the institution. 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 reporting structure does not empower the Provost to coordinate academic programs across the institution or codify their decision-making authority over all academic programs. The result is that the two academic divisions function autonomously. One argument for the autonomy of Health Sciences

under a separate Vice Chancellor is that programs in the Health Sciences Division are funded differently from Academic Affairs. However, only the medical and dental professional programs and some activities in Laupus Library are funded by direct state appropriations received explicitly for those programs. The MS, PhD, and MPH programs in Brody School of Medicine, 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 challenging to justify based on funding.

Arguments can be made for maintaining separate academic divisions based on geography and number of patient-centered clinical programs. However, counterarguments can be mounted that advances in networks, information technology, and telecommunications have reduced the impact of distance on many aspects of business and academic operations. While fewer in number, patient-centered programs currently exist outside of the Health Sciences Division. Separate divisions for Academic Affairs and Health Sciences have led to creation of REDE, a separate 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 institutions where all academic programs report through a Provost or Executive Vice President, research administration resides under that position.

Most of the peer institutions assigned to ECU by the UNC System Office have Provosts that serve as Senior Vice Chancellors or Executive Vice Presidents, and nursing and allied health professions report through that position (**Table 1**). Likewise, NC State University and UNC Chapel Hill have Executive Vice-Chancellors that oversee all academic programs. During the public comment period, the Fiscal Sustainability Coordinating Committee was provided with a list of five other institutions considered to be more relevant peers to ECU's Health Sciences Division than those assigned by the UNC System Office. They are University of Central Florida, Southern Illinois, Texas Tech- Foster, Cincinnati University and University of North Dakota. In these additional institutions, nursing and allied health professions reported through the Provost or Executive Vice President.

Reporting lines for schools of medicine and academic health systems, such as UNC Chapel Hill, are more complex and variable. In some cases, the medical school reports directly to the Chancellor or President, and in other instances the clinical practice reports to the Chancellor/President and academic programs through the Provost/Executive Vice President. **Table 1** shows what position at peer institutions medicine, nursing, student affairs, and research and engagement report through.

Institution	Reporting Position			
	Medical School	Nursing	Student Affairs	Research and Engagement
Ball State University*	IUSM & Provost/Exec. Vice Pres.	Provost/Exec. Vice Pres.	Provost/Exec. VP & CFO	Provost/Exec. Vice Pres.
Central Michigan University	Provost/Exec. Vice Pres.		Provost/Exec. Vice Pres.	Provost/Exec. Vice Pres.
Florida Atlantic University	Provost/Chief Acad. Officer	Provost/Chief Acad. Officer	Provost/Chief Acad. Officer	Provost/Chief Acad. Officer
Illinois State University	NA	Provost/Exec. Vice Pres.	Provost/Exec. Vice Pres.	Provost/Exec. Vice Pres.
Kent State University at Kent	NA	Provost/Chief Acad. Officer	President	President
Northern Arizona University	NA	NA	President	President
Ohio University - Main Campus**	Provost/Exec. Vice Pres.		President	Provost/Exec. Vice Pres.
University of Nevada-Las Vegas	Provost/Exec. Vice Pres.	Provost/Exec. Vice Pres.	President	President
Utah State University	NA	NA	President	President
Washington State University	President	President	President	President
Western Michigan University	NA	NA	President	President
North Carolina State University	NA	NA	Provost/Exec. Vice Chancellor	Chancellor
UNC Chapel Hill	Provost/Exec. Vice Chancellor & to Chancellor	Provost/Exec. Vice Chancellor	Provost/Exec. Vice Chancellor & to Chancellor	Provost/Exec. Vice Chancellor

Table 1. Reporting structures for ECU's peer institutions and North Carolina State University (NCSU) and UNC Chapel Hill.

*Indiana University School of Medicine-Muncie (IUSM-Muncie) is located on the Ball State campus in the Center for Medical Education and has dual reporting lines through both IUSM and Ball State University. The Center for Medical Education reports to the Provost of Ball State University (<https://www.bsu.edu/academics/centersandinstitutes/medicaleducation/about>).

**Heritage College of Osteopathic Medicine, Ohio University

RECOMMENDATIONS-UNIVERSITY STRUCTURE

There is no perfect institutional structure, and all structures require positive relationships between senior leaders. First and foremost, ECU needs a strong collaborative senior leadership team. The recommendations included in this report are intended to provide institutional leadership with a framework for change.

1. All academic programs should report through a single chief academic officer with the goal of improving communication, coordination in academic programs, inclusiveness in decision-making, and consistency in operations. We propose that all academic programs, student support programs, facilities and information technology services, and other functions that support academic programs - should fall under the chief academic officer. The current Vice Chancellor for Health Sciences position would be eliminated. The Chief Academic Officer may consider developing a new position or panel of deans/administrators that represent the wide scope of ECU clinical health programs. The Chief Academic Officer should ensure that the person in this position or the panel has extensive and broad expertise and will provide channels of communication among these programs as the position/panel reports to the leadership team; to coordinate and promote clinical health programs across campus; and represent the chief academic officer. The function should be to coordinate and represent such programs, rather than serving simultaneously as a dean. Given that the largest clinical programs are on the Health Science campus, this position should be housed on the Health Science campus. The mission and vision of One ECU can be enhanced by this position or panel residing in/reporting directly to the Provost/Provost's Office, who, if other recommendations are adopted, will be responsible for all academic matters.
2. Academic Council should be expanded to include the Vice Chancellors for Administration and Finance and Student Affairs, the Chairs of Faculty and Staff Senates and the representative for clinical and health programs to ensure coordination of academic and service programs (**Table 2**).
3. Create a unified Council of Deans that advises Academic Council, helps improve communication, and provides greater input into decision making. A recommendation of Deans Council representation is provided in **Table 3**.
4. A committee of representative stakeholders should be convened to consider if 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 the management of compliance and regulatory functions.

Table 2. Proposed Composition of Expanded Academic Council

Position	Division/Unit	Role
Senior Vice Chancellor	Academic Affairs	Leader of Academic Council
Clinical and Health Sciences representative (Title TBD)	Health Sciences	
Chief Research Officer	REDE	
Chief Financial Officer	Administration & Finance	

Vice Chancellor Student Affairs	Student Affairs	
Chair of Faculty Senate	Faculty Senate	
Chair of Staff Senate	Staff Senate	

Table 3. Proposed Deans Council Unit Representation

Academic Council
Brody School of Medicine
College of Allied Health Sciences
College of Business
College of Education
College of Engineering and Technology
College of Fine Arts and Communications
College of Health and Human Performance
College of Nursing
Graduate School
Integrated Coastal Programs
Joyner Library
Laupus Library
School of Dental Medicine
Thomas Harriot College of Arts and Sciences
Honors College

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. All four foundations at ECU are 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; the executive committee meets monthly, and the majority of the other 5 committees meets 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 ECUEAA 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 seven 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 45 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 chooses 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 comprised 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, four of which meet three times a year. The ECU Medical & Health Sciences Foundation has a total of \$53 million in assets and chose 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. In the past, it has been offered 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 Endowment Fund Board includes the Chair of the Board of Trustees, the Vice Chair of the Board of Trustees, the Chancellor, and three members of the ECU Foundation's Investment Committee. The ECU Endowment Fund Board attends the ECU Foundation Investment Committee meetings and votes on all matters pertaining to the ECU Endowment Fund, including their investment strategy and policies that affect the endowment. This portfolio usually mirrors what the ECU Foundation does since they meet and discuss this together. There are \$54,632,737 of investable assets and the board is currently using FEG as a consultant.

