

Memorandum of Understanding Between Morehead State University and Morehead State University Foundation, Inc.

This agreement, entered into as of this 20th day of January, 2011, by and between the Morehead State University, herein after referred to as the University, and the Morehead State University Foundation, herein after referred to as the Foundation.

The Foundation was organized in 1979 as a non-profit Kentucky Corporation to provide private financial support to the University as a tax-exempt educational foundation under section 501 (c) (3) of the Internal Revenue code of the United States.

The Foundation is dedicated to assisting the University in the building of the endowment and in addressing, through financial support, the long-term academic and other priorities of the University. The Foundation's mission is:

- to prudently administer the gift assets of the Foundation and/or the University as provided by federal and state law and regulations and through fiduciary responsibility between the University and the Foundation,
- to promote educational purposes in connection with or at the request of the University by encouraging, sponsoring and supporting institutional priorities,
- to provide advice, consultation and support to the President and Board of Regents of the University, and
- to provide volunteer leadership to the University's fundraising programs and to assist other institutional advancement efforts.

In consideration of the mutual commitments herein contained, and other good and valuable consideration, receipt of which is hereby acknowledged, the parties agree as follows:

The Foundation's Fiduciary Responsibility to the University

The University Board of Regents recognizes the Foundation as its fiduciary to solicit, receive and administer all private non-contractual contributions to the University. The Foundation accepts its legal responsibility as a fiduciary to carry out these duties and the mission set forth above. It further recognizes its liability to the University if it fails to properly perform its fiduciary duties.

The Foundation is a non-affiliated corporation recognized under Kentucky law as an autonomous entity dedicated to assisting the University.

The University and Foundation recognize and affirm a fiduciary relationship of the Foundation for the identification, receipt, acknowledgment and administration of all private contributions, regardless of check payee designation. The Foundation and the University will act so that the intent of private donors (individuals, businesses or foundations) is followed with respect to their contributions, subject to compliance with

sections 273.510 through 273.590 of the Kentucky Revised Statutes (Uniform Management of Institutional Funds Act).

The Foundation Board of Trustees is responsible for the control and management of all assets of the Foundation, including the prudent management of all gifts consistent with donor intent. A comprehensive set of bylaws clearly address the Board's fiduciary responsibilities, including expectations of individual board members based upon ethical guidelines and policies.

The Institution's Relationship to the Foundation

The University, by both policy and practice, will facilitate as necessary the proper reporting of private fundraising by University budget units to the Foundation. This will enable the Foundation to properly record, acknowledge, and report all private contributions to the University.

The Chief Executive Officer of the Foundation will be included as a member of the President's cabinet and senior administrative team. Likewise, the President of the University will serve as an ex-officio member of the Foundation board and will assume a prominent role in fundraising activities.

The University will include the Foundation as an active and prominent participant in the strategic planning for the University.

Foundation Responsibilities

Fundraising, Gift Acceptance and Deposits

The Chief Executive Officer of the Foundation and the University President will coordinate all major fundraising activities in advance of their initiation and will keep each other fully informed in such matters. As such, the University will work in conjunction with the leadership of the Foundation Board and the Foundation Chief Executive to identify, cultivate, and solicit prospects for private gifts.

The Foundation will create an environment conducive to increasing levels of private support for the mission and priorities of the University.

The Foundation will establish and enforce policies to protect donor confidentiality.

The Foundation will establish, adhere to, and periodically assess its gift-management and acceptance policies. It will promptly acknowledge and issue receipts for all gifts on behalf of the Foundation and the University and provide appropriate recognition and stewardship of such gifts.

The Foundation will also receive and promptly deposit public funds as described in this Memorandum of Understanding. The Foundation will not deposit funds resulting from the sale or rental of University assets.

The collection of University funds (e.g. athletic ticket sales) by the Foundation may be allowed with prior approval of the University. Funds collected by the Foundation on

behalf of the University will be appropriately secured and then deposited with the University.

The Foundation will account for and provide stewardship for all gift-in-kind contributions. Every effort should be made by both the Foundation and the University to verify that the intended gift can be utilized before being accepted. As appropriate, the Foundation will transfer gifts-in-kind to the University.

