



**Joshua R. Newton Testimony**

**February 26, 2015**

**HB 6813 AN ACT REQUIRING TRANSPARENCY OF EXPENDITURES BY THE HIGHER EDUCATION FOUNDATIONS**

**HB 5484 AN ACT REQUIRING AUDITS BY THE AUDITORS OF PUBLIC ACCOUNTS OF FOUNDATIONS ESTABLISHED FOR PUBLIC INSTITUTIONS OF HIGHER EDUCATION**

**SB 230 AN ACT CONCERNING THE FUNDS AND RECORDS OF THE UNIVERSITY OF CONNECTICUT FOUNDATION**

Co-Chairs, Ranking Members and Members of the Committee, thank you for your long-term support of the University of Connecticut and for the opportunity to comment on proposed legislation that would impact the UConn Foundation. My name is Josh Newton and I am the President and CEO of the UConn Foundation.

I've been at the Foundation for about 18 months and it has been an incredibly busy and successful time. Last fiscal year donors set a new record for charitable giving, making gifts and commitments totaling \$81.1 million, a 28.1 percent increase over the preceding year (an increase of more than \$20 million) and the highest level of giving to the University in the 50-year history of the UConn Foundation.

While there's reason to appreciate our progress, there's also cause for concern. As you're well aware there are several legislative proposals that, if passed, would undermine the Foundation's ability to continue our progress in raising private donations. This would have a dramatic impact on the University of Connecticut.

During the last few months I've had the pleasure of meeting with many legislators and discussing how the Foundation operates and why certain legislative proposals under consideration could impact the Foundation and ultimately students, scholarship, research and facilities at UConn and UConn Health.

As a result of my discussions with legislators, there appear to be three basic rationales for these legislative proposals.

First, the accountability argument. Some think that the Foundation is accountable to no one. Headlines about certain expenditures have been used as evidence of this; critics claim the Foundation spends donor money inappropriately.

Second, transparency. Some argue that keeping the names and personal information of donors confidential encourages malfeasance and allows donors to secretly gain an advantage should their company bid on a state contract.

Third, there are those who want all the Foundation's records to be disclosed so the State can use that information when making budgetary decisions for the University.

I am pleased to have this opportunity today to address each one of these arguments. It's my hope that after this public hearing you will have a fuller understanding of the Foundation's mission, how it works and why the proposals to change the rules are fraught with unintended consequences that would be detrimental to the Foundation and the University.

### **Reason the UConn Foundation Exists**

Before I address those arguments though, I'd like to provide a brief overview of the Foundation, its internal and external controls, independent oversight and current level of disclosure. I believe this will help demonstrate that the current statutory framework governing public higher education foundations is effective and does not warrant the changes being proposed.

The UConn Foundation exists solely to promote the educational, research, and outreach missions of the University of Connecticut. The Foundation solicits, receives and administers gifts and financial resources from private sources to enhance the University. These private gifts provide additional support beyond the University's state appropriations, tuition and other revenue and grant income. Funds donated to the Foundation are used by UConn to provide scholarships, fellowships and other forms of financial assistance to students; provide support for endowed faculty chairs and professorships to help recruit and retain faculty to teach and perform research at the University; and fund various academic, professional, and economic development activities within each of UConn's schools and colleges in order to enhance learning opportunities and the pursuit of knowledge.

For more than two decades, the University and the Foundation have established a fee-for-service partnership, secured by an agreement, which stipulates that the Foundation will conduct private fundraising on behalf of UConn. The agreement details the two organizations' mutual fundraising goals and objectives, as well as the financial arrangements agreed upon to accomplish such goals. This is a long-standing and common practice at UConn and many other major public research universities, and fully consistent with Connecticut statutes governing the proper University-Foundation relationship.

## **Incredible Return on Investment**

The support the Foundation provides the University is critical as it significantly augments UConn's other revenue sources. In these difficult economic times, this support is more important than ever.

In fiscal year 2014, the University paid \$8.0 million to the Foundation in support of fundraising. In return, the Foundation raised \$81.1 million – the highest level of giving in UConn's history and a remarkable return on investment for UConn.