Current Realities. ECU serves twice as many undergraduate students from rural communities than any other in the University of North Carolina system. Rural North Carolinians face higher levels of poverty than their urban counterparts and earn lower incomes, according to PolicyLink, a national research and action institute. Nearly 75% of the ECU student body demonstrates financial need.

While at ECU, many students embody the university's motto 'servire' or "to serve," and focus on helping rural communities through education, business and medicine, often returning or heading to rural areas to work after graduation.

In addition, about 35% of ECU's freshman class qualifies as first-generation students. ECU is committed to supporting first generation college students, who often have fewer resources than their peers with parents who graduated college.

Taken together, these factors demonstrate ECU's mission of student success, public service and regional transformation, but potentially create a challenge for fundraising from its alumni base.

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.

According to EAB, "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. With dire predictions for fall freshmen enrollments making headlines, colleges and universities are bracing for the financial shock to come. While many are hopeful that even a partial reopening of campuses in the fall will avert worst-case revenue scenarios, they still face a fiercely competitive domestic enrollment market. Last year, 1.2M students dropped out of high school. This year there are signs that number could be much higher. While the students most vulnerable to dropping out are in many cases those least likely to enroll in college, institutions with a mission to reach historically underserved populations and those reliant on rural populations will feel the impacts. The coming changes to the high school graduate population and college-going patterns represent just one of many interconnected threats to college and university business models." (Source: <https://eab.com/insights/expert-insight/enrollment/the-demographic-cliff-is-already-here-and-its-about-to-get-worse/>)

The foundations at ECU have different strategies in how the operating costs are funded. The chart below shows the operating budget for each foundation in fiscal year 2019.

Foundation	Operating Revenue	Operating Expenses	Revenue Primarily Sourced From
ECU Alumni Association	\$462,650	\$311,968	Affinity revenue, event revenue, interest income, and some unrestricted gifts
ECU Foundation	\$1,763,522	\$1,080,874	Fees imposed on endowments and new gifts, interest income, and some unrestricted contributions
ECU Medical & Health Sciences Foundation	\$1,560,364	\$806,408	Investment returns, fees charged on endowments and new gifts, and some unrestricted gifts
Pirate Club	\$7,283,254	\$2,006,627	Unrestricted gifts

Figures from FY2019 were used in this comparison since FY20 is more of an outlier due to the pandemic. See **Appendix 1** for each foundation's 2019 audit statements.

All four foundations depend on allocations from the university's budget to cover the additional operating expenses. There are other points of support that are not quantified in these allocations but provide services that the foundations must have to function. These services include but are not limited

to accounts payable, payroll, travel, ITCS support, HR, legal, facilities, equipment, and university systems like Banner, Kronos, and Chrome River.

As stated in the ECU Athletics Fiscal Sustainability Report, the Pirate Club funded \$5.4M of \$8.8M in scholarship costs during 2018-19. The report also highlighted challenges around the Southside Football Stadium Tower. Beginning in FY 2022, an athletics budget shortfall of a minimum \$4 million is projected in perpetuity. (Full report: <https://news.ecu.edu/wp-content/pv-uploads/sites/80/2017/07/Athletics-Fiscal-Sustainability-Working-Group-Report.pdf>)

National and statewide trends. According to a recent EAB article, “The solutions to higher education’s problems are threatened by our current silos, and we need to address the higher education silo problem. We need to build transparency and campus-wide literacy around college or university finances. And we need to engage campus stakeholders around aspirational visioning exercises that help individuals feel more enfranchised in change and that tap into their passion for the institution. These activities not only bring forward great ideas, but they can encourage individual stakeholders to feel more empowered to take initiative in how they lead through crisis—a necessity for organizations as complex and large as many colleges and universities.” The article also states that, “Colleges and universities already worried they lacked the organizational and strategic muscles for bolder transformation. This will be exacerbated in a crisis state, which psychological research shows can lead individuals to turn inward and want to preserve constancy. These are mindsets that hinder needed change. The strategic pivots needed across the summer and next academic year will require commitment from across the campus community. As staff, faculty, and administrators are already busy and stressed, the impulse may be to protect their time from future-oriented discussions, and to think that individuals can only help within their silo or functional area.”(Source: <https://eab.com/research/strategy/whitepaper/mistakes-higher-education-covid-19-strategy/>)

Many institutions across the nation have adopted or are adopting a more integrated or centralized approach, where one office or foundation is fiduciarily responsible for processing gifts according to the wishes of the donors. The one foundation model has a board with investment, audit, and budget committees, and finances are audited annually.

In addition to a higher level of integration or centralization, “Centers for Advancement” are being created. All back-office operations including marketing, stewardship, and events across campus are combined and coordinated, through the “Center.” All fundraisers report through the Vice Chancellor of Advancement. Fundraisers still represent various programs, colleges, and regions but the reporting structure is to the VC of Advancement to ensure best practices, unified messaging, and accountability. Also, in this model, all Advancement staff uses a centralized alumni and donor database to improve communication and strategy between the various fundraising teams.

The overwhelming feedback from institutions that have gone through an integration is that it was a complex process, but the structural change resulted in increased revenue, improved efficiencies, and reduced costs. The unified structure provides opportunity for deeper alumni and donor engagement opportunities, 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 implementing the shift to a more centralized model for Advancement.

Initial findings revealed that of the nine peer institutions assigned to ECU by the UNC System Office, only one of the nine has a decentralized foundation model. During conversations with Advancement

professionals at the AGB conference and foundation board members, it was discovered that Clemson, Florida International, University of California-Davis, 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.

Within the UNC System, UNC Greensboro merged their foundations. Appalachian State University, University of North Carolina Wilmington, and Western Carolina also operate in a unified structure. NC State and UNC Chapel Hill have a decentralized foundation model, but they have a centralized accounting structure. The size of their endowments and number of Advancement staff do not make these two institutions as comparable as the other peer institutions previously mentioned.

A working group from the Brody School of Medicine and ECU Physicians identified eight universities as peer institutions. Of the eight, six have one foundation that processes all academic gifts to the universities, including gifts designated to support health sciences. University of Pittsburgh has one foundation that handles gifts to the health sciences which benefits both the university and its academic medical partner. This would be an example as if the ECU Medical & Health Sciences Foundation merged with the Vidant Foundation. Texas Tech University Foundation serves as the sole 501c3 for all the Texas Tech System universities, including Texas Tech Foster.

An additional list of universities was provided to the subcommittee. The list included Emory, University of Florida, Cincinnati, Notre Dame, UCLA, Florida State University, University of Oklahoma, Tulane, Southern Methodist University and University of Georgia. These institutions were suggested as best in class for their governance and foundation structure and should be reviewed when considering a new structural model for ECU.

