REINVESTMENT FEE POLICY
Board Approved October 3, 2025

I. Background

The University of South Dakota Foundation & Alumni Association ("Foundation") is an independent 501(c)(3) nonprofit corporation organized under the laws of the State of South Dakota. Its mission is to inspire, solicit, facilitate, and manage charitable gifts for the benefit of the University of South Dakota ("USD"), a separate legal entity. The Foundation is managed by a Board of Directors ("Board") centrally comprising more than 20 donors and alumni.

USD, as the state's flagship and only public liberal arts institution, provides undergraduate, graduate, and professional programs within the South Dakota System of Higher Education. In pursuit of this mission, the Foundation and USD collaborate closely to ensure that philanthropic resources are secured, stewarded, and deployed strategically.

Over the past decade, multiple Foundation board working groups have studied the organization's funding model. Each concluded that to achieve sustainable growth and meet USD's increasing need for private support, the Foundation must diversify and strengthen its revenue sources.

As of FY25, the Foundation manages an endowment of approximately $330 million, with more than 70% of its annual operating revenue derived from an Endowment Administrative Fee. While such fees are standard industry practice, overreliance on this single revenue source creates risks of inequity and instability. By comparison, peer institutions – including South Dakota State University, North Dakota State University, and the University of North Dakota – operate with materially larger budgets and staff capacity. Supported by diversified fee structures, the Foundation's Dakota counterparts generate higher levels of annual fundraising production that have catalyzed campaigns of $500-$600+ million (compared to USD's largest-ever campaign of $272 million completed in 2019).

II. Scope and Definitions

For purposes of this Policy:

"Reinvestment Fee" means the percentage of a charitable contribution assessed by the Foundation and generally retained for operational support.

"Spendable Gift" means a non-endowed charitable contribution intended for current use. For avoidance of doubt, distributions received from Charitable Lead Trusts (CLTs) during the trust term and grants received from Donor-Advised Funds (DAFs), unless expressly designated for endowment, shall be treated as Spendable Gifts.

"Endowment Gift" means a charitable contribution designated to establish or add to a permanently or quasi-endowed fund. For avoidance of doubt, grants received from DAFs that are designated to establish or augment an endowment shall be treated as Endowment Gifts.

"Estate Gift" means a charitable contribution realized through a bequest, beneficiary designation, or other deferred giving arrangement. For avoidance of doubt, this includes, but is not limited to, remainder interests realized from Charitable Remainder Trusts (CRTs), residual proceeds from Charitable Gift Annuities (CGAs), and gifts of real property subject to a retained life estate.

"In-Kind/Illiquid Gift" means an outright contribution of real property, securities, or other non-cash assets.

"Transformational Gift" means a charitable contribution with a value of Five Million Dollars ($5,000,000) or greater.

III. Policy Application

1. Full Gift Credit – Donors making gifts subject to a Reinvestment Fee shall be credited, receipted, and acknowledged for the full amount of their gifts gross of fees, subject to any limitations that may apply.

2. Spendable Gifts – Effective January 1, 2026, a Reinvestment Fee equal to five percent (5.0%) of the value of each Spendable Gift shall be assessed. This assessment shall not apply to bona fide pledges governed by written agreements executed prior to the effective date.

3. Endowment Gifts – Effective January 1, 2026, a Reinvestment Fee equal to five percent (5.0%) of the value of each Endowment Gift shall be assessed. This assessment shall not apply to bona fide pledges governed by written agreements executed prior to the effective date.

    a. The contributed value of an endowment shall be calculated net of fees (e.g., a $50,000 new endowment gift will create a $47,500 endowment and not be deemed "under water" unless its market value dips below $47,500).

    b. For purposes of meeting Foundation endowment minimums, the gross gift amount shall be deemed to satisfy all requirements (e.g., if the Foundation has established a $50,000 endowment minimum, a gift of $50,000, netted to $47,500, is sufficient to meet the minimum).

    c. The Reinvestment Fee applied to Endowment Gifts is separate from the Foundation's Endowment Administrative Fee, which is governed by separate policy.

4. Estate Gifts – Beginning January 1, 2026, a Reinvestment Fee equal to ten percent (10.0%) of the value of each Estate Gift shall be assessed, unless expressly prohibited or limited by a valid Estate Gift instrument or written agreement executed or formally documented with the Foundation prior to the effective date. In all such cases, the Reinvestment Fee will apply to the full extent permissible under the terms of the applicable instruments or agreements.

5. In-Kind and Illiquid Gifts – No Reinvestment Fee shall be assessed at the time of acceptance of an In-Kind or Illiquid Gift. If such an asset is liquidated, the applicable Reinvestment Fee shall be assessed against the sale proceeds, determined by whether the gift originated as a lifetime or Estate Gift. Items donated for purposes of auction or raffle by the Foundation are exempt from Reinvestment Fees.

6. Transformational Gifts – Reinvestment Fees shall apply in full to all Transformational Gifts. The Foundation and USD, acting through their authorized officers, will jointly determine whether it is prudent to reallocate any portion of the resulting fee revenue to the original donor-designated purpose(s) or to other institutional priorities. In making such determinations, consideration shall be given to project/initiative budgetary impacts and avoidance of disproportionate or inefficient accumulations of unrestricted funds. Mutually agreed upon reallocations shall be made by written agreement and reported to the Board's Finance and Audit Committees.

7. Fee Coverage Contributions – Donors may elect to make additional contributions expressly intended to cover Reinvestment Fees. No fees shall be assessed against such contributions, provided the donor's intent is clearly documented.

8. Limited Exemptions – Foundation management may approve full or partial exemptions from the Reinvestment Fee for limited preapproved, student-led fundraising initiatives with targeted goals of less than Ten Thousand Dollars ($10,000). Where exemptions are granted, normal Reinvestment Fees may apply to dollars raised in excess of the $10,000 threshold. All such exemptions shall be reported annually to the Board's Finance and Audit Committees.

9. Administration – The authority to interpret and administer this Policy, including reconciling conflicts and determining the functional treatment of gift scenarios not clearly captured herein, shall rest with Foundation management, in consultation with USD, and subject to oversight by the Board. This Policy will be periodically reviewed and amended by the Board as circumstances warrant.

IV. Use of Proceeds

Reinvestment Fee revenues are intended to strengthen the Foundation's institutional capacity to advance USD. Proceeds will be allocated to core advancement functions such as fundraising operations, donor stewardship, alumni engagement, and campaign infrastructure. By reinvesting in these areas, the Foundation enhances efficiency and effectiveness, generating a multiplier effect that increases donor impact and returns on philanthropic investment – all in service to USD's students, faculty, and programs.