Since 2000, the Foundation has raised nearly \$800 million from private sources for direct operational and endowment support at the University. At the close of fiscal year 2014, the endowment was valued at approximately \$365 million. Ten years ago, it stood at \$42 million. We have made significant progress, but we are substantially behind other top public universities with endowments all far exceeding one billion dollars.

So while the Foundation is outpacing all the other New England flagship universities, in comparison with our national peers, we have still have a great distance to travel.

Now I'd like to address the three basic arguments that I've heard for changing laws related to the Foundation and treating it differently than every other non-profit in Connecticut.

## **Accountability**

Accountability. The Foundation is accountable in different ways to many different entities and I think it's important that I list some of them:

First, we're accountable to our donors:

- More than 90 percent of the gifts accepted by the UConn Foundation in 2013 were "restricted" by the donors to support a particular scholarship, faculty position or program. Even gifts that are considered "unrestricted" are given to support a particular school, college or University for programmatic enhancement.
- The Foundation has a fiduciary responsibility to comply with donor intentions and may not expend funds in a manner inconsistent with the terms of the gift provided by the donor. The Foundation routinely reports to major donors on the use of charitable contributions.
- The Foundation only accepts gifts that support the University's mission. While every gift does not reflect the University's highest priority, we are obligated to honor the donor's decision for every gift we accept.

And for those who argue that the Foundation should be subject to even more government accountability than other non-profits because it supports a state agency – the answer is, it already is. The Foundation is subject to Conn. Gen. Stat. Sec. 4-37e. The full requirements are described in the appendix to this testimony. But it is important to detail some highlights in this testimony:

- The Foundation, as mandated under current state law, is audited every year by an independent CPA firm under generally accepted auditing standards with the report being reviewed by the President and CFO of the University and the report then being forwarded to the State Auditors of Public Account. The Attorney General also now receives a copy.
- If the independent audit indicates that funds for state accounts were improperly deposited in Foundation accounts, or state funds, personnel, services or facilities were improperly used, the State Auditors are authorized to conduct an audit of the Foundation's books and accounts pertaining to the violations.

Additional state and federal oversight includes:

- The Foundation is subject to the enforcement authority of the Connecticut Attorney General, as are all non-profit organizations operating in the state.
- The University's Office of Audit Compliance and Ethics and the Foundation's independent auditor annually review and test accounts to ensure funds are disbursed in accordance with donor intentions.
- The Foundation's agreement with the University is a public document approved by the University.
- The Foundation is required by law to annually file information with a number of states in order to solicit charitable funds in those jurisdictions. These filings are a matter of public record.
- Annual filing of a 990 IRS Tax Form which is comprehensive and subject to public disclosure.
- The Foundation is subject to scrutiny from outside debt rating agencies like Standards & Poor and Moody's due to having its own publicly issued debt. Financial information is submitted annually to the National Bond Depositories which is also available for public inspection.

The Foundation is also accountable to its Board:

- The Foundation is governed by an independent board of more than 50 members. The Board has eight committees that actively oversee the audit, development, investment, finance and human resource activities of the Foundation.
- And finally, the Foundation strictly adheres to its conflict of interest policy, and has a whistle-blower policy to encourage staff reporting of any unethical practices, violation of law, mismanagement or abuse.

### **Donor Privacy**

The next argument is ostensibly about transparency. Some want to increase transparency by making private donor information public information.

Of course this would conflict with existing legislation, approved by the General Assembly and designed primarily to safeguard donor privacy. It's evident that at one time the legislature understood the connection between donor confidentiality and advancement of the Foundation's mission.

Some donors, usually major donors, want their personal and financial decisions to remain private. Virtually all non-profit foundations respect and guarantee that choice.

Requiring that information concerning potential and actual donors be public information will have a chilling impact on the Foundation's ability to raise private funds and undermine support for the University of Connecticut.

Connecticut's current law recognizes this reality by distinguishing the statutory requirements that are applicable to a state entity from those applicable to a private nonprofit foundation created to support that public entity's mission.

