

The University of Michigan
Regents' Communication

ITEM FOR INFORMATION

June 30, 2005

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| MOTION |
| SECOND |
| ACTION APPROVED BY THE REGENTS |
| NOTE: SEP 15 2005 |
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The Michigan Difference Campaign Update

Executive Summary

The Michigan Difference is an eight and half year campaign to secure a minimum of \$2.5 billion in gifts for the University. The goal is that at least \$2.1 billion will come in the form of outright gifts, pledges and irrevocable gifts, with the balance coming in the form of newly documented bequest intentions and similar deferred gifts. The goal was set in consultation with all schools and colleges and many other University programs.

The Michigan Difference, launched publicly on May 14, 2004, is scheduled to conclude December 31, 2008. Like many other large, university-wide, comprehensive campaigns, a non-public "quiet phase" preceded the public announcement. The Michigan Difference quiet phase began July 1, 2000. During the quiet phase, the regents, academic leaders and key donors were involved in shaping the priorities and goals of the campaign. As key alumni and friends made gifts in anticipation of the campaign these gifts were counted toward the campaign goal. At the time of the Kickoff, \$1.25 billion had been raised.

As of June 30, 2005, more than \$1.83 billion has been raised toward the \$2.5 billion goal. **This is 73% of goal with approximately 59% of the campaign counting period elapsed.**

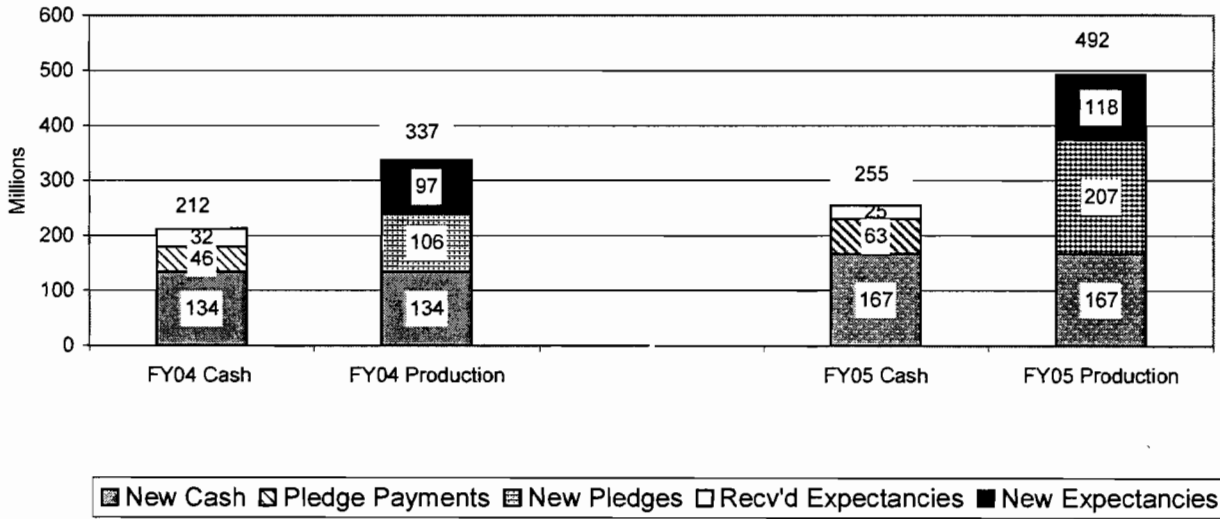
Campaign Counting

Whether in a campaign or not, typically, the Vice President for Development presents a monthly report to the Regents, the **Report on Voluntary Support**, detailing outright gifts and pledge payments as they are received. Gifts from bequests are normally reported to the regents only as the University receives the distributed assets. The face value of newly secured pledges is not included in this report. This report covers only the monthly results for the current fiscal year. It covers "cash receipts" and answers the question "How much have we received from philanthropy this fiscal year that is available to spend or will be added to the University's endowment?"

In contrast, **The Michigan Difference Campaign Update** represents the cumulative result over the multiple years of the campaign. It reports new outright gifts as they are received, as well as the face value of newly secured pledges, and the face value of irrevocable trusts and other irrevocable deferred gifts. In addition, it reports in a separate category, documented, newly secured revocable deferred gifts including bequests, revocable trusts, and beneficiary interests in life insurance. The Michigan Difference Campaign Update answers the question, "How well are we doing in securing commitments toward our campaign goals".