Reporting and Monitoring

The Chief Executive Officer of the Foundation:

- will regularly communicate with the University President in regard to the Foundation's support to the University, its fundraising efforts and activities on behalf of the University, and the general condition of the Foundation.
- will promptly advise the President of the University of major gifts that may affect the funds available for University use during the fiscal period.
- will provide, at a minimum, semi-annual gift income reports to the President of the University and the University Board of Regents.

The Foundation will, for the ensuing fiscal year, advise the appropriate account administrators at the University no later than March 15th, regarding the available resources and the specific terms, conditions, or limitations imposed by the donor on such resources.

The Foundation's Finance Manager will provide quarterly balance reports throughout the year on all Foundation accounts to the specific account administrators and the University's Treasurer.

The Foundation and University agree that access to Foundation records related to accounts maintained on behalf of the University will be available to any authorized party designated by the University's President.

The Foundation, with the cooperation of University budget units, will secure University prior approval to establish all University-related accounts. The Foundation will establish such accounts after the review and approval of an Account Establishment Form by the appropriate Dean or Vice President, Treasurer of the University, Chief Executive Officer of the Foundation, and the Finance Manager of the Foundation.

Asset Management

The Foundation will establish asset allocation, disbursement, and spending policies that adhere to applicable federal and state laws.

In addition to private funds, and upon approval by the University Board of Regents, the Foundation may receive and administer public funds of the University under the provisions of House Bill 321, enacted by the 1998 General Assembly, related to the investment of funds from the Regional University Excellence Trust Fund. The University Board of Regents will approve the acceptance of private contributions that are to be

matched with funds from the Regional University Excellence Trust Fund, to insure compliance with state matching guidelines.

The Foundation may invest in real estate and other property essential to the strategic initiatives of the University. Unless exceptional circumstances exist, such investments will be followed promptly by a lease-purchase agreement or other such instrument for the University to acquire such investments from the Foundation.

The Foundation will engage an independent accounting firm annually to conduct an audit of its financial records and will provide copies of the audited financial statements, including management letters, to the University.

Transfer and Disbursement of Funds

The disbursement of funds by the Foundation for direct support of University budget units will be accomplished by a transfer of funds from the Foundation to the University. Disbursements of this type include expense payments to University personnel for services, travel, or reimbursement of expenses, unless specifically exempted by a prior and separate agreement.

Expenses related to stewardship, cultivation, fundraising, or Foundation administrative costs may be directly disbursed.

Financial aid supported by the Foundation will be disbursed through the University, unless otherwise directed by donor limitations. Awards given to students for outstanding achievement throughout the semester and other established cash awards (e.g. honors awards, Gallaher Music Competition) are not considered financial aid for these purposes.

The University will prepare billing statements to the Foundation for the general categories of financial aid and support services. Typically, the Foundation payment will be forthcoming within 30 days.

Foundation Funding and Administration

The Foundation, to support its operations, may assess reasonable fees, as provided for in the management fee policy, for the management and financial advisory services related to assets managed for the University.

The University will provide personnel, office space, support equipment and other services that may be necessary to the operation of the Foundation. The Foundation will reimburse the University for these services at a rate determined by the University in consultation with the Foundation during the budget preparation cycle each fiscal year. In addition, the Foundation will maintain an annual operating budget to cover other general administrative expenses associated with doing business.

The Foundation will earmark a portion of its annual operating budget for the purpose of establishing a discretionary fund for the President of the University to reimburse appropriate presidential expenditures.

Terms of the Memorandum of Understanding

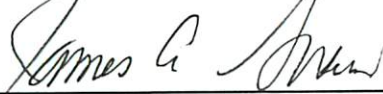
This Memorandum of Understanding, made this 20 day of January, 2011, by and between the University and the Foundation is intended to set forth policies and procedures that will contribute to the successful coordination of their mutual activities.

This agreement supersedes any previous agreements.

IN WITNESS WHEREOF, the parties have caused this Memorandum of Understanding to be executed by their duly authorized officers as of the day and date first above