As part of that divide between the University and the Foundation, it's important to note that the University's contracting and purchasing processes, by policy and procedure, are completely separate from UConn Foundation activities. Information on private giving by individuals or businesses seeking to do business with the University is not shared with employees involved in the selection of contractors or those empowered to make purchasing decisions.

State bidding, contracting, and ethics laws (1-101nn), as well as Federal law, forbid Foundation relationships from influencing University purchasing decisions. University and Foundation policies and procedures ensure that no such influence occurs.

The Foundation and the University's Procurement Services are completely separate operationally and from a financial systems perspective.

University procurement policies and procedures require the University to select vendors based only on specified and publicized factors. Those factors have never, and could never, include a vendor's relationship with the Foundation. The University's sourcing processes are public and the University's adherence to the specified and publicized factors is subject to public scrutiny. Further, University procurement transaction data is included within the Transparency Connecticut website as required by PA 10-155 and is submitted annually.

The Foundation gift acceptance policies further prevents influence on the University's purchasing decisions by prohibiting donors from receiving any benefit in exchange for a tax deductible gift.

### **Budget decisions and Foundation independence**

Finally, I've heard the suggestion from some that the Foundation should open its books to help the State of Connecticut balance theirs. As you will hear from donors who are attending this public hearing, safeguarding the Foundation's independence is extremely important to them.

The Association of Governing Boards of Universities and Colleges, representing more than 1250 public and private institutions, has articulated reasons why public colleges and universities establish institutionally related foundations, and the most compelling reason is to provide a means of clearly separating state and private funds.

Many donors simply want to make a gift to a private rather than a state entity. In this way, they can be assured that their gift will be invested profitably, distributed for the intended purposes only, and not become confused with state appropriations or other funds.

Donors want their gifts to be additive and if they have reason to fear that the State will play a zero-sum game with their private dollars, they will stop giving. Donor trust and confidence are essential components of successful fundraising. Although unintended, the reality is that the proposals before this Committee, if enacted, will undermine that trust and confidence.

And donors aren't the ones who may walk away. Certain fund managers used by the Foundation to maximize performance of the endowment might end their relationships with us if their investment strategies and communications with the Foundation were to be made public.

### **Conclusion**

I hope that this written testimony has given you a sense that the UConn Foundation operates as a well-managed nonprofit organization with a focus on protecting our

donor's right to privacy, following donor intent, and complying with all statutory, regulatory fundraising standard requirements. In addition, there are significant controls, oversight, and accountability in place currently at the federal and state level.

The model is working. The Foundation is building momentum and capacity – our initiative to double the amount raised for scholarships is evidence. Changing the rules in the ways proposed would be a serious mistake.

I urge you to respect the integrity of the Foundation's non-profit status; protect donor confidentiality; and treat the Foundation the same as all other Connecticut non-profit Foundations.

Thank you and I look forward to answers any questions that you may have.



## **Background Information on the UConn Foundation**

### **The Critical Importance of the UConn Foundation to the University of Connecticut**

The UConn Foundation exists for only one purpose: to promote the educational, research, service and outreach missions of the University of Connecticut. It plays a critical role in enabling the University to provide a high-quality educational experience at a tremendous value. The Foundation solicits, receives and administers donations and financial resources from private sources to enhance the University. These private donations enhance pivotal functions that are beyond what the University's state appropriations, tuition revenue and grant income can support. Private donations are an essential resource for every great university, be it public or private. Funds donated to the Foundation are used by UConn to provide scholarships, fellowships and other forms of financial assistance to students; provide support for endowed faculty chairs and professorships to help recruit and retain faculty to teach and perform beneficial research at the University; and fund various academic and professional development activities within each of UConn's schools and colleges in order to enhance learning opportunities and the pursuit of knowledge.

Foundations also benefit their universities by investing donations in a manner that maximizes their value, thereby increasing the opportunity for greater investment return and, consequently, the revenue available to the primary institution. Donors feel more secure making a major gift to a foundation governed by individuals with extensive legal, business, and financial management skills. Foundation boards operate in a businesslike manner and provide an engaging role for experienced and successful individuals who want to help advance an institution. Foundations can also serve to safeguard the privacy of donors who do not want the details of their personal finances to become a matter of public record.

