Aalto University Fundraising Policy

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Public

Aalto University

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1. Purpose and Scope of the Policy

The purpose of this Policy is to guide the fundraising and management of endowment funds as defined in the Constitution of Aalto University Foundation[1] (hereafter University) under the University key policies such as Aalto University Group Financial Policy, Code of Conduct and Endowment Spending Policy approved by the University Board.

The overall goals, ethical principles, and basic processes of the University's fundraising are described in the public Fundraising Principles, approved by Aalto University Foundation Board.

The term *fundraising* refers to the process of collecting donations for the University. The term *donation* is defined as a voluntary irrevocable transfer of money, services or property from a donor without expectation of economic benefit in return. The donor does not impose contractual requirements on the donation, other than designation of the donation.

The term *endowment* refers to the donated money or other assets to the University for advancing the purpose and strategy of the University. The term *endowment investment portfolio* refers to the capital of the long-term endowment funds that is invested in the financial markets for the purpose of generating return and preserving the value of the funds over time.

To carry out fundraising campaigns that appeal to the public in order to obtain donations, the University must have a valid money collection permit granted by the National Police Board. The University's fundraising activities need to adhere to this permit at all times.

2. Ethical Principles

The ethical foundations of the University's fundraising are set forth in the University Code of Conduct, as well as University Fundraising Principles. The University is a member of (the Council for Advancement and Support of Education (CASE), a global nonprofit association dedicated to educational advancement— alumni relations, communications, development, marketing, and advancement services) and adheres to its ethical principles.

3. Roles and Responsibilities

The University Board:

- Has oversight of the University fundraising and endowment management.
- Approves fundraising and endowment policy, endowment fund structure, endowment spending policy and endowment investment strategy.
- Appoints the Fundraising Advisory Board and the Investment Committee and their members.

Fundraising Advisory Board:

- Supports the University in identifying and contacting potential new donors, as well as to advise the University Board and leadership in matters relating to fundraising and donor engagement.

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[1] Art. 4 para. 2 and 3: "The Foundation has the right to accept bequests and other donations. Bequeathed and donated funds shall be managed and used as instructed by the donors. In the absence of detailed stipulations, the Board of the Foundation shall decide on the use of the funds."
"The Foundation shall have both joint and field- and School-specific funds whose use shall be governed by the stipulations issued by the Board of the Foundation within the provisions of this Constitution."

Investment Committee:
- Advises the University Board and leadership in matters relating to the asset management of the University, especially endowment investment strategy and related risk management.

President:
- Leads and manages the University fundraising and donor relations.
- Empowers the University community is empowered and incentivized to engage in fundraising efforts and incentivizes their efforts.
- Approves jointly with the CFO new fundraising alternatives as well as opening and closing of endowment funds.

Head of Donor Engagement Team:
- Supports the Fundraising Advisory Board, President and Deans in fundraising.
- Coordinates the fundraising efforts to avoid overlaps and an excessive number of solicitations in the name of the University.
- Provides the needed tools, contacts, and materials to engage in successful fundraising.

Deans:
- Lead donor relations and fundraising in their schools.

CFO:
- Manages the University endowment funds, including the endowment investment portfolio, as well as the spending of endowment funds.
- Manages pricing of the fundraising alternatives (e.g. minimum donation amounts for donation-based professorships and similar standard off-the-shelf fundraising alternatives).
- Approves jointly with the President new fundraising alternatives as well as opening and closing of endowment funds.

Head of Treasury:
- Supports the President and CFO in fundraising and endowment financial management and compliance.

Authorities related to the fundraising and endowment fund management are defined in Aalto University Group Limits of Approval Policy.

4. Target Setting and Planning

The fundraising targets are set, and success is measured by:

- donations received per year (EUR),
- donation commitments received per year (EUR),
- number of donors and percentage share of donating alumni,
- donor satisfaction, measured through regular donor surveys,
- cost of euro raised, measuring fundraising costs against commitments on a rolling 3-year basis.

