FUNDRAISING CASE STUDY

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Donations, charity, pledge, contribute, sponsor; these all are words universities use to during a fundraiser to try and touch the hearts and more importantly the wallets of alumni. Now, are all of these charitable events being done positively? Are the alumni that are being targeted able to even contribute to their alma mater? I will look into the practices and structure of universities and their fundraising techniques. The importance of understanding what techniques are being used and what techniques are ineffective can help me as I move forward in pursuing my career as a collegiate level Athletic Director. Understanding what university personnel do incorrectly, can control on how new personnel operate going forward. Integrity goes into fundraising and controlling money and millions of funds being donated to a university. One wrong deposit in a moment of weakness because of the number of zeros behind the check can not only cost yourself. Also, the universities reputation or championships being removed because of sanctions being placed handed down. There are multiple cases of misappropriations of funds, when dealing with universities and millions of dollars. I have chosen to focus the details on the case of the University of Louisville. The university of Louisville is located in Louisville, Kentucky, with an enrollment of about 23,000 students, in state tuition cost of $11,000 and out of state costing $26,000 dollars. On the football field, they have not won any National Championships, but have completed in fifteen bowl games between 1957 and 2010, have had a record of 7-7-1. On the basketball court, the have won three National Champions, ten Final Four appearances, and forty-two tournament appearances in total (Louisville.edu). The foundation that is over the fundraising for the University of Louisville is a fifteen-member board that operates as organization in order to build economic growth for the Louisville area and invest back into the university to support students, staff, research, athletics, and more. Any donation that is contributed under $10,000 is labeled as a “gift”. According to University of Louisville Foundation operating budget (2015-2016), in 2001-2002 they received almost $7 million dollars, in 2015-2016 it is projected to receive a little over $42 million dollars. Since last February, due to Louisville very successful season and very first Heisman Trophy winner (Lamar Jackson), Louisville has received a number of gifts. Gifts from Pepsi, a $5 million-dollar pledge from Norton Healthcare on their own. In addition to that, fans, supporters, alumni in one year have gifted $47 million dollars (Football stadium digest, 2017). Fundraising is not too difficult when dealing with a winning organization, but also is not too difficult to mishandle funds when checks are coming in ranging from $5 dollars to $5 million dollars.

Fundraising Examination

Louisville has a very supportive fan base, who support fundraising event like golf tournaments, athletic team signings and games, Art shows, and even movie night. Movie night is where they have a projector outside, anyone can come for free, they have some inflatable bouncy house for the children, with concession stands, school gear, photo booths and many other attractions to gain interest and support of fans. They do this a few nights in the year with movies (G-rated) to encourage parents to bring their children out and support the school. Louisville does not have to spend much money to finance an even like this because it is outside, concession stands and food are already budgeted through game day events, mascots and entertainment is free, therefore most the proceeds can go to athletic or academic needs. A “gift” given by a fan or business to support University of Louisville’s athletic program, school programs, scholarships, and remodeling of buildings is the primary source of fundraising. According to the budget records like previously stated in the introduction. Louisville was projected to receive a little over $42 million dollars in 2015-2016. Surprisingly, the top three sponsors of gift/cash donations came from the University President association with $18 million, the school of medicine with $13 million, and the school of business with $2 million. When a gift is donated the donor is allowed to pick a specific school or department to place the funds into. All extra funds or gifts for specific departments are also invested in local businesses and land owned through the university to get maximum return on the investment. Some of the real estate investments include ULH Inc. Its purpose is to build, loan, and operate student apartment housing. Each building will personally house certain organizational groups such as basketball players, dental hygienist, and first-year student, who must have on campus housing due to policy placed down by the university. Stansbury Park, is a running, walking, bicyclist area for exercising and relaxing. Also, it will provide a four bedroom, four-bathroom apartment style living for students. Another investment real estate location University of Louisville owns and finances is the Phoenix Place, an apartment style housing purchased by the Health and Science department that is central located downtown and provides housing for Medal and Dental school majored students. Another huge tool in fundraising technique that is being used is placing donations and assets into an endowment fund. The university will use this fund to also invest and pay for different funding throughout the year and future years in case of budget cuts. University of Louisville has received $259.4 million in additional funds due to investments and diversifying its portfolio with a 60/40 mix of stocks and bonds. With all these millions of dollars and checks being passed around, there has to be conflict with finances.

