

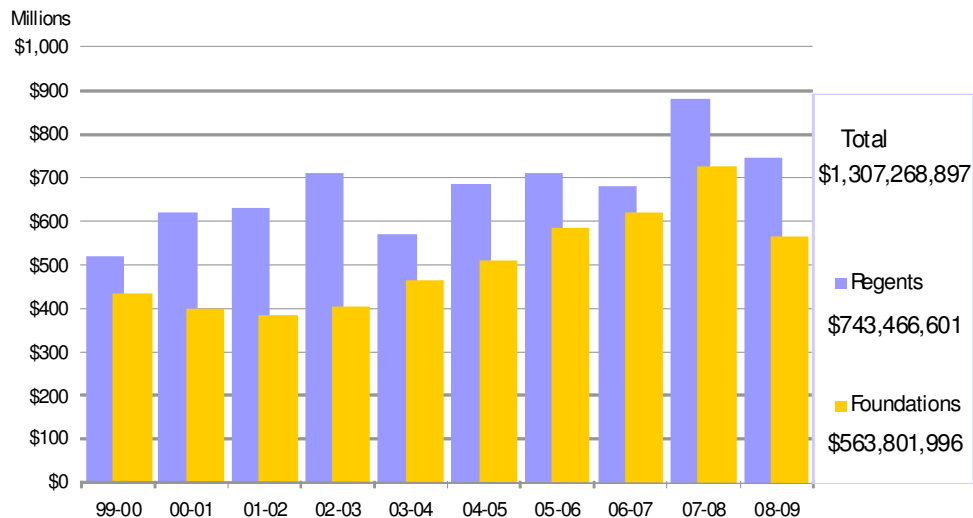
UC Campus Foundations: Frequently Asked Questions

WHAT ARE THE UC CAMPUS FOUNDATIONS AND HOW DOES UC OVERSEE THEIR OPERATIONS?

Each of the ten UC campuses has an associated Campus Foundation that is a separately incorporated, California non-profit, public benefit corporation governed by an independent board of trustees or directors composed of volunteers, not employees of the University.

Colleges and universities across the country establish foundations to foster private giving, manage gift and endowment funds, and provide other support in furtherance of the institution's mission. These foundations are separately incorporated entities with an independent board of trustees, and are organized as charities under Section 501(c)(3) of the Internal Revenue Code.

- In recent years, almost half of all the private support raised by the University of California - and over 80% of all gifts to establish endowments - has been given through the Campus Foundations.
- As shown in the figure below, for each of the past five years, over \$500 million has been gifted to the UC Campus Foundations for the last several years:



- UC Campus Foundations do not expend any gift funds directly, other than for administrative costs. Gifts to the Foundations and payout from endowments they receive are transferred to the campus for expenditure from Regental accounts.
- UC Campus Foundation operations are subject to University policies and administrative guidelines to ensure prudent business practices and generally accepted accounting principles.
- UC Campus Foundations are subject to various federal and state laws including the California Nonprofit Integrity Act and the Uniform Prudent Management of Institutional Funds Act.
- Under state law and UC policy, each of the UC Campus Foundations undertake an annual external audit to ensure the accuracy of financial statements and compliance with all applicable UC policies.

WHAT IS THE CONCERN WITH EXTENDING THE PUBLIC RECORDS ACT TO APPLY TO UC CAMPUS FOUNDATIONS?

The University has many concerns with SB 330 including concerns related to donor, volunteer and trustee privacy and the resulting impact on philanthropic support for the University of California.

According to the Council for Advancement and Support of Education, a major factor for many donors in making their gifts via a college or university foundation is that "Foundations can also serve to safeguard the privacy of donors who may not want the details of their personal finances to become a matter of public record."

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Donors seek anonymity for a variety of reasons including:

- Safety concerns- news of their wealth may increase potential danger to them and their families
- Desire to avoid an increase in charitable solicitations
- Religious beliefs

UC Campus Foundations provide an opportunity for UC to involve prominent business leaders, alumni, and other individuals who are willing to commit their time, resources and talent in support of the University's mission. Certain foundation trustees will inevitably opt not to serve if their activities are now subject to the Public Records Act. These individuals often serve in a variety of civic arenas, including service on other charitable boards - which would not be similarly burdened.

