

Annual Certification of Compliance of Clarion University Foundation with PASSHE Policy 1985-04-A

In accordance with part D-6 of PASSHE Board of Governors' Policy 1985-04-A: University External Financial Support, I am writing to recommend that the Clarion University Council of Trustees certify that the Clarion University Foundation, Inc., an affiliated organization as defined, is in full compliance with the Policy. The text of the Policy is attached for your reference.

To address the specific requirements of the Policy:

- The Foundation makes financial contributions to the University annually. (D-1-a)
- The Foundation is audited by an independent firm of Certified Public Accountants (D-1-b).
- The memorandum of understanding between the University and the Foundation meets PASSHE requirements (D-3)

The Foundation's support for the University includes:

- direct financial contributions to fund student aid awards and campus activities and programs,
- funding and management of student housing facilities,
- management of a portfolio of investments, and
- fund-raising and administrative activities.

An analysis of the Foundation's audited Statement of Activities prepared by Foundation staff is attached. Total costs incurred by the Foundation in support of the University totaled \$5,942,620 for the year ended June 30, 2014. Financial support by the University to underwrite the Foundation's fund-raising and administrative activities totaled \$1,348,535.

Respectfully submitted,

Peter C. Fackler
Interim Vice President for Finance and Administration
February 3, 2015

Clarion University Foundation, Inc.

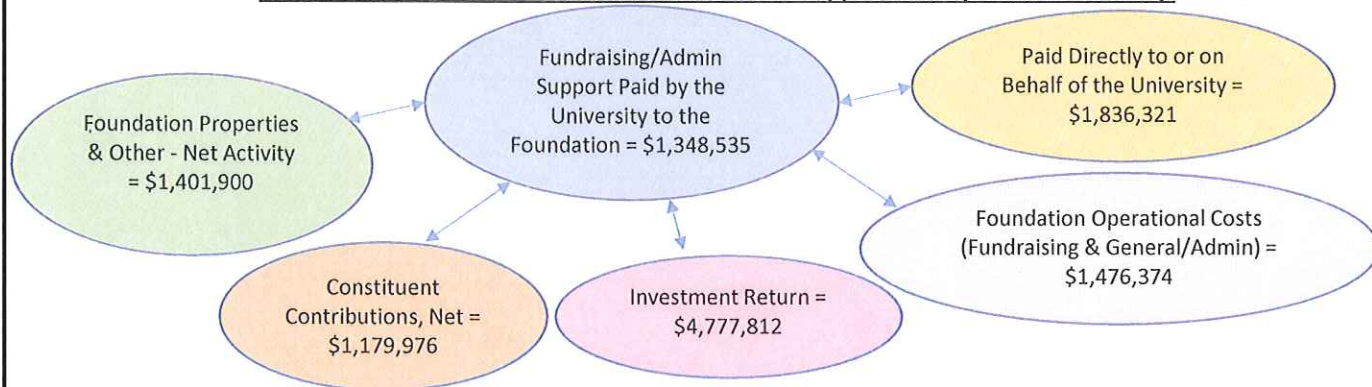
Analysis of Clarion University Foundation, Inc. and Support to Clarion University

Representation of the Statement of Activities from the Clarion University Foundation, Inc.'s

Audited Financial Statements for the Year Ended June 30, 2014

	Cash Flow Between CU and CUF	Housing & Other Real Estate Activity	Other Financial Activity	Total
Revenues, Gains and Other Support				
Contributed Support (net of bad debts)			1,179,976	\$ 1,179,976
Fundraising/Admin Support (Clarion University)	1,348,535			1,348,535
Investment Return			4,777,812	4,777,812
Gain on Sale of Property		21,751		21,751
Rental Income (net of expenses)		3,156,479		3,156,479
Other Operational Income (net of expenses)		853,595		853,595
Total Revenues, Gains and Other Support				\$ 11,338,148
Expenses				
Scholarships/Grants	865,626			\$ 865,626
Campus Activities and Programs	970,695			970,695
General and Administrative			715,791	715,791
Fundraising			760,583	760,583
Interest Expense		2,629,925		2,629,925
Total Expenses				\$ 5,942,620
Increase in Net Assets				\$ 5,395,528

The Foundation's Performance as it Relates to the Support Paid by Clarion University:





PA State System of Higher Education Board of Governors

Effective: April 16, 1985

Page 1 of 3

Policy 1985-04-A: University External Financial Support

See Also:

Adopted: April 16, 1985

Amended: October 9, 1997; January 8, 2004; October 11, 2012

A. Policy

The development of independent sources of financial support by each university to augment Commonwealth funding is hereby declared a policy of the Board of Governors. Each university, in conformity with this policy statement, is hereby directed to develop sources of independent support at levels sufficient to facilitate the enhancement of the university.