Campus Leadership Interviews. A decentralized foundation model has been debated by campus leadership for many years as to its overall effectiveness and efficiency. Examination of a more centralized model was recommended in 2014 in the Fiscal Sustainability Report since the model would provide the opportunity to increase revenue, cut costs, and increase efficiency, but centralization was not pursued.

Most of the current and past campus leadership, with representation from divisions across campus, agreed the 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 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, regardless of the structure. 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.

Public Feedback summaries. Members of the committee met with the leadership of the ECU Foundation, ECU Medical & Health Sciences Foundation, and the ECU Alumni Association. The leadership of the ECU Educational Foundation (Pirate Club) spoke directly to the Chancellor. Each Foundation President had the opportunity to meet with the Chancellor individually. The committee also received written responses to the report from foundation board members that will be shared with the Chancellor. Most of the responses received supported we should explore ways to improve efficiencies in the back office. All agreed that it was crucial to preserve the unique identities and mission of each foundation and want to be a part of the process that determines the foundation structure at ECU.

Leadership from three of the four foundations (ECU Medical & Health Sciences, ECU Alumni Association, Pirate Club) opposed consolidation. The ECU Medical & Health Sciences Foundation cited potential loss of donors, mistrust of how funds would be distributed in a centralized model, and many donors who give to Health Sciences are not interested in giving to other areas on campus as reasons for the opposition. The ECU Alumni Association board members agreed that fiduciary tasks could be removed and housed as appropriate but preferred to maintain autonomy and have complete control over their funds. The Pirate Club shared additional details about its current operations and investment strategies while citing a consolidation would result in a loss of donors and remove the Pirate Club from its a long-standing role. The ECU Foundation leadership saw the benefit of one investment strategy and believed a consolidated model that preserves the culture and identity of each foundation as a better business model for the future. Similar themes surfaced from all the feedback received, including from the online forms and the two public forums:

1. Mistrust in fund administration.
 - a. See **Appendix 2** to see the fund administration language that is included in the agreements that are signed by the donor and the President of the foundation. Each foundation undergoes an independent external audit annually, and one of the items that auditors test is to confirm the foundations are spending money in accordance with the donors wishes included in the signed fund agreement. If the auditors found that money was not spent appropriately, that would result in an audit finding. All the Foundations have received “clean” audit reports consistently with no findings.
2. The savings from a consolidation is not worth the risk.
3. The benefit of a consolidation is worth the risk.
4. Integration makes sense and should be pursued if identities could be preserved. ECU leadership, Advancement staff, and board members need to be transparent in the process and clear about the need for change by using unified messaging when communicating to the constituent base.
5. To the average donor, this model would be much easier for the end user.
6. Most donors only care about giving to more than one of the four foundations and donors would stop donating if they could not give to the decentralized named entity.
 - a. See **Appendix 3** that describes the donor base for three of the four foundations. Since the Pirate Club does not use a centralized database, Advancement Services was unable to pull data needed for a similar comparison.
7. There was a great deal of discussion and disagreement on the best investment strategy for ECU.

RECOMMENDATIONS-FOUNDATIONS

Each foundation depends on university allocations to support fundraising activities. The continuous decline in state funding to ECU, anticipated upcoming decline in enrollment funding, and repercussions from COVID will all significantly strain the university’s budget for years to come. There is a pressing need

for a more sustainable business model for the foundations that is focused on maximizing revenue and providing more resources back to the university in which the foundation serves. At the highest level, the administrative time inefficiencies created by the separation of the foundations continues to be a detriment to ECU's ability to raise money. With integration, the current time spent managing the separate foundations would be focused on donor outreach and engagement allowing for more time with high-level prospects and donors.

Nationally, university foundations are shifting to more centralized models in which sharing of services reduces costs, increases efficiencies, and allows more time to be allocated to fundraising efforts. Integrating more foundation functions at ECU would align with national trends and be more comparable to peer institutions and industry best practices.

The current foundations structure at ECU provides strong identity for some donors, but it also results in duplication of overhead costs, poor communication, and significant fragmentations. Conversely, the strong identity of the academic divisions and foundations leads to the perception that ECU does not function as "one university" but rather as three separate divisions: Academic Affairs, Health Sciences, and Athletics. Yet, the majority of donors and alumni view ECU as one.

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

1. Engage an external consultant firm to conduct a comprehensive assessment of advancement at ECU and determine the best integrated model for future success. The Chancellor will appoint an ad hoc committee comprised of ECU leadership and the four foundations that will provide input to the consultant firm.
2. Create a working group under the ad hoc committee comprised of staff members appointed by the Chancellor and charged with determining ways to immediately reduce overhead costs, build trust, improve communication, and decrease the administrative burden on staff.
3. Create a second work group under the ad hoc committee comprised of investment committee board members and financial services staff from all four foundations, appointed by the Chancellor, to determine a unified investment strategy. A unified committee approach would allow the group to review comprehensive information on topics including but not limited to current structure, investment performance, risk/return metrics, fees, ECU system capabilities, possible structures, risk exposure/reduction, potential efficiency gains, tax deductibility risk, and potential investment managers. This would allow a collective decision on what strategy best fits ECU's needs, improves donor experiences, and ultimately will allow the foundations to continue to fulfil their fiduciary responsibilities to protect existing assets while focusing on efficiently generating additional revenue to support ECU.
4. Coordinate scheduling of foundation board meetings to reduce workload on staff, improve communication, and increase stakeholders' understanding of the importance of each area of campus. A model similar to the Board of Trustees meeting schedule could be used, scheduling meetings of individual boards followed by a joint session addressing issues of interest and importance to all boards and board members.
5. Use one centralized alumni and donor database for ECU and its foundations to reduce cost, coordinate contacts, and improve communication. This recommendation is consistent with the Athletics Fiscal Sustainability Report.

Appendix 1: Foundation Audit Statements of Activities

ECU Alumni Association

East Carolina University Alumni Association, Inc.
Statements of Activities
Years Ended June 30, 2019 and 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:			
Contributions	\$ 81,736	\$ 11,976	\$ 93,712
Gifts in kind	29,802	-	29,802
Contributed services and facilities (Note 10)	973,456	-	973,456
Return on investments:			
Interest and dividends	66,358	41,858	108,216
Net realized and unrealized gains on investments	28,859	10,424	39,283
Revenue from affinity agreements	244,095	-	244,095
Special events and other income	88,907	11,310	100,217
Net assets released from restrictions (Note 6)	<u>72,729</u>	<u>(72,729)</u>	<u>-</u>
Total revenues, gains, and other support	<u>1,585,942</u>	<u>2,839</u>	<u>1,588,781</u>
Expenses:			
Program services:			
Alumni events	613,003	-	613,003
Membership, marketing and communications	63,912	-	63,912
Scholarships and awards	<u>62,637</u>	<u>-</u>	<u>62,637</u>
Total program services	739,552	-	739,552
General and administrative	595,417	-	595,417
Fundraising	667	-	667
Total operating expenses	<u>1,335,636</u>	<u>-</u>	<u>1,335,636</u>
Total expenses	<u>1,335,636</u>	<u>-</u>	<u>1,335,636</u>
Changes in net assets	250,306	2,839	253,145
Net assets, beginning of year	2,089,382	1,369,712	3,459,094
Reclassification of net assets, donor stipulations	<u>(22,518)</u>	<u>22,518</u>	<u>-</u>
Net assets, end of year	<u>\$ 2,317,170</u>	<u>\$ 1,395,069</u>	<u>\$ 3,712,239</u>