UC has sought to be conservative in assessing the resulting decline in philanthropic support that could result from SB 330 becoming law. Even under this conservative methodology, the initial impact is expected to be in the millions of dollars, and will only increase over time. Any loss in financial support is not offset by any gains in accountability or transparency.

ISN'T THE CONCERN FOR DONOR PRIVACY JUST FOR ANONYMOUS DONORS? DOESN'T SB 330 PROVIDE PROTECTION FOR ANONYMOUS DONORS?

UC has concerns with various aspects of donor privacy, and not just for anonymous donors.

Prospective donors often have discussions with Campus Foundation Trustees and other volunteers well before they opt to support the University. In these discussions, they may reveal certain aspects of their personal finances, personal and family medical history that is the impetus for their interest in particular areas of medical or scientific research, and any number of other personal details. Were these communications subject to the PRA, it may provide details into a donor's financial circumstances or personal life that should remain private.

Most donors do not specifically seek anonymity, but they have every expectation that details of the personal lives would not be made public similar to their dealings with any other charitable organizations.

SB 330 does not guarantee protection for anonymous donors and volunteers.

Anonymous donors have an even greater concern for their privacy. Whatever the motivating factor, UC needs to be able to honor the request of donors who wish to remain anonymous. SB 330 offers no anonymity to donors who contribute through their donor-advised funds or through charitable or family trusts. Additionally, the \$500 limit in return benefits included in SB 330 is a positive development and appears to be a reasonable level for disclosure of support, however, there is great uncertainty as to how return benefits would be determined. While SB 330 attempts to protect the privacy of charitable donors and volunteers; the Campus Foundations, unlike any other charity, would not be able to guarantee anonymity to potential donors.

The federal government recognizes the importance of donor privacy

The federal government, which has its own comprehensive public records requirements, recognizes the concern to protect the privacy of donors to non-profit organizations as described in the Internal Revenue Code. For example, Internal Revenue Service instructions for the Non Profit Organization Tax Return (Form 990) include numerous warnings regarding donor information that should NOT be provided "because it may be made available for public inspection".

UC FOCUSES ON THE CAMPUS FOUNDATIONS, BUT WHAT ABOUT AUXILIARY ORGANIZATIONS THAT OPERATE BUSINESS ACTIVITIES FOR UC – LIKE ATHLETICS?

UC Auxiliary Organizations are operated by the University.

The business activities of UC, including Athletics, are operated and managed by the University and not by outside entities. UC uses the term "auxiliary enterprises" to refer to certain commercial-type activities that serve faculty, students, and staff including certain activities that could be seen as competing with local businesses. Although by no means exhaustive, a list of auxiliary enterprises might include: housing operations, non-housing food service operations, parking operations, bookstores, student centers/unions, and child-care centers. The manner in which UC defines and operates its auxiliary organizations is not the same as how the California State University (CSU) or

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Community Colleges (CCC) defines and operates their respective auxiliaries. CSU and CCC auxiliary organization are specifically defined in statute.

Contrary to some reports, the University has NOT argued that UC auxiliaries do not use State funding and therefore are not subject to the PRA. This misunderstanding seems to be a major contributing factor in the effort to extend the Public Records Act which the University has attempted to clarify this with the author of SB 330. **Because UC auxiliaries are part of UC itself and are not separate legal entities, UC auxiliaries are already fully subject to the Public Records Act.**

HAS UC PROPOSED ANY AMENDMENTS THAT WOULD ADDRESS THESE CONCERNS?

The University of California has been willing to work with the author of SB 330, Senator Leland Yee, on amendments to the bill that would assure that certain information was available to the public. These amendments would ensure that the public had access to pertinent information related to the UC Campus Foundations, without jeopardizing the personal privacy of donors and trustees.

WHERE CAN I GET MORE INFORMATION ABOUT UC CAMPUS FOUNDATIONS?

An array of information about the UC Campus Foundations is already available to the public including, but not limited to: financial statements, tax returns, annual report on private and endowment support. This information, including links to each Campus Foundation can be found in the University's Annual Report on Private Support which is available at: <http://www.ucop.edu/instadv/reports.html>. Additional information related to UC Campus Foundations can be found via the University's "Reporting Transparency" website. <http://www.universityofcalifornia.edu/reportingtransparency/>