



prologue.

Fiduciary responsibility: a handy phrase foundations use for “safeguarding your interests”

Back in the days when a million dollars was a lot of money, that magical mark was the predestined, yet elusive goal of the fledgling University of Oklahoma Foundation. It scarcely seemed possible that a paltry \$160 in 1944 had been parleyed into total assets of \$1 million by 1959, then \$250 million by 1996, \$500 million by 1999, \$750 million by 2007—multiplying dramatically in the climb past each succeeding milestone.

Even with the inevitable ups and downs of the stock market, the marvel of compound interest and the willingness of OU supporters to embrace private funding for their public university propelled the upward spiral to total assets of more than \$1 billion in fiscal 2008.

More significant has been the growth in endowment, those gifts invested by the Foundation to provide institutional support in perpetuity. Now standing at nearly \$700 million, the Foundation's endowment also is headed toward a billion.

This higher educational phenomenon is not an Oklahoma thing. In recent years, exceedingly successful fundraising campaigns and a booming market have boosted endowments at well-managed, institutionally related foundations nationwide to eye-popping numbers—especially at private behemoths like Harvard and Stanford, and the University of Texas system on the public side—so much so that critical comments are coming from several different directions. Why, the most compelling question goes, are not universities with these huge endowments spending more to bring down ever-spiraling tuitions? Congress wants to know—as do state lawmakers, the media, parents and the students themselves.

The answer, as is often the case, is more complex than the question and has several parts. First, much of the money *is* used to “bring down” tuition in the form of scholarships. Second, the Foundation—all foundations—are stewards of the original donors' intent; they have a fiduciary responsibility to be mindful of and adhere to those wishes even after the donor is gone.

Most private gifts to the University of Oklahoma and other institutions are restricted to a specific purpose. Not only does the OU Foundation promise to manage these funds wisely, the donors also are assured that their money will be spent according to their stated purpose *in perpetuity*—forever and a day. Legally and ethically, diversion of a donor's gift to any other purpose cannot and should not be allowed.

If that explanation is not good enough, let's take the most extreme scenario of the consequences of spending the endowment to reduce or even do away with tuition: OU theoretically could have two or three tuition-free years. The following year, and every year thereafter, without the now defunct endowment throwing off annual income, a wide variety of academic endeavors would take a major hit—not just student assistance—but also faculty salary supplements, research, capital improvements, library acquisitions, publications, lectureships, symposia, even landscape maintenance.

Last year such institutional support expenditures by the Foundation amounted to \$73 million; over the past 10 years, \$589 million; and over the life of the Foundation, well over \$940 million. Not all this support comes from endowments, of course. Donors give to immediate needs, too—funds to be spent in the short term, for construction projects or equipment purchase, for in-

stance. That money is managed with the same integrity as endowed funds, maximized through short-term investment, if possible, then expended according to the donor's desires.

But if emptying the endowment is a ridiculous proposition, another often-asked question deserves a more serious answer. Why not pay out the full amount that the endowment earns each year? Many university-affiliated foundations aspire to a payout of five percent, which the OU Foundation has attained consistently for many years, ranking in the top quartile among its peer organizations. Anything over the payout rate goes back into the endowed funds—to ensure that future inflation will not devalue the fund; to keep the annual support consistent for responsible program planning by the recipients; to even out the good market returns with those investors would rather forget.

Should private donors to a public institution have the right to determine how their money is spent? Should the affiliated foundation entrusted with this money do everything possible to safeguard and even increase the value of the contribution, while making certain that expenditures follow the donor's intent? If the trustees and administrators of the University of Oklahoma Foundation had not answered an emphatic yes to both these propositions, they would not have been in business very long.

While the Foundation can be helpful in meeting the University's immediate needs and concerns, it is equally essential to reach beyond the present to make certain that the University's future is even brighter than it is today. With continued vigilance to the Foundation's role as a good steward and fiduciary to its donors, both these goals are achievable.

—CJB