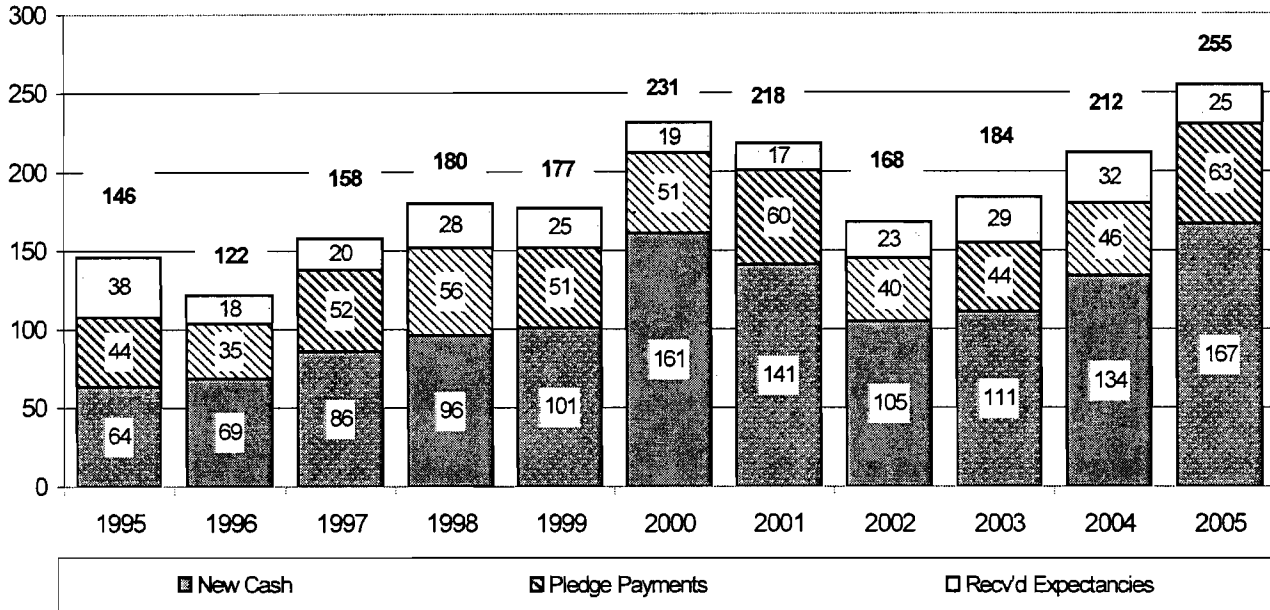
Campaign progress reported on an annual basis is referred to here as “Production” and is a basis for measuring productivity of the development program. While it can be compared to Cash Receipts as illustrated in Figure 1 below, the relationship is indirect. As new pledges and bequest intentions are added in campaign production, they add to a pipeline of pledge payments and realized bequests for future cash receipts.

Figure 1 - Cash Receipts vs. Annual Campaign Production



Through a combination of increased participation, larger gifts, payments from multiple year pledges, and proceeds from deferred gifts in the future, campaign production is a precursor to increased cash receipts in future years. Figure 2 on the next page shows that the campaign is having a direct impact in driving our cash receipts to record levels. **For FY2005, we received a total of more than \$255 million -- an increase of \$43 million or 21% over last year's total of \$212 Million, exceeding our previous high of \$231 Million in FY2000.** A large part of this increase is due to more than \$64 million in pledge payments on campaign pledges in FY2005. For additional information on cash receipts see the Report on Voluntary Support for June 2005.

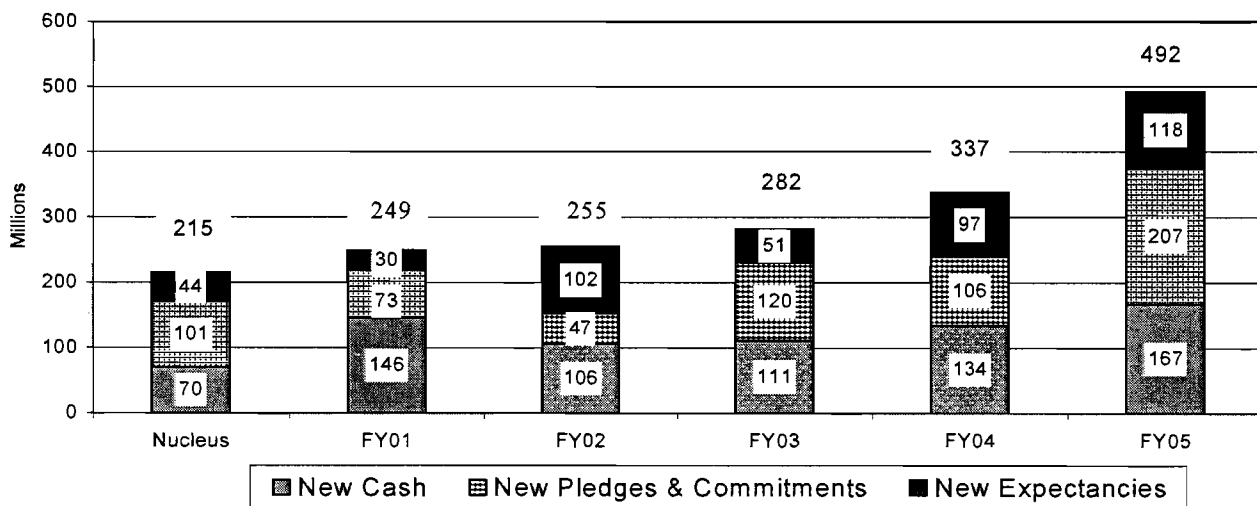
Figure 2 – Cash Receipts by Year per the Report on Voluntary Support



