

March 19, 2010

Written Testimony for Senate Higher Education Committee
Interim Hearing Focused on Endowments
Senator Judith Zaffirini, Chair

Prepared by:

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Biographical information and photograph of witness

Mr. C. Richard McKelvey
Vice President for Institutional Advancement

Rick McKelvey began his service at Southwestern University on October 1, 2000. He previously served six years as vice president for development of the Atlanta Symphony Orchestra, overseeing the planning, implementation and management of a comprehensive fund-raising program for the \$23 million budget, Grammy Award-winning orchestra.

Mr. McKelvey's professional accomplishments range from being a founding member and president of the National Committee on Planned Giving (NCPG, now known as the Partnership for Philanthropic Planning) to leadership in capital, endowment, and comprehensive campaigns of \$5 million to \$400 million in goals. His most valued experiences include developing the Atlanta Symphony Orchestra's nationally broadcast "A King Tribute" celebration of Martin Luther King's legacy, participation in the 1996 Centennial Olympic Games and Cultural Olympiad, and participation in a Rotary International Group Study Exchange to India.

Mr. McKelvey holds bachelor's and master's degrees from New Mexico



State University and completed the Institute for Educational Management at Harvard University. He began his career with IBM and has served in institutional advancement leadership roles at New Mexico State University, Emory University, Drew University, The Atlanta Symphony Orchestra and Southwestern University.

Mr. McKelvey is past chair of the United Way of Williamson County and past chair of Ambassadorial Scholarships Committee for the Rotary Club of Austin. As a past president, he serves on the Ethics Committees of NCPG and is a member of the Council for the Advancement and Support of Education.

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Senate Higher Education Hearings Charge:

“Review endowed funds at institutions of higher education to ensure compliance with all state laws and, in particular, the Uniform Prudent Management of Institutional Funds Act. Study and make recommendations for requiring all institutions of higher education to report annually to donors on the use of gifts and endowed funds. Review state laws to determine if they provide adequate oversight of these funds. Study the manner in which scholarship and other funds are given and bequeathed to institutions of higher education and make recommendations for ensuring that donors' wishes are honored while institutions are allowed appropriate flexibility with the use of the funds.”

Thank you for the opportunity to provide testimony related to the charge stated above.

Southwestern University is a selective and independent four-year undergraduate national liberal arts college consisting of The Brown College of Arts and Sciences and The Sarofim School of Fine Arts. It was the first institution of higher learning in Texas, chartered by the Republic of Texas in 1840. Southwestern is affiliated with The United Methodist Church.

Southwestern's Core Purpose

Fostering a liberal arts community whose values and actions encourage contributions toward the well-being of humanity.

Southwestern's Core Values

Cultivating academic excellence.

Promoting lifelong learning and a passion for intellectual and personal growth.

Fostering diverse perspectives.

Being true to oneself and others.

Respecting the worth and dignity of persons.

Encouraging activism in the pursuit of justice and the common good.

"Everything that you see at Southwestern is a gift from someone"---our philosophy on donor relationships emanates from the fact that, as an independent, private institution of higher education, the University's very existence depends on alumni and friends who believe in our mission and who generously support that mission through philanthropy. This includes gifts for operations, for capital projects, and for endowment.

Stewardship of contributions is a high priority at Southwestern University. We recognize that, without regular stewardship, we would risk the loyalty of our donors. The forms in which stewardship are produced necessarily vary according to the type of contribution. University policies and procedures support this (Exhibit A).

Every gift is acknowledged in writing. The majority of gifts are for unrestricted purposes and are less than \$100. These gifts number in the thousands. University reports are regularly made in publications about the importance of unrestricted gifts and ways in which they support the educational mission each year. All donors of \$1000 or more receive regular updates and are, when possible, visited in person. In addition, the University's financial statements and IRS Form 990 are posted on the institution's website.

Gifts to establish an endowed fund must be accompanied by a Memorandum of Understanding (Exhibit B) outlining the intent of the donor and are signed by University officers and the donor. At least annually endowed funds reports (Exhibit C) are sent to donors including the fair market value of the fund, distributions, and information on the scholarship recipient or on the program or activity supported by the endowed fund.

Because of Southwestern University's mission and our practice of stewardship, State regulations on gift reporting are not, in my opinion, necessary and might, in fact, create an additional burden that could take away from the very resources which provide stewardship to our donors. This is especially true for private institutions, like Southwestern, which are by design of limited enrollment in order to carry out an intimate and rigorous academic educational experience. The University's staffing resources are correspondingly small and are focused on essential activities.

Compliance with Uniform Prudent Management of Institutional Funds Act is in effect, and our chief financial officers can represent compliance for respective institutions.

Thank you, again, for the opportunity to testify. I hope that I have conveyed the importance of gifts of endowed funds to institutions, like Southwestern, that are independent. We believe that attention to appropriate reporting is essential, and that neglect of such would undermine our own initiatives toward building and maintaining strong and much needed colleges and universities. It is incumbent on these institutions on their own to provide reporting as is appropriate to the mission and character of each institution.

Exhibit A---Gift Guidelines (attached as a pdf file)

Exhibit B

Sample Endowed Scholarship – Memorandum of Understanding

SU Letterhead

(Name of Scholarship)
ENDOWED SCHOLARSHIP FUND
Memorandum of Understanding

This endowment fund is established by

(Donor Name)

The endowment is named and shall be known in perpetuity as the

Endowed Scholarship. This Endowment is permanent, and therefore, only the annual withdrawals are available to support the purposes described herein. Annual withdrawals from the endowment shall be calculated by applying the spending formula determined by the Board of Trustees, as revised from time to time.

Scholarships shall be awarded to students who meet Southwestern University's requirement for financial aid and shall be administered by the Office of Financial Aid.

Preference for use of the annual withdrawals shall be to provide scholarships for students majoring in _____. (Other examples include criteria of need, merit, or geography.)

If at some future time when the endowment cannot be strictly used as set forth above, it is understood that the officers of the University may direct that only the annual withdrawals from the fund be used first for scholarship related matters and only after that for any other priorities which might benefit Southwestern University.

The Fund shall become active when gift(s) to the fund attain the level of \$25,000 or more.

Jake B. Schrum
President

{Name of Donor (s)}

C. Rick McKelvey
Vice President for Institutional
Advancement

{Name of Donor (s)}

Development Officer

Date

Date

Scholarship Contact:

Name: _____

Name: _____

Address: _____

City: _____

State _____

Zip _____

Exhibit C

Sample Endowed Fund Status Report
January 2010

The available withdrawals from each endowed fund are calculated by using the rolling average of the fair market value of the endowment over the previous twenty (20) quarters times the spending rate approved annually by the Board of Trustees.

«FORMAL_NAME»

Fair Market Value as of June 30, 2009:«MARKET_VALUE»

Available Withdrawals for Distributions (2009-2010):
«DISTRIBUTION_»

The recipient of the (insert endowed fund name) is : (insert name and supporting information on student)

OR

Distributions from (insert endowed fund name) supported: (insert information on program or activities supported)

Southwestern University's investment philosophy is designed to mitigate risk, provide operating budget revenue and protect the endowment value from inflation