### **UConn Foundation's Record of Success**

The support the Foundation provides the University significantly augments UConn's other revenue sources. The UConn Foundation has made great strides in the past two decades to increase donations and charitable gifts. In 1995, for example, UConn's endowment was \$49.4million today it is \$369.4 million.

Highlights of recent successes of the Foundation include:

- Donors set a new record for charitable giving in fiscal 2014, making gifts and commitments totaling \$81.1 million, a 28.1 percent increase over the preceding year (an increase of more than \$20 million) and the highest level of giving to the University in the 50-year history of the UConn Foundation.

- The Foundation has already raised \$52 million dollars to support the University's Technology Park which is scheduled to begin construction soon.
- There were 31 gifts of \$500,000 or more, totaling \$48.6 million, compared to 18 gifts and \$33.6 million in fiscal 2013.
- The Foundation has raised \$33 million to construct a Men's and Women's Basketball practice facility.
- Since 2000, UConn has provided roughly \$90 million in non-state appropriated funding to the Foundation in support of their fundraising operations. During this same period, the Foundation has raised \$ 711 million from private sources for direct operational and endowment support at the University. This is nearly an 8-to-1 return on the University's investment in the Foundation, making it a very wise and profoundly beneficial investment for UConn.

Progress has been made, but much more work is needed for UConn's endowment to be on a level equivalent to its peer institutions nationally. For example, UConn is one of a handful of institutions ranked by US News & World Report in the top 30 public universities with an endowment under a \$1 billion.

### **Maintaining Donor Confidentiality & Confidence Critical to Continued Success**

The UConn Foundation is a distinct, non-profit tax-exempt corporation, not a public agency. This structure is utilized successfully to support public universities nationwide. It legally preserves the private nature of donations received in the same manner that donor privacy is ensured in the case of most charitable institutions.

An independent UConn Foundation can best serve the University and donors if its status continues to be respected. It enhances its fundraising responsibilities in a number of important ways:

- It ensures donor anonymity when requested, as well as the confidentiality of donor information.
- It receives gifts from donors who prefer not to have their contributions placed in state accounts.
- It provides donors with an extra level of assurance that their gifts will be used in accordance with their wishes.
- Gifts made to the Foundation on behalf of the University provide program enhancement, rather than replacement of state support.

Connecticut law recognizes the critical role the UConn Foundation plays in safeguarding donor privacy and advancing the Foundation's mission. In support of this important policy, Connecticut law in fact requires the Foundation to disclose to donors their right to require confidentiality as to their identity. Requiring that broader information concerning potential and actual donors be public information will have a chilling impact on the Foundation's ability to raise private funds and undermine support for the University of Connecticut.

The University opposes legislation that would treat the UConn Foundation different from all other non-profit organizations by making all of the Foundation's expenditures public

because doing so would be detrimental to fundraising and be the first step toward making the Foundation a state agency. Donors give to the UConn Foundation precisely because they want the option to keep gift and expenditure information private. Otherwise they would give directly to the University. If expenditure information is public, many donors may no longer feel comfortable making donations.

### **Changing the Rules for the UConn Foundation and other Non-Profits Receiving State Funds puts Future Success at Risk**

Given the current level of fundraising and the size of the Foundation's endowment, it is clear that these revenue streams are not yet sufficient to reduce the impact of fluctuations in state funding. Connecticut, UConn, and the state colleges and universities have been and continue to face incredible fiscal challenges. Since 2009, UConn alone has had to absorb \$32.8 million in appropriations reductions and fund balance sweeps of \$23 million. In FY 15, the University is grappling with a structural deficit of \$11.1million that it is struggling to fill.

Private fundraising will play an increasingly greater role in the University's the future financial stability. To this end, expanding fundraising remains a top priority. New leadership at the Foundation has been installed and greater progress is being made.

It has already been demonstrated that the Foundation can succeed under the current statutory framework. However, the University is deeply concerned that new statutory changes will have a detrimental effect on future fundraising at a time when every dollar counts. Additionally, if these changes are made, they should apply to every non-profit that receives state funding.