ECU Foundation

East Carolina University Foundation, Inc. and Consolidated Affiliates
Consolidated Statement of Activities
Year Ended June 30, 2019

	2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support:			
Contributions	\$ 123,394	\$ 12,695,459	\$ 12,818,853
Gifts in kind		348,608	348,608
Revaluation of real estate	2,340	6,319	8,659
Contributed services and facilities (Note 17)	2,702,443	-	2,702,443
Return on investments:			
Interest and dividends	1,324,731	3,691,739	5,016,470
Net realized and unrealized gains on investments	229,762	1,049,106	1,278,868
Other income	1,117,928	663,623	1,781,551
Gain (loss) on disposition of property			
Change in value of split interest agreements	-	243,311	243,311
Net assets released from restriction (Note 14)	8,049,556	(8,049,556)	-
Total revenues, gains, and other support	<u>13,550,154</u>	<u>10,648,609</u>	<u>24,198,763</u>
Expenses:			
Program services:			
Program development	4,894,537	-	4,894,537
Scholarships	3,345,145	-	3,345,145
Total program services	8,239,682	-	8,239,682
General and administrative	1,609,970	-	1,609,970
Fundraising	2,003,811	-	2,003,811
Total operating expenses	11,853,463	-	11,853,463
Bad debt losses	150	1,522,241	1,522,391
Total expenses	<u>11,853,613</u>	<u>1,522,241</u>	<u>13,375,854</u>
Changes in net assets	1,696,541	9,126,368	10,822,909
Net assets, beginning of year	16,077,765	123,475,750	139,553,515
Net assets, end of year	<u>\$ 17,774,306</u>	<u>\$ 132,602,118</u>	<u>\$ 150,376,424</u>

ECU Medical & Health Sciences Foundation

East Carolina University Medical & Health Sciences Foundation, Inc.
Statements of Activities
Years Ended June 30, 2019 and 2018

	2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support:			
Contributions	\$ 60,888	\$ 2,336,796	\$ 2,397,684
Gifts in kind	-	34,379	34,379
Contributed services and facilities (Note 15)	1,678,923	-	1,678,923
Return on investments:			
Interest and dividends	12,124	269,434	281,558
Net realized and unrealized gains on investments	1,207,490	1,444,720	2,652,210
Other income	15,551	134,281	149,832
Gain on disposition of property	-	7,514	7,514
Change in value of split interest agreements	803	(222,511)	(221,708)
Net assets released from restrictions (Note 9)	<u>2,640,499</u>	<u>(2,640,499)</u>	<u>-</u>
Total revenues, gains, and other support	<u>5,616,278</u>	<u>1,364,114</u>	<u>6,980,392</u>
Expenses:			
Program services:			
Program and faculty support	861,494	-	861,494
Research, clinical, and education	598,682	-	598,682
Scholarships and awards	1,038,925	-	1,038,925
Total program services	<u>2,499,101</u>	-	<u>2,499,101</u>
General and administrative	1,000,497	-	1,000,497
Fundraising	1,499,800	-	1,499,800
Total operating expenses	<u>4,999,398</u>	-	<u>4,999,398</u>
Bad debt losses	-	23,337	23,337
Total expenses	<u>4,999,398</u>	<u>23,337</u>	<u>5,022,735</u>
Changes in net assets	616,880	1,340,777	1,957,657
Net assets, beginning of year	10,453,482	37,595,699	48,049,181
Reclassification of net assets, donor stipulations and Board match (Note 16)	<u>(11,142)</u>	<u>11,142</u>	<u>-</u>
Net assets, end of year	<u>\$ 11,059,220</u>	<u>\$ 38,947,618</u>	<u>\$ 50,006,838</u>

Pirate Club

East Carolina University Educational Foundation, Inc.
Statement of Activities
Year Ended June 30, 2019

	2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support:			
Contributions	\$ 6,944,116	\$ 6,387,503	\$ 13,331,619
Gifts in kind	1,190,520	-	1,190,520
Contributed services and facilities (Note 13)	1,085,175	-	1,085,175
Return on investments:			
Interest and dividends	46,086	375,825	421,911
Net realized and unrealized gains on investments	25,188	487,896	513,084
Other income	264,530	2,997	267,527
Change in value of split interest agreements	-	(161,921)	(161,921)
Change in value of charitable gift annuity	-	120	120
Change in value of life insurance	(327)	49,245	48,918
Net assets released from restrictions (Note 10)	<u>5,027,090</u>	<u>(5,027,090)</u>	<u>-</u>
Total revenues, gains, and other support	<u>14,582,378</u>	<u>2,114,575</u>	<u>16,696,953</u>
Expenses:			
Program services:			
Program development	2,234,331	-	2,234,331
Facility enhancement	4,872,521	-	4,872,521
Scholarships	<u>5,415,890</u>	-	<u>5,415,890</u>
Total program services	12,522,742	-	12,522,742
General and administrative	2,468,871	-	2,468,871
Fundraising	<u>329,672</u>	-	<u>329,672</u>
Total operating expenses	15,321,285	-	15,321,285
Bad debt losses	-	<u>214,709</u>	<u>214,709</u>
Total expenses	<u>15,321,285</u>	<u>214,709</u>	<u>15,535,994</u>
Changes in net assets	(738,907)	1,899,866	1,160,959
Net assets, beginning of year	<u>3,094,282</u>	<u>25,121,457</u>	<u>28,215,739</u>
Net assets, end of year	<u>\$ 2,355,375</u>	<u>\$ 27,021,323</u>	<u>\$ 29,376,698</u>

Appendix 2: Foundation Fund Agreements

ECU Alumni Association Fund Administration Language

This Fund shall be administered in accordance with the Association's policies and procedures and shall be consistent with the University's policies, as follows:

- A. The Fund shall be used only for a qualified charitable purpose consistent with the laws of the State of North Carolina and section 501(c)(3) of the Internal Revenue Code.
- B. This Fund will be invested in a combined portfolio according to the terms established in the Investment Management & Financial Services Support Agreement between the Association, and the East Carolina University Foundation, Inc. (Agreement). Management of the portfolio is governed by the Foundation's Investment Policy. If in the future the Association's endowments are no longer invested in a combined portfolio with the ECU Foundation, the Fund will be invested according to the terms of the investment policy approved and established by the Alumni Association Board of Directors.
- C. With the consent of the Association, other parties may also make gifts to the Fund, but they may not change the purpose of the Fund.
- D. Fees: Due to being managed by the ECU Foundation, an annual endowment management fee is charged to the fund. The fee amount is determined annually by the ECU Foundation Board of Directors and will be in accordance with the ECU Foundation's Endowment Spending and Gift Fee Policy. All fees will be charged to the Fund's pro-rated share of investment earnings and will not reduce the Fund's corpus amount.
- E. All gifts to and accumulated earnings of the Fund will be invested in the East Carolina University Foundation, Inc. investment pool and will receive a prorated share of the net income or losses.
- F. The spending distribution is subject to the ECU Foundation's Endowment Spending and Gift Fee Policy as determined by the Board of Directors who votes annually to adopt a rate of spending distribution applicable to all endowment funds.
- G. In years when earned and accumulated investment earnings may be insufficient to meet the amount needed for the annual distribution or when multiyear commitments have been made, the Association may continue to make distributions, even if such distributions will reduce the total value of the endowment below the historical value of the corpus (the value of all gifts to the Fund). These spending distributions must be in accordance with the ECU Foundation's Endowment Spending and Gift Fee Policy, within what the ECU Foundation Board has determined reasonable and prudent as noted within the North Carolina Uniform Prudent Management of Institutional Funds Act (UPMIFA), and consistent with the spending distributions from similar endowments within the Foundation.
- H. A supplemental fund may be established if the Donor wishes to make annual gifts that will be used for the same purpose as the endowment. The Donor may direct gifts to the supplemental fund to make annual awards while the endowment is building, to support annual awards in the event the endowment is underwater, or if the Donor wishes to supplement the annual award from the endowment. The supporting fund is for annual awards, and like other annually funded awards, will be exempt from gift fees. Annually funded funds do not participate in investment earnings and are available to be spent at any time. Gifts made to the supplemental fund must clearly be stated as such or they will be deposited into the related endowed fund.
- I. If at some future time, it becomes impractical for the Association to achieve the designated purpose of the Fund, circumstances change, or it becomes unlawful or wasteful to expend the earnings from the Fund in the manner stated above, then, at the discretion of the Alumni Association Board of Directors, the Fund shall be used to further the objectives and purposes of

East Carolina University, bearing in mind the desires of the Donor as expressed in this agreement. Should the Association move, have a name change, or other placement issue related to this Fund that may require a movement of the funding within or between foundations at ECU, the Alumni Association Board of Directors shall review and approve the changes, again, bearing in mind the desires of the Donor as expressed in this fund agreement.

ECU Foundation Endowment Fund Administration Language

This Fund shall be administered in accordance with the Foundation's policies and procedures and shall be consistent with the University's policies, as follows:

- A. The Fund shall be used only for a qualified charitable purpose consistent with the laws of the State of North Carolina and section 501(c) (3) of the Internal Revenue Code.
- B. The Foundation will hold and administer these proceeds and any subsequent additions to the Fund in accordance with the terms and conditions of this Agreement and current endowment policies as regulated by the East Carolina University Foundation, Inc. Board of Directors (Foundation Board of Directors).
- C. With the consent of the Foundation, other parties may also make gifts to the Fund, but they may not change the purpose of the Fund.
- D. Fees: A one-time fee is charged to all new gifts to the Fund. An annual endowment management fee is also charged to the Fund. Gifts made to the Fund via telefund or annual fund solicitations are subject to a one-time Annual Fund department fee. These fee amounts are determined annually by the Foundation Board of Directors and will be in accordance with the Foundation's Endowment Spending and Gift Fee Policy. All fees will be charged to the Fund's pro-rated share of investment earnings and will not reduce the Fund's corpus amount.
- E. All gifts to and accumulated earnings of the Fund will be invested in the Foundation's investment pool and will receive a prorated share of the net income or losses.
- F. The spending distribution is determined by the Foundation Board of Directors who votes annually to adopt a rate of spending distribution applicable to all endowment funds.
- G. In years when earned and accumulated investment earnings may be insufficient to meet the amount needed for the annual distribution or when multiyear commitments have been made, the Foundation Board of Directors may continue to make distributions, even if such distributions will reduce the total value of the Fund below the historical value of the corpus (the value of all gifts to the Fund). These spending distributions must be in accordance with the Foundation's Endowment Spending and Gift Fee Policy, within what the Board has determined reasonable and prudent as noted within the North Carolina Uniform Prudent Management of Institutional Funds Act (UPMIFA), and consistent with the spending distributions from similar endowments within the Foundation.
- H. A supplemental fund may be established if the Donor/Academic Area wishes to make annual gifts that will be used for the same purpose as the Fund. The Donor/Academic Area may direct gifts to the supplemental fund to make annual awards while the Fund is building, to support annual awards in the event the Fund is underwater, or if the Donor/Academic Area wishes to supplement the annual award from the Fund. The supporting fund is for annual awards, and like other annually funded awards, will be exempt from gift fees. Annually funded funds do not participate in investment earnings and are available to be spent at any time. Gifts made to the supplemental fund must clearly be stated as such or they will be deposited into the related endowed fund.
- I. If at some future time, it becomes impractical for the Foundation to achieve the designated purpose of the Fund, circumstances change, or it becomes unlawful or wasteful to expend the

earnings from the Fund in the manner stated above, then, at the discretion of the Foundation Board of Directors, the Fund shall be used to further the objectives and purposes of East Carolina University, bearing in mind the desires of the Donor/Academic Area as expressed in this Agreement. Should the academic area move to another school/college, have a name change, or other placement issue related to this Fund that may require a movement of the funding within or between Foundations at ECU, the Foundation Board of Directors shall review and approve the changes, again, bearing in mind the desires of the Donor/Academic Area as expressed in this fund agreement.

ECU Medical & Health Sciences Foundation Endowment Fund Administration Language

This Fund shall be administered in accordance with the Foundation's policies and procedures and shall be consistent with the University's policies, as follows:

- A. The Fund shall be used only for a qualified charitable purpose consistent with the laws of the State of North Carolina and section 501(c)(3) of the Internal Revenue Code.
- B. The Foundation will hold and administer these proceeds and any subsequent additions to the Fund in accordance with the terms and conditions of this agreement and current endowment policies as regulated by the East Carolina University Medical and Health Sciences Foundation, Inc. Board of Directors (Foundation Board of Directors).
- C. With the consent of the Foundation, other parties may also make gifts to the Fund, but they may not change the purpose of the Fund.
- D. Fees: A one-time fee is charged to all new gifts to the Fund. An annual endowment management fee is also charged to the fund. These fee amounts are determined annually by the Foundation Board of Directors and will be in accordance with the Foundation's Endowment Spending and Gift Fee Policy. Gifts made to the Fund via telefund or annual fund solicitations are subject to a one-time Annual Fund department fee as determined by the East Carolina University Foundation, Inc. Board of Directors. All fees will be charged to the endowment's investment earnings fund and will not reduce the Fund's corpus amount.
- E. All gifts to and accumulated earnings of the Fund will be invested in the Foundation's investment pool and will receive a prorated share of the net income or losses.
- F. The spending distribution is determined by the Foundation Board of Directors who vote annually to adopt a rate of spending distribution applicable to all endowment funds.
- G. In years when earned and accumulated investment earnings may be insufficient to meet the amount needed for the annual distribution or when multiyear commitments have been made, the Foundation Board of Directors may continue to make distributions, even if such distributions will reduce the total value of the endowment below the historical value of the corpus (the value of all gifts to the Fund). These spending distributions must be in accordance with the Foundation's Endowment Spending and Gift Fee Policy, within what the Board has determined reasonable and prudent as noted within the North Carolina Uniform Prudent Management of Institutional Funds Act (UPMIFA), and consistent with the spending distributions from similar endowments within the Foundation.
- H. A supplemental fund may be established if the Donor/Academic Area wishes to make annual gifts that will be used for the same purpose as the endowment. The Donor/Academic Area may direct gifts to the supplemental fund to make annual awards while the endowment is building, to support annual awards in the event the endowment is underwater, or if the Donor/Academic Area wishes to supplement the annual award from the endowment. The supplemental fund is for annual awards, and like other annually funded awards, will be

exempt from gift fees. Annually funded funds do not participate in investment earnings and are available to be spent at any time. Gifts made to the supplemental fund must clearly be stated as such or they will be deposited into the related endowed fund.

