IU Foundation
Administration Update
Topics We Will Cover

• How do we define a dormant or underutilized account?

• Why do accounts become dormant/underutilized?

• How do we **prevent** accounts from becoming dormant/underutilized?

• How do we address accounts that are dormant/underutilized?

• How do we manage endowment accounts on a continuous basis?
Terminology

• **Dormant accounts:**
  - Account opened for at least 3 years and no expenditures drawn for 2+ years

• **Underutilized accounts:**
  - Annual spending from the account does not keep up with cash generated and deposited into the account
### ETA-Web Dormant Report

<table>
<thead>
<tr>
<th>Kemid</th>
<th>Purpose Description</th>
<th>Total Market Value</th>
<th>Month End Income</th>
<th>2 Years' Total Income</th>
<th>Cash Surplus Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>0380009449</td>
<td>Scholarship Undergraduate</td>
<td>$2,283.58</td>
<td>$17.44</td>
<td>$701.16</td>
<td>$(683.72)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Kemid</th>
<th>Last Expenditure Date</th>
<th>Additional Invested Income</th>
<th>Receives Donor Statement</th>
<th>Open Date</th>
<th>Match Program</th>
<th>Special Instructions</th>
<th>Special Instructions Term Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>0380009449</td>
<td></td>
<td></td>
<td></td>
<td>4/18/2013</td>
<td></td>
<td></td>
<td></td>
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</table>
## ETA-Web Underutilized Report

<table>
<thead>
<tr>
<th>Kemid</th>
<th>Purpose Description</th>
<th>Month End Cash Value</th>
<th>2 Years' Total Income</th>
<th>2 Years' Transfers</th>
<th>Cash Surplus Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>0380009439</td>
<td>Scholarship - Undergraduate or Graduate</td>
<td>$3,522.85</td>
<td>$7,607.64</td>
<td>$(5,482.18)</td>
<td>$1,397.39</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Kemid</th>
<th>2 Years' Cash Spent</th>
<th>2 Years' Cash After Expenses</th>
<th>Last Expenditure Date</th>
<th>Additional Invested Income</th>
<th>Receives Donor Statement</th>
<th>Open Date</th>
<th>Match Program</th>
<th>Special Instruction Comment</th>
<th>Special Instruction Term Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>0380009439</td>
<td>$ (1,250.00)</td>
<td>$6,357.64</td>
<td>12/21/2016</td>
<td>$ -</td>
<td>NO</td>
<td>5/9/2011</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
How Accounts become Dormant/Underutilized?

• Donor intent issues created when the gift agreement was drafted
  – Intent was/is too narrowly defined
  – Changing administration or priorities
  – Underfunded – The endowment has not reached a level where cash generated will pay for the intended use of funds

• Unit leaders are unaware that funds are available

• Unit leaders have a plan for use of accumulated funds
How We Prevent Accounts from Becoming Dormant/Underutilized

- **Gift Agreement process**
  - Document donor’s vision … work with donor to ensure their intent can be fulfilled
  - Verify donor intent conforms to all relevant policies and regulations

- **Account Administration**
  - Educate and train staff in IU units
  - Review disbursements and donor intent for compliance – Do we need to modify gift agreements?
  - Send annual stewardship reports
How We Address Dormant/Underutilized Accounts: Establish Spending Plans

• **Our overall goal:** Work with units to establish spending plans for accumulated funds

• **Elements of a spending plan:**
  - Document amount of funds available
  - Develop a plan for fund use
  - Establish a timeline for spending

Examples:

<table>
<thead>
<tr>
<th>Account Type</th>
<th>Plan Type</th>
<th>Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Account</td>
<td>2 Year Plan</td>
<td>The division currently has four junior faculty recruits with startup packages and is recruiting an additional seven faculty members with anticipated start dates in early FY 17. We anticipate spending the cash surplus within the next two years.</td>
</tr>
<tr>
<td>Scholarship</td>
<td>4 Year Plan</td>
<td>Award 1 recipient $3,250/year over 4 years in addition to recipients awarded scholarships based on annual endowment earnings.</td>
</tr>
</tbody>
</table>
And ... It’s an Ongoing Process

- Dormant/underutilized account management is dynamic and continuous -- Accounts come into/out of dormant/underutilized status each year ...

New accounts go dormant

Dormant

Have spending plans

Accounts no longer dormant
Ongoing Account Management

• Outreach to units …. provide hands-on guidance
  - Individual meetings to encourage campus units to establish spending plans for all dormant/underutilized accounts
  - Best practice communication to fiscal and development communities through standing campus wide meetings

• Created unit self-service monitoring programs
  - New reports allow users to identify dormant and underutilized accounts and monitor progress once plans are in place
  - Webinar explaining endowment reports and discussing best practices in account management
Next Steps

Fiscal Year 2017:

• Continue identification and outreach efforts for all dormant and underutilized IUF accounts
• Finalize internal IUF processes and policies to track and address issues
• Educate all campuses, schools and departments in general IUF account management

Fiscal Year 2018:

• Enhance education and outreach based on identified needs of units
• Track and analyze progress based on unit’s spending plans
• Create action plan based on common spending issues identified through ongoing analysis
• Internal Audit to review dormant/underutilized process
ADDITIONAL QUESTIONS?