### **University, Independent, State and Federal Oversight**

#### *University Oversight:*

Since 1994, the University and the Foundation have established a fee-for-service partnership, under the terms of an annual agreement, which stipulates that the Foundation will conduct private fundraising on behalf of UConn. The agreement, approved by the University's Board of Trustees, details the two organizations' mutual fundraising goals and objectives, as well as the financial arrangements agreed upon to accomplish such goals. The agreement is reviewed and approved by the Attorney General's Office.

This is a long-standing practice at UConn and most other major public universities. It is also fully consistent with Connecticut statutes governing the proper University-Foundation relationship. A 1995 State Attorney General's Opinion confirmed that the University's Board of Trustees has the authority to enter into contracts to aid the performance of its mission. The opinion states that "(i)t is equally clear that the University's Board may retain a contractor (in this instance, the Foundation) to provide fundraising services and the University may pay the Foundation for its fundraising services."

#### *Independent Board Oversight:*

The UConn Foundation, like many other foundations and non-profit institutions, has an independent volunteer Board of Directors that executes its fiduciary responsibilities under the strictest of guidelines. Many members of the Board are presidents and CEOs of major corporations. They understand the need for transparent and ethical dealings in all matters so as not to jeopardize the Foundation's status as a 501(c)(3) non-profit corporation. Many are, by design, UConn alumni and major donors to the Foundation. As a Connecticut non-stock corporation, the Foundation is required to disclose through an annual non-stock corporation report filing the name, title, and address of board members.

The Board of Directors is comprised of more than 50 members. At least forty percent must be former students of the University of Connecticut, and there are 10 *ex-officio* positions for key University administrators, including, pursuant to state statute (see Conn. Gen. Stat. Sec. 4-37f), the University President, an elected student representative, and an elected faculty representative. This *ex-officio* membership is the norm among institutionally related foundations and arises from the fact that, by their very nature, institutionally related foundations take their mission and funding priorities from the university with which they are affiliated. *Ex officio* members have a voice in Board deliberations, but no vote.

The Board has eight committees that actively oversee the audit, development, investment, finance and human resource activities of the Foundation.

*State Oversight:*

Foundations that support state agencies are governed by CGS Sec. 4-37e to 4-37k. Below are excerpts from the Office of Legislative Research Report 2004-R-0781, which summarizes current state law:

Under the law, a foundation is a tax-exempt organization that supports a state agency. The foundation must have a governing board to oversee its operations.

There must be a written agreement between the foundation and its agency governing their relationship. The payment of compensation to an agency official or employee from the foundation requires the written approval of the agency's executive authority (e. g., the head of a department or the president of a constituent unit of a higher education). The foundation must undergo an audit conducted for any fiscal year in which it has receipts and interest earnings of more than \$100,000.

Each foundation must develop written policies regarding allegations of corruption and other whistle-blowing complaints.

*Disclosure to Donors:*

To be successful in its fundraising activities, the Foundation must be completely transparent with its donors. Almost all of the donations the Foundation receives are designated for specific University purposes, thus directing how the donations must be expended. In fiscal

year 2013, more than 90 percent of the donations it accepted were “restricted” by the donors to support a particular scholarship, faculty or program. For these “restricted” donor gifts, the Foundation reports annually to each donor on how the gift was used and how it was invested.

*Federal Compliance & Reporting:*

The Foundation is required to comply with all federal laws governing 501(c)(3) non-profit organizations and annually file IRS Form 990, which requires disclosure of:

- Balance sheet: assets, liabilities and net assets, revenues and expenditures for the year
- Expenditures summarized under the following functions: support for the University, management and general, and fundraising
- Revenues summarized by activity creating the revenue: e.g., contributions; investment gains or losses
- Governance of the Foundation
- Compensation of Foundation officers, board members and key Foundation employees
- List of five highest paid independent contractors
- Information regarding the Foundation’s Conflict of Interest Policy and specific transactions with employees and board members
- Expenditures for lobbying
- Summary of revenues and expenditures from fundraising events

**Annual Independent Financial Audit and University Compliance Review**

A foundation that has receipts and interest earnings of more than \$100,000 in any fiscal year must have an audit conducted for that year. The audit must be conducted in accordance with generally accepted auditing standards. It must be conducted by an independent certified public accountant (CPA) or by the Auditors of Public Accounts if requested by the agency supported by the foundation. The UConn Foundation conducts this audit at its own expense, relieving taxpayers of this cost.