Campaign Production by Fiscal Year

As stated above the cumulative campaign total through June 30, 2005 is \$1,830,132,579. When we announced the campaign publicly on May 14, 2004 gifts totaled \$1.25 billion. **During FY 2005 we added more than \$492 million to the campaign total. This is nearly 20% of our campaign goal in a single year.** Figure 3 below illustrates the progress of the campaign during each fiscal year of the campaign.

Figure 3 – Campaign Production by Fiscal Year



Clearly fiscal year 2005 was an exceptional year. Our tremendous progress was due in no small part to a number of extraordinary gift commitments, including Stephen M. Ross's commitment of \$100 million for the School of Business, \$44 million in commitments from William and Dee Brehm, \$25 million from the Mott Foundation for our Children's Hospital campaign, Sam and Jean Frankel's \$20 million commitment for Judaic Studies and Fred and Barbara Erb's gift of \$10 million. Yet even if we remove these five very significant gifts from last year's totals, we still added more than \$293 million to the campaign.

The gift table in figure 4 shows that there have been more than 264,000 gifts to the Michigan Difference, and 243 of those gifts are of \$1 million or more. This is a testament to the leadership of President Coleman, and the hard work of the executive officers, the deans, the faculty, and the development staff across the university. More than 1,200 volunteers are working on behalf of Michigan and helping to make this campaign a success. Most importantly, we are extremely grateful for the generosity of our alumni and friends throughout Michigan, across the country and around the world.

Figure 4 – Table of Gifts by Size

| Gift Level | Gifts Needed | Gifts Realized |
|----------------------------|--------------|----------------|
| \$50,000,000 - 100,000,000 | 2 | 1 |
| \$25,000,000 - 49,999,999 | 8 | 8 |
| \$10,000,000 - 24,999,999 | 20 | 13 |
| \$ 5,000,000 - 9,999,999 | 40 | 29 |
| \$ 1,000,000 - 4,999,999 | 250 | 192 |
| \$ 100,000 - 999,999 | 2,300 | 1,238 |
| Less than \$100,000 | Many | 262,876 |

Campaign Commitment by Source

As you see in the figure below, nearly 75% of the campaign commitments to date have been received from individuals. It's also interesting to note that approximately 63% of all campaign commitments have already been paid. If we set aside the bequest commitments, the percentage of the campaign commitments paid to date jumps to nearly 75%. This campaign is already having a major impact on University operations and the growth of our endowment due to cash and pledge payments received.

Figure 5 – Campaign Commitment by Source

| <u>SOURCES OF GIFTS</u> | Total Cash and Received Pledge Payments | Outstanding Pledges | Total Cash and Pledges | New Bequests | Campaign Totals |
|-------------------------|--|----------------------------|-------------------------------|---------------------|------------------------|
| Individuals | | | | | |
| Living Individuals | 563,100,134 | 334,131,352 | 897,231,486 | | 897,231,486 |
| Realized Bequests | 185,540,938 | 250,000 | 185,790,938 | | 185,790,938 |
| New Bequests | 0 | 0 | 0 | 282,078,631 | 282,078,631 |
| Total Individuals: | 748,641,072 | 334,381,352 | 1,083,022,424 | 282,078,631 | 1,365,101,055 |
| Corporations | 127,780,777 | 3,973,842 | 131,754,619 | | 131,754,619 |
| Foundations | 193,663,739 | 61,187,462 | 254,851,201 | | 254,851,201 |
| Associations/Others | 77,904,163 | 521,542 | 78,425,705 | | 78,425,705 |
| TOTAL | 1,147,989,751 | 400,064,198 | 1,548,053,949 | 282,078,631 | 1,830,132,580 |
| GOAL | | | 2,100,000,000 | 400,000,000 | 2,500,000,000 |
| % of GOAL | | | 74% | 71% | 73% |
| % of Time Elapsed | 59% | | | | |

Gifts by Purpose and Type

As important as the overall total of the campaign is, the purpose of the gifts and the type of gift (endowment, current use or building funds) as designated by the donor may be more important. Figures 6 and 7 summarize our progress to date in these two dimensions. In addition to good progress against our very substantial building projects goal of \$500 million, it's important to note that nearly \$278 million has been committed in student support including scholarships, fellowships, awards, and similar types of funds. While faculty support is currently lagging the other areas, this area will get increased attention once units complete the funding for building projects. Endowed professorships are often one of the most popular gifts from major donor prospects, and success in this area will further address our endowment goals.

Figure 6 - Campaign Gifts by Purpose

| | Goal | Progress | % of Goal |
|---------------------------------|----------------------|----------------------|--------------|
| Faculty Support | 425,000,000 | 182,711,763 | 43.0% |
| Student Support | 400,000,000 | 277,584,584 | 69.4% |
| Programmatic* | 775,000,000 | 767,643,987 | 99.1% |
| Buildings | 500,000,000 | 320,113,614 | 64.0% |
| Total Cash & Pledges | 2,100,000,000 | 1,548,053,948 | 73.7% |
| Add: New Bequests | 400,000,000 | 282,078,631 | 70.5% |
| Total - All Gifts | 2,500,000,000 | 1,830,132,579 | 73.2% |

**Includes Research & Discretionary Gifts*

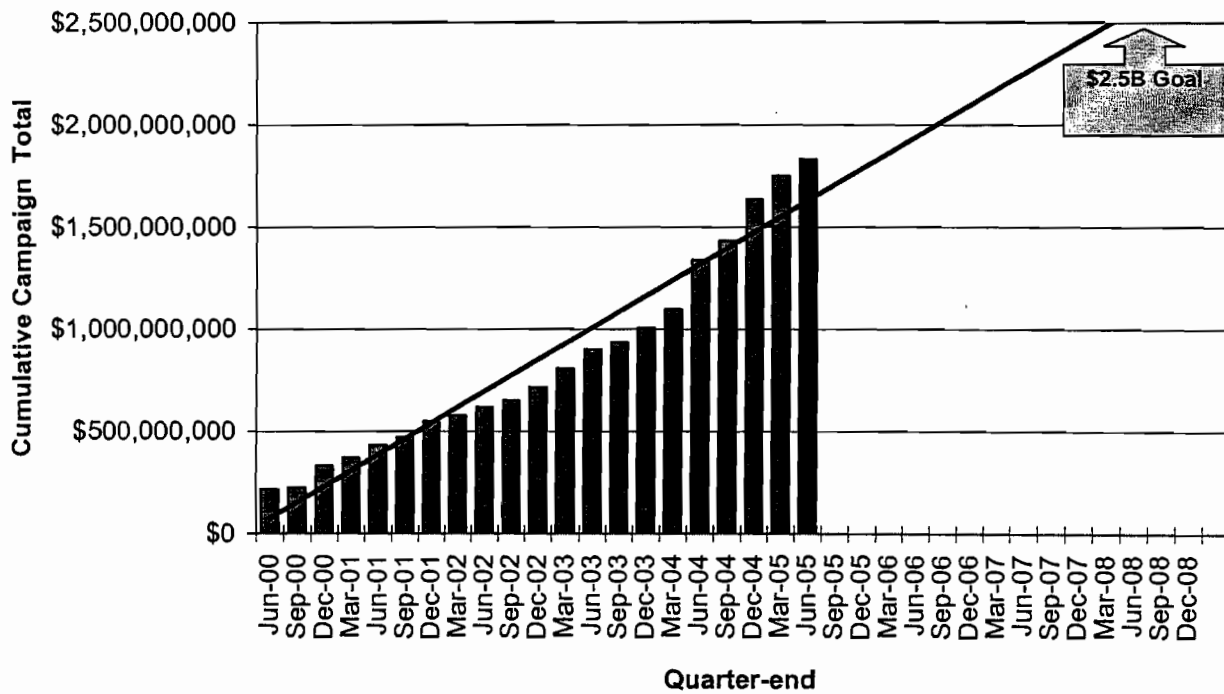
Figure 7 - Campaign Gifts by Type

| | Goal | Progress | % of Goal |
|---------------------------------|----------------------|----------------------|--------------|
| Endowment | 800,000,000 | 518,891,539 | 64.9% |
| Expendable | 800,000,000 | 709,048,795 | 88.6% |
| Buildings | 500,000,000 | 320,113,614 | 64.0% |
| Total Cash & Pledges | 2,100,000,000 | 1,548,053,948 | 73.7% |
| Add: New Bequests | 400,000,000 | 282,078,631 | 70.5% |
| Total - All Gifts | 2,500,000,000 | 1,830,132,579 | 73.2% |

Cumulative Campaign Progress

When we view the cumulative results of the campaign against time in figure 8 below, you can see that we are well ahead of the projected baseline required to meet the campaign goal by December 31, 2008.

Figure 8 – Cumulative Campaign Progress



Respectfully submitted

Jerry A. May
Vice President for Development