- I. If at some future time, it becomes impractical for the Foundation to achieve the designated purpose of the Fund, circumstances change, or it becomes unlawful or wasteful to expend the earnings from the Fund in the manner stated above, then, at the discretion of the Foundation Board of Directors, the Fund shall be used to further the objectives and purposes of East Carolina University, bearing in mind the desires of the Donor/Academic Area as expressed in this agreement. Should the academic area move to another school/college, have a name change, or other placement issue related to this Fund that may require a movement of the funding within or between foundations at ECU, the Foundation Board of Directors shall review and approve the changes, again, bearing in mind the desires of the Donor/Academic Area as expressed in this fund agreement.

Pirate Club Fund Administration Language

The endowment of a student-athlete scholarship is one of the most loyal and generous gifts a Donor can make in support of East Carolina University's Division I-A athletics program. In making an endowment gift, a Donor affords the East Carolina University Educational Foundation, Inc. the ability to guarantee that funds will be available from the endowment's earnings, to help fund student-athlete scholarship support in perpetuity. A Donor's endowment gift further gives East Carolina University Athletics the ability to attract outstanding student-athletes in the future. For a minimum gift of \$30,000, a Donor can establish an endowment in support of any one of East Carolina University's sports, or make an endowment gift on an unrestricted basis, thereby giving East Carolina University Athletics discretion in the application of student-athlete scholarship support received from endowment earnings.

A Donor's endowment gift is pooled with other endowment gifts in comprising the East Carolina University Educational Foundation Inc. Endowment Fund. Endowment funds are invested with fiscal managers to maximize the opportunity for earnings on funds endowed.

Investment performance of endowment funds under fiscal management is overseen by the East Carolina University Educational Foundation, Inc. Endowment Investment Committee, which reports on a quarterly basis to the Foundation's Executive Committee. The spending distribution (currently 5%) is determined by the Committee annually based upon investment performance. (Note, in the past fiscal year (2018-2019) the Educational Foundation turned over more than \$550,000 in student-athlete scholarship support to ECU Athletics from our Endowment Fund earnings.) The Educational Foundation can access the distributed spendable earnings generated by the Fund in support of student-athlete scholarships.

Establishment of an endowment in support of East Carolina University Athletics may be contributed over a five-year period. The gift remains in the Educational Foundation's Endowment Fund in perpetuity, and only the earnings may be used in support of student athlete scholarships or other restricted usage designated by the Donor.

The ECU Educational Foundation will provide periodic reports and information to the Donors about the status of the endowment and its benefit to East Carolina University in accordance with its policies and procedures.

Appendix 3: Donor Information for ECU Foundation, ECU Medical & Health Sciences Foundation, and the ECU Alumni Association

Cumulative Fundraising Total By Foundation (FY16-FY20)

Pirate Club	\$50,804,749
Medical and Health Sciences Foundation	\$42,687,842
ECU Foundation	\$110,982,402
Alumni Association	\$1,038,676
TOTAL	\$205,513,669

Cumulative Fundraising Total received through Donor Advised Funds or Family Foundations by Foundation (FY16-FY20)

5 YR TOTAL

Medical and Health Sciences Foundation	\$3,087,711.48
ECU Foundation	\$1,562,640.00
Alumni Association	\$2,350.00
TOTAL	\$4,652,701.48

Cumulative Total of Unique Donors by Foundation (FY16-FY20)	# OF DONORS*	% of FUNDRAISING TOTAL	5 YR GIFT TOTAL
ECU Medical & Health Sciences Foundation	3,870	23.64%	\$24,846,363.18
ECU Foundation	13,789	75.54%	\$79,406,956.87
Alumni Association	1,599	0.83%	\$869,586.98
Pirate Club**	N/A	N/A	N/A
TOTAL			\$105,122,907.03

*This donor count does not include corporations, foundations, unknowns, or grants. **Pirate Club does not use the centralized database so Advancement Services could not pull accurate data.

ECU Medical & Health Sciences Donor Base (FY16-FY20)

Total number of unique donors to M&HS Foundation*	3,870
Total Number of Health Sciences Alumni donors	1,755
Total Number of Health Sciences Alumni donors who gave to non MHS funds	679
Percentage of Health Sciences Alumni who gave to non-MHS funds	38.69%

*This donor count does not include corporations, foundations, unknowns, or grants.

ECU Foundation Donor Base (FY16-FY20)

Total number of unique donors to ECU Foundation*	13,789
Total Number of Academic Affairs Alumni Donors	10,564
Total Number of Academic Affairs Alumni donors who gave to non-ECU Foundation funds	3,012
Percentage of Academic Affairs Alumni who gave to non-ECU Foundation funds	28.51%

*This donor count does not include corporations, foundations, unknowns, or grants.

According to the ECU Athletics Fiscal Sustainability Report, a total of 21,689 individuals have given to the ECU Educational Foundation in their lifetime with 89% of these donors being ECU graduates. Approximately, 2% of the Pirate Club donor base have given over \$50,000 in their lifetime, and 11% have given over \$27,500. In comparison to the overall donor base at ECU, 77% are graduates, .03% have given over \$50,000 in their lifetime and .04% have given over \$27,500.

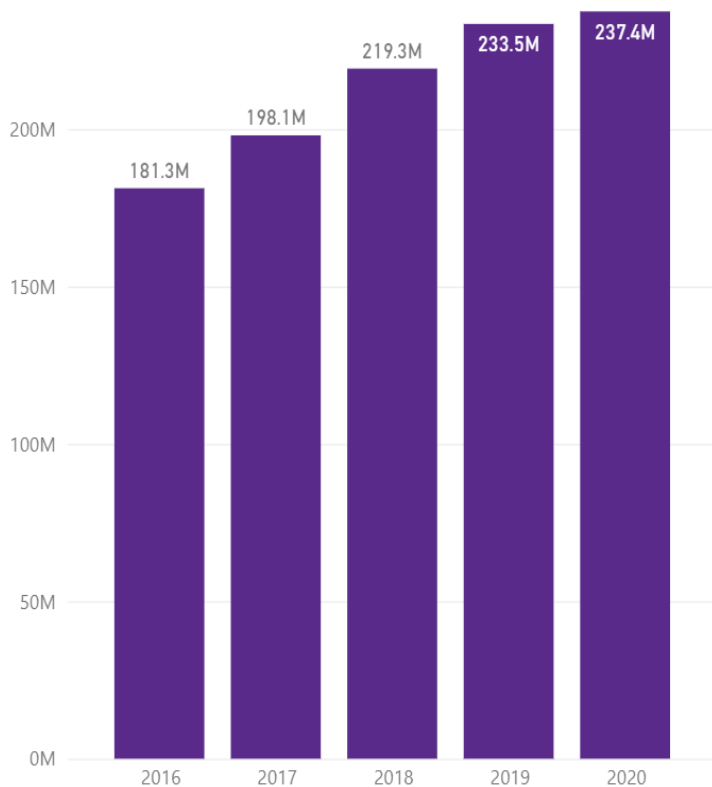
Appendix 4: Financials Per Foundation.