B. Purpose

1. To create an environment for the support of individual university development efforts.
2. To define the relationships between a university and independent but affiliated organizations, which exist solely for the benefit of the university.
3. To facilitate implementation of the powers granted to the State System and universities through §2003-A (b)(3) of Act 188 of 1982, relating to the right to receive and retain all manner of gifts which are "necessary or desirable for carrying out the purposes of the State System."
4. To enhance university and State System quality.

C. Collections, Retention, and Disposition of Funds and Endowments

1. The Board of Governors reaffirms its commitment to the implementation of Act 188 of 1982 and shall not "take or receive any monies, goods, or other property, real or personal, which is given or granted to specific institutions." See §2003-A (b)(3).2. The Board of Governors advocates the universities' roles and responsibilities in the process of external fund-raising, including the active participation in such efforts by university leadership.

D. University and Office of the Chancellor Relations with Affiliated Organizations

1. A university may affiliate with any private organization that exists solely for the benefit of the university, including foundations and alumni associations, if the organization:
 - a. Makes a financial contribution to the university or provides similar benefits to the university on a regular basis satisfactory to the president and council of trustees.
 - b. Requires an annual external audit of its funds and provides copies of its audit reports to the university fiscal vice president and to the vice chancellor for administration and finance at the Office of the Chancellor on or before the predetermined date necessary to meet the Commonwealth's reporting timeline. Any organization that is not determined to be a component unit of the university under Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining whether Certain Organizations are Component Units*, is exempt from this requirement.
2. No university shall authorize the use of its name by any private organization except with the permission of the chancellor and unless the organization formally agrees to the foregoing conditions.
3. A university, pursuant to a written memorandum of understanding, may provide support services, staff, and facilities to an affiliated organization. No university employee who provides support or staff services to an affiliated organization, such as a foundation, may vote, govern, or otherwise risk adverse interest through such service.

If services, staff, and facilities are provided to an affiliated organization on a contracted basis, then no university employee shall serve as a member of the board of the organization.

The memorandum of understanding is required to:

- a. Define the mission and role of the affiliated organization, and make clear its dependence or independence.
- b. Establish a reporting framework through which university compliance with this policy can be accomplished, including the right to review university or Commonwealth resources used to support the operation.
- c. Include hold harmless language to protect the university from potential legal and financial liability.
- d. Describe the levels and categories of liability insurance to be carried by affiliated organizations.

- e. Be reviewed and approved by university legal counsel.
- 4. A university may enter into fiduciary agreements with any qualified affiliated organization to:
 - a. Administer university gifts and grants, subject to the approval of the chancellor; and/or
 - b. Manage the investment of certain limited long-term funds, in accordance with Board of Governors' Policy 1986-02-A, *Investment*.
- 5. Affiliated organizations shall not be authorized by the university to undertake programs or activities that are properly part of the university's academic mission.
- 6. Universities are required to provide the State System's chief counsel with an annual certification of compliance with this policy. The annual certification provided for herein should include the following documents, if applicable.
 - a. The resolution of the council of trustees certifying compliance of all affiliated organizations with Board of Governors' Policy 1985-04-A, including a statement by the university's chief financial officer summarizing both the direct university support provided to the affiliated organizations and the contributions made by the affiliated organizations to the university covered in the certification.
 - b. Memoranda of understanding.
 - c. Fiduciary agreements (per Board of Governors' Policy 1986-02-A, *Investment*), if applicable.
 - d. Articles of incorporation and bylaws. Following the initial submission, it is only necessary to submit additional copies in the event that a revision, amendment, or other change is made to the original documents.
 - e. Lists of the board of directors of all affiliated organizations.

The items referred to in this section shall not include any items, such as board of directors minutes or other privileged matters, provided that said privilege shall not be invoked merely as a pretext for avoiding the requirements of this policy as promulgated by the Board of Governors in line with its lawful authority.

E. Procedures, Standards, and Guidelines

The chancellor, in consultation with the Council of Presidents, shall establish procedures, standards, and guidelines concerning the relationships between and among universities and their affiliated organizations.