Every board of every departments usually has a democratic style cabinet with a President, Vice President, Secretary and so on and so forth, and with that comes scandals and misappropriation of funds. University of Louisville with its positive investments in real estate and its growing athletic department that finds itself increasing in its competiveness every year will continually grow in donations and fundraising expectations. Robert Felner the dean of education pleaded guilty for defrauding Louisville and the University of Rhode Island (His previous employer) for $2.3 million dollars between 2003-2008. He was sentenced to 63 months and was ordered to pay back $510,000 dollars to Louisville for restoration. In 2010 Perry Vaugn the executive director of the geriatric medicine department was indicted for embezzling $2.8 million dollar and failure to report $2.5 million dollars to the IRS. Between 2008 and 2014 University of Louisville employees have been accused of mishandling $7.6 million dollars (Washington Post, 2015). University President James Ramsey made this statement, “We recognize that there are challenges, but we’re facing them head on. We’re cooperating with the NCAA and FBI investigations, and we’re determined to find the truth. We’ve put safeguards in place to protect the university against employee misconduct. We make such wrongdoing public. We prosecute criminal behavior, and people have gone to jail as a result of their crimes. We welcome diversity, and we have a climate of inclusivity here. When we make mistakes, we acknowledge them and take steps to get better. Meanwhile, we’re attracting better students to U of L. We’ve seen a 60 percent increase in our graduation rate during my tenure. We’re also graduating more and better prepared students who are ready to enter the workforce and contribute to their communities. We’re doing groundbreaking research. We’re also engaged with our alumni and recently completed a $1 billion capital campaign. I don’t believe that the challenges we currently face in any way overshadow the tremendous accomplishments we make every day.” According to an article in the Washington Post. Though the President of the University made some heartfelt comments, much of the community does not feel the same way and was quoted saying, “In my opinion, President Ramsey should resign. It’s time for a new beginning. There’s been too many scandals,” Steve Wilson, a former member of the university’s Board of Trustees went further and said, “I think President Ramsey has been a great president over the years. His strength was in fundraising and bringing more funding into the university at the same time that the state has decreased funding, so he’s been able to bring that strength to the table. But the problems run the gamut in many areas. It boils down to leadership and accountability.”

University of Louisville has a separate board that acts as a partnership with the university, towards controlling the funds in the endowment account (which holds fundraising accounts, real estate investments, donor’s contributions, and etc.). In a televised news report from WDRB (local news station), President Ramsey authorized a loan from the University of Louisville to the foundation as a spending credit line. “In essence, they (the foundation) borrowed money from us (the university) to pay down a borrowing that they made from themselves, to themselves,” said U of L Board of Trustees Chairman Larry Benz, who has called for a “forensic” audit of the foundation. “It just doesn’t make sense.” The news article went on to state. The leading organizers of these foundations and controlling bodies of the university and financial management are basically loaning and borrowing millions of dollars from fundraising and donor gifts to each other without documenting the transactions and somehow keeping it for themselves. The board of trustees can cover up on how they spend the money by documenting it as “salary coverage”, many fans, donors, lower level trustees wonder how the foundation can borrow money to use for salary. The foundation made a statement through email that many employees have taken on more obligations which in fact, allow the extra pay justified. When the board was asked about the use of the funds and funds used under payroll, the board chose not to comment.

Recommendations for Improvement

The use of a *BOARD OF TRUSTEES* to handle approving funds is smart, but the actual work and how much power the board has is not. I would keep the board but make the signature release and authorization of use of funds documentation more accurately. Every cent that is raised, invested, or donated be the entire organization knowledge. I would hold open town hall meetings for the public and quarterly audits from a non-basis third parties to have the publics support. This will control the notice that the higher-level board members are embezzling funds. When dealing with fundraising, some department may get more funds than others and then you must spread the funds to assist other departments not as popular. I understand that, but I would simplify the final location of the funds. What I mean is if athletic department raises $10 million yearly, I would place three departments under the athletic umbrella, so if needed those departments go to athletics for support. In that same notion, I would have my medical department with three or less departments under them not as funded to seek the medical board if extra funds are needed. This would be useful because if there was misappropriation of funds from a specific location, once audited personnel would know exactly who and what department to look into. I would also place a revolving door on the board of trustee's membership. Board of Trustees would be voted in, but only have a three to five-year seat obligation. Once their time frame is completed, I would have new members replace them. No one person on the board can hold two consecutive terms, therefore no one can get to comfortable controlling millions of dollars and you can also locate any misunderstanding between terms. Keeping financial sight on every dollar is difficult, just as difficult as trusting certain people to control those investments. By placing more signatures for approval on funds and keeping the signatures fresh and public can assist in making sure fundraising donations are taken care of properly.