Included 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>.**

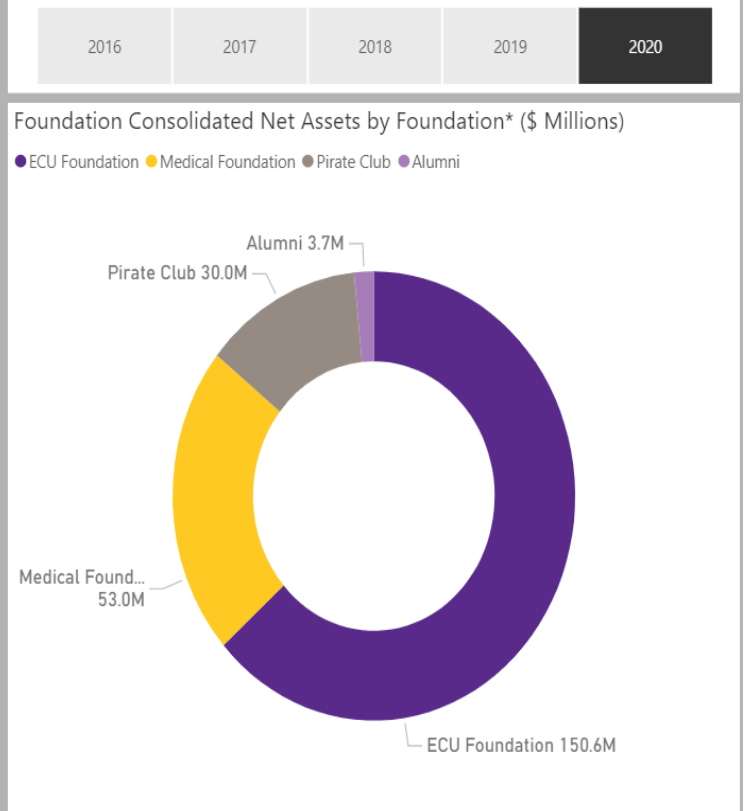
Net Assets Per Foundation (2016-2020)

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

Foundation Consolidated Net Assets* (\$ Millions)



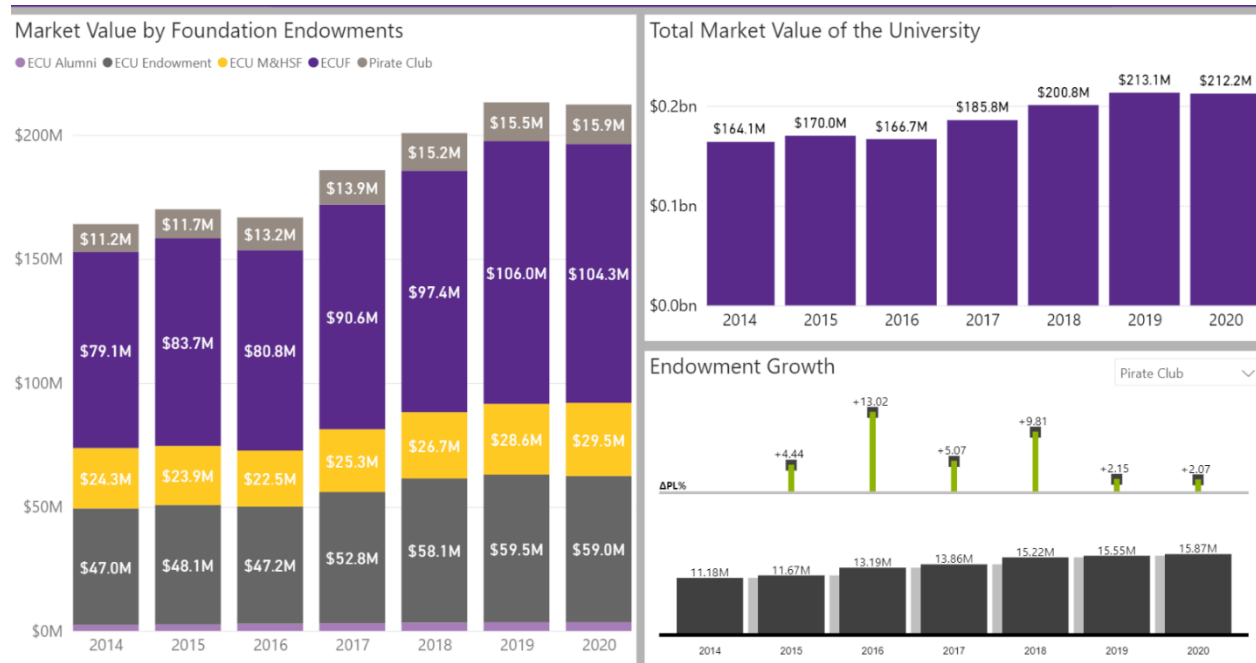
Fiscal Year



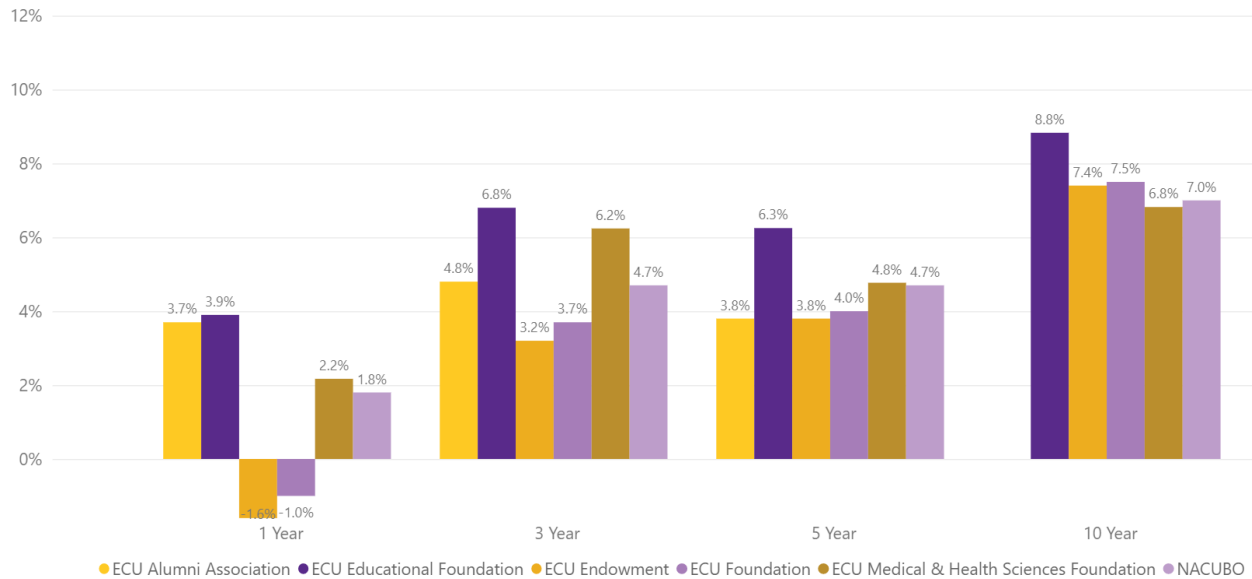
Market Value and Growth for Each Foundation (2014-2020)

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

Endowments are essential to East Carolina University because they provide perpetual financial support. The perpetual nature of endowments make them a necessary component of long-term university funding.



Historical Returns Per Foundation (Averages per year)



** 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.*

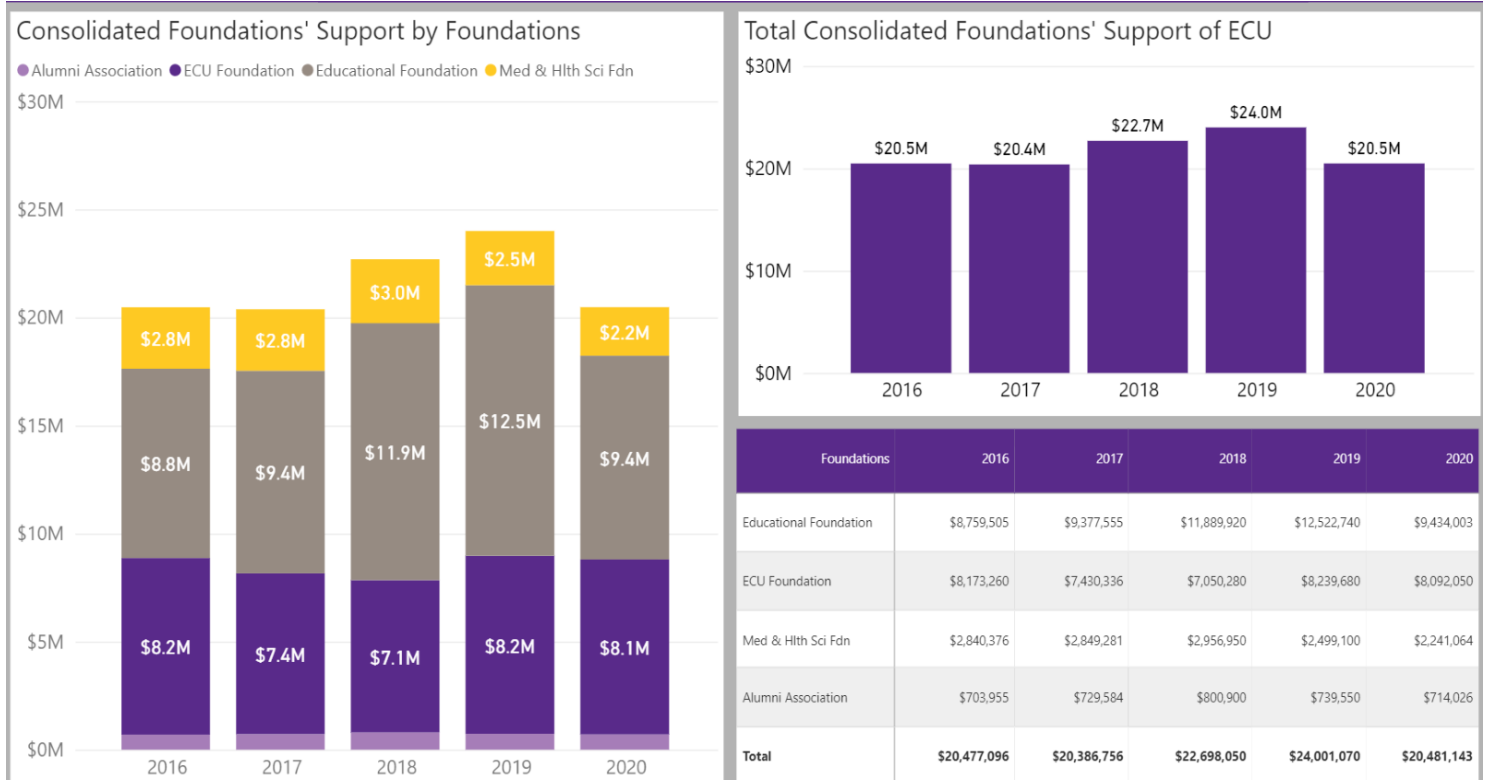
FY20 Foundation Investment Structure

The chart below provides information on the investment consultant and manager structure for each foundation as of June 30, 2020.

Entity	Manager/ Consultant	Style	Responsible Group
East Carolina University	FEG	Committee manages – FEG is consultant	Combined ECU/ECUF Investment Committee
ECU Foundation Long Term ***	FEG	Committee manages – FEG is consultant	Combined ECU/ECUF Investment Committee
ECU Foundation Intermediate	FEG	Committee manages – FEG is consultant	Combined ECU/ECUF Investment Committee
ECU Alumni Intermediate	FEG	Outsourced CIO – full discretion	ECUAA Investment Committee
ECU M&HSF Main	UNC Mgmt	Outsourced	ECU M&HSF Investment Committee
ECU M&HSF Brody Brothers	Willbanks, Smith, & Thomas	Outsourced CIO – full discretion	ECU M&HSF Investment Committee
ECU Educational Foundation	Morgan Stanley	Outsourced CIO – full discretion	Pirate Club Investment Committee
ECU Educational Foundation	BB&T Scott & Stringfellow	Outsourced CIO – full discretion	Pirate Club Investment Committee

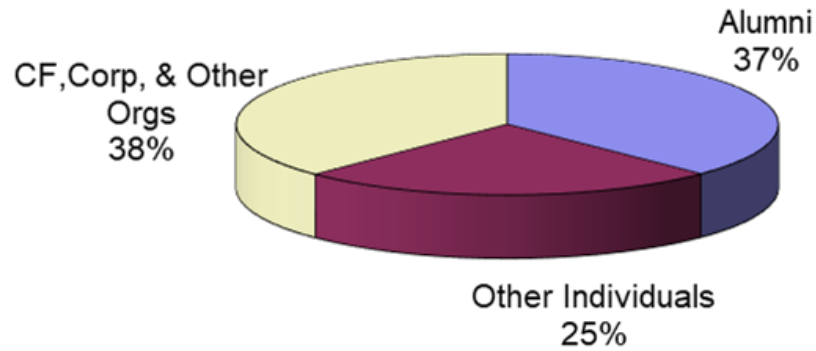
Revenue provided to ECU by Foundation (2016-2020)

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.



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.



Campaign Totals

As of June 11, 2021, the university has raised \$329.4 million towards the \$500 million campaign goal. The graph below shows that \$1.1million has supported the Alumni Association, \$99.4 million has supported Athletics, \$155.5 million has supported the ECU Foundation, and \$73.3 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 varies entities on campus thus far and the campaign fundraising goal of each area.