Fundraising grants may be included in the internal follow-up of KPIs, when they are received from partners through the fundraising efforts. A fundraising grant is an agreement formalizing the transfer of money from a funder in exchange of specific deliverables and terms and thus does not fulfill the criteria of a donation and is not managed as part of endowment funds.

In addition to these key indicators, fundraising success is evaluated by systematic and regular benchmarking against other relevant fundraising organizations.

The fundraising activities are planned and prioritized as a part of the University's overall strategy execution, and University's annual planning cycle. Fundraising targets, including new alternatives, are proposed and set as part of the annual University Dialogues during the spring for the next four-year period.

The prioritization criteria of new fundraising alternatives include strategic and academic relevance, the feasibility for successful fundraising, and securing a wide range of donation offering. Based on the prioritization, the fundraising efforts are resourced accordingly.

The spending from endowment funds towards the University activities is planned in a similar manner as part the annual plan. Systematic and impactful spending of the endowment funds is crucial, since reporting the valuable impact is an excellent way of attracting new donations.

5. Donor and Donation Segmenting

The University's donors include both domestic as well as international alumni and other private individuals, foundations, companies, public entities, and associations.

Alumni and other private individuals are considered key donors as they often give regular gifts, or larger gifts less regularly. Key donors tend to give to the same cause multiple times, which means that their financial value increases over time. Each new donor has the potential to become a lifetime supporter. The University uses digital fundraising to increase the number of individual donors.

Foundations are the University's most significant single donor group measured by the total value of the donations. Foundations give to purposes listed in the foundation's charter. Foundations traditionally have application rounds for grants, but donations of significant impact are increasingly discussed outside these rounds directly between the foundation and the University.

Companies are a big donor group in the Nordic context, and some of the University's most generous donors are corporations. In Finland, companies have been active donors especially in the governmental matching funding campaigns.

The University's donors also include municipalities, labor unions, employer organizations, and various associations. Donors in this group are often highly committed to long-term cooperation with the University.

From all the donor segments, the University distinguishes between donations that require a donor-specific fundraising approach (generally 10k€ and above), and donations which are based on a broad approach to a large pool of potential donors (up to 10k€ each). Both the donation and the donor segmentation are defined for the internal planning of campaigns, donor-specific approaches, and donor recognition.

6. Donation Alternatives

The University has a range of donation alternatives in support of its strategy. The alternatives to donors are offered under the following themes:

1. Long term strategic support
   - Donations towards long-term development of the University and its Schools as well as financial independence of the University.
   - Capitalizing funds (see section 8 for details).

2. Research & arts spearheads
   - Donations towards development of the University research & arts spearheads.
   - Professor positions (20 years), Professor of Practice positions (5 years), doctoral schools (5 years), new rapidly progressing research areas such as AI, quantum, satellites etc.
   - Expendable and hybrid funds (see section 8 for details).

3. Future talent
   - Donations towards educating future talent: student support and education programs.
   - Scholarships for bachelor, master and doctoral students, support for bachelors' and masters' programs, Aalto University Junior etc.
   - Capitalizing, expendable and hybrid funds (see section 8 for details).

4. Entrepreneurship & innovation
   - Donations towards supporting the University entrepreneurship & innovation activities.
   - Capitalizing and expendable funds (see section 8 for details).

As a general rule, the University prioritizes capitalizing donations over expendable ones, as they strengthen the University's long term risk resilience. Whenever possible,10% of all expendable donations are allocated to the University's General Endowment fund.

Furthermore, when possible, the University prefers time restrictions (e.g. 20 years) in the designation of the capitalizing donations, i.e. the fund capital can be transferred to a more generic school or university fund after an agreed time period.

The University collects donations of up to 10k€ online through the University's website. The options on the website reflect a wide and balanced range of offering, at the same time ensuring focused marketing and communication.

7. Opening of Endowment Funds and Accepting Donations

When a new fundraising alternative is initiated or a larger donation accepted with specific terms and conditions, a new endowment fund is opened. When opening a new fund, specific fund regulations that guide the management of the fund as well as standard deed of donation terms are pre-agreed and documented.

The University may accept both monetary and non-monetary donations. In all donations with value of 10k€ or above, adequate knowledge of the donor's background and the origin of the donation must be obtained prior to acceptance of the donation in accordance with the University's due diligence process described in the Aalto University Group Limits of Approval Policy.

The University may accept non-monetary donations as well as donations in form of legacy (will) with the approval of the President and CFO. Such donations (equipment, shares, art, real estate, etc.) should be reviewed with special care to ensure that acceptance will not involve undesirable financial commitments or other obligations disproportionate to the usefulness of the donation. Consideration should be given in advance to matters such as the cost of maintenance, space requirements, insurance etc.

Donations that would endanger academic freedom or University autonomy in recruitment are not accepted.

When making a donation to an endowment fund, the donor signs a standard deed of donation that defines the purpose, terms, amount, and possible payment schedule of the donation.

Donations of less than 10k€ are accepted online without a deed of donation as part of the online payment process.

8. Management of Endowment Funds

The University manages donations through endowment funds within its equity, providing an additional source of funding and widening the funding base of the University. These funds can be unrestricted or restricted.

Unrestricted funds support the University's long-term development without specific restrictions. They also include matching capital received from the Finnish government.

Restricted funds are designated by donors for specific purposes.

Endowment funds are further classified into *capitalizing, expendable*, and *hybrid* funds.

Capitalizing Funds (perpetual duration)

- Raised for the long-term development as well as financial sustainability and risk resiliency of the University and its Schools.
- The value of capital remains intact while its returns are used to support activities.
- Invested in financial markets as part of the endowment investment portfolio.
- Is provided a fixed nominal return of 5% annually, with 2.5% allocated to inflation protection and 2.5% used for University activities.

Expendable Funds (1–4 years duration)

- Raised for short-term needs of various University activities.
- Not invested in financial markets.
- Fully utilized within the specified duration.

Hybrid Funds (5–20 years duration)

- Raised for medium- to long-term University needs.
- Invested in financial markets as part of the endowment portfolio.
- Both capital and returns are used over a predetermined period.
- Is provided a fixed nominal return of 5% annually, used for University activities.
- Examples: a 20-year professorship fund that supports a new tenure-track position; a 5-year professor of practice fund that supports a new professor of practice position.

Endowment fund may be closed when the capital has been used up. Typically, expendable and hybrid funds are closed at their expiry.

Capitalizing funds cannot be closed but should the restrictions on their use become outdated or obsolete, their regulations may be changed, or the fund may be combined with another fund that is close to the original purpose of the fund.

9. Impact and Financial Reporting

The University is providing timely and transparent information on the impact of the donors and donations on the University success, as well as on the financial status of the endowment funds. A special publication is made annually to be distributed to donors.

The main channels of financial reporting towards the donors are the donor publication, as well as the University Annual Board Report and Financial Statements. The financial reporting covers key information on the number of donors by segment, overall development of endowment funds, received donations by donor segment and donation type, endowment management, endowment investment portfolio development, spending of the endowment funds as well as the status of the individual funds.

The financial reporting of the endowment funds follows the related legislation as well as Finnish Ministry of Education and Culture Codex on Financial Administration of Universities.

Annex 1: Aalto University Endowment Fund Structure

Type of Fund	Key Terms and Conditions	Aalto University equity line item(s)
General endowment fund (perpetual)	• Includes capitalizing donations received towards the long-term strategic support of the University, including the matching capital received from the government.	Foundation capital, Capital reserve, Accumulated endowment returns fund
Restricted funds, capitalizing (perpetual)	• Includes donations received towards the long-term support of a specific target or activity (e.g. Schools, future talent or entrepreneurship & innovation).	Restricted funds, capitalizing
Restricted funds, hybrid (5-20 years)	• Includes donations received towards a medium to long-term specific target or activity (e.g. academic positions, research infrastructures).	Restricted funds, hybrid
Restricted funds, expendable (1-4 years)	• Includes donations received towards the current needs of a specific activity (e.g. a research spearhead).	Restricted funds, expendable