The audit report must include financial statements, a management letter, and an opinion as to whether the Foundation's operating procedures conform with the law governing agency foundations. The financial statements must include the Foundation's total receipts and investment earnings for the year and the amount and purpose of each receipt of funds by the agency from the Foundation. The audit report must also disclose any receipt of or use by the Foundation of any public funds in violation of the law. The report must go to the agency's executive authority.

If an independent CPA conducts the audit, the agency's executive authority and chief financial officer must review the report. After doing so, they must sign a letter stating that they have done so and send the report and letter to the Auditors of Public Accounts. If the

report indicates that (1) funds for deposit in state accounts have been deposited in foundation accounts or (2) state funds, personnel, services, or facilities may have been used in violation of the law, the Auditors of Public Accounts may conduct a full audit of the Foundation's books and accounts pertaining to such funds, personnel, services, or facilities. The Auditors of Public Accounts have access to the CPA's relevant working papers.

Additionally, under the Foundation's agreement with the University, the University's Office of Audit, Compliance and Ethics annually conducts testing of Foundation disbursements for compliance with University policies related to disbursement of Foundation funds. The Foundation is also subject to the enforcement authority of the Connecticut Attorney General to protect charitable gifts pursuant to Conn. Gen. Stat. Sec. 3-125.

### **Controls on Foundation Disbursements**

The Foundation is limited by both state and federal law concerning how the funds it receives may be expended. The Foundation's Certificate of Incorporation also provides limitations, consistent with federal requirements, on how the Foundation's net earnings may be distributed.

Under state statute, no officer or employee of the University may receive a salary, fee, loan or any compensation or other thing of value from the Foundation, or withdraw funds from a Foundation account for any purpose, without the written approval of the University President.

The University Board of Trustees has approved a policy entitled "Policies Regarding Financial Transactions with The University of Connecticut Foundation, Inc." The University and the Foundation have jointly established these policies to promote and ensure that disbursements from Foundation funds: are properly authorized in the context of C.G.S. Sec. 4-37e et. seq., are reasonable business expenses within the context of the Internal Revenue Code, and are compliant with all state laws applicable to University employees.

The guidelines require signatories on Foundation accounts to represent to the best of their knowledge that disbursements from Foundation accounts comply with all donor imposed restrictions; support the University's mission and programs; represent reasonable, legitimate and arm's length business transactions; comply with Foundation disbursement policies; comply with the Board of Trustee guidelines; and comply with applicable laws. Under the Foundation's agreement with the University, the University's Office of Audit, Compliance and Ethics annually conducts testing of Foundation disbursements for compliance with University policies related to disbursement of Foundation funds.

In addition to the Board of Trustees policy noted above, the Foundation maintains a policy entitled "Policy and Procedures for Disbursements to the University of Connecticut," which details specific requirements and procedures for disbursing funds from Foundation accounts.

## **Restrictions for Gifts**

Almost all of the donations the Foundation receives are designated for specific University purposes. In fiscal year 2013, more than 90 percent of the donations it accepted were “restricted” by the donors to support a particular scholarship, faculty or program. The Foundation has a fiduciary responsibility to comply with donor intentions with respect to the charitable gifts it accepts and may not expend funds in a manner inconsistent with the terms of the gift provided by the donor. It cannot appropriate any of these restricted funds for the operating expenses of the Foundation, for example, or for any other purpose not in keeping with the specific provisions specified by the donors. For example, if a donor specifies that the donation is to support a particular UConn scholarship, the Foundation must restrict application of that gift to that specific scholarship.

The University regularly receives detailed expenditure reports on Foundation accounts. The University’s Office of Audit, Compliance and Ethics and the Foundation’s independent auditors test Foundation expenditures for compliance with donor intent.

## **Public Disclosure**

The UConn Foundation’s financial dealings are subject to public disclosure in the following ways:

- The annual Master Agreement between the University and the Foundation are signed by the President of the University, the Chief Financial Officer of the University, the Chair of the Foundation Board of Directors, the Foundation President and the Executive Vice president of the Health Center. They are subject to the review and approval by the Attorney General’s Office in Hartford. They are also public documents.
- Existing state law requires foundations supporting state agencies with receipts and earnings from investments totaling in excess of \$100,000 per year or more to retain an independent certified public accountant to perform a full audit of the foundation’s books and accounts. The Foundation retains PricewaterhouseCoopers to conduct this audit. The audit results are reviewed by the President of the University and its Chief Financial Officer. The University is then required by statute to file a copy of the audit results with the Auditors of Public Account (see CGS Sec. 4-37f(8)).
- The Foundation publishes an annual report that includes its audited financial statements and significant fundraising activities. The annual report is available on the Foundation’s Web site.
- The UConn Foundation is required by various states’ laws to register and make annual filings in order to solicit charitable funds in such jurisdictions. These Foundation filings are a matter of public record.
- The UConn Foundation is required by federal law to file a newly expanded annual Form 990, in the same manner as numerous other public charities across the country. This is a public document.

In addition, the UConn Foundation is subject to outside scrutiny by debt rating agencies such as Moody’s and Standard & Poor’s. The Foundation also submits financial information to the National Bond Depositories, which is available for public inspection. Finally, the

UConn Foundation, in accordance with its Board-approved information disclosure policies, voluntarily discloses a number of documents and other information related to its activities, including a conflict of interest policy for its Board of Directors and a whistle-blower policy to encourage staff reporting of any corruption, unethical practices, violation of state laws or regulations, mismanagement, waste of funds, abuse of authority or danger to public safety.

### **UConn's Foundation Operates in a Way Similar to Other Public Research University Foundations**

Since 1994, the University and the Foundation have established a fee-for-service partnership, under the terms of an annual agreement (referred to as a Master Agreement), which stipulates that the Foundation will conduct private fundraising on behalf of UConn. The agreement, approved by the University's Board of Trustees, details the two organizations' mutual fundraising goals and objectives, as well as the financial arrangements agreed upon to accomplish such goals.

This is a long-standing practice at UConn and most other major public universities. It is also fully consistent with Connecticut statutes governing the proper University-Foundation relationship. A 1995 State Attorney General's Opinion confirmed that the University's Board of Trustees has the authority to enter into contracts to aid the performance of its mission. The opinion states that "(i)t is equally clear that the University's Board may retain a contractor (in this instance, the Foundation) to provide fundraising services and the University may pay the Foundation for its fundraising services."

### **University's Contracting & Purchasing Processes Completely Separate from Charitable Giving**

Please be aware that University's contracting and purchasing processes are completely separate from UConn Foundation activities. Information on private giving by individuals or businesses seeking to do business with the University is not shared with employees involved in the selection of contractors or those empowered to make purchasing decisions.

State bidding, contracting, and ethics laws (1-101nn), as well as Federal law, forbid Foundation relationships from influencing University purchasing decisions. University and Foundation policies and procedures ensure that no such influence occurs.

The Foundation and the University's Procurement Services are autonomous and not integrated either operationally or from a financial systems perspective. Procurement staff do not have first-hand knowledge of Foundation relationships and do not have access to the Foundation's financial systems.

University procurement policies and procedures require the University to select vendors based only on specified and publicized factors. Those factors have never, and could never, include a vendor's relationship with the Foundation. The University's sourcing processes are public and the University's adherence to the specified and publicized factors is subject to

public scrutiny. Further, University procurement transaction data is included within the Transparency Connecticut website as required by PA 10-155 and is submitted annually.

The Foundation gift acceptance policies further prevents influence on the University's purchasing decisions by prohibiting donors from receiving any substantial benefit in exchange for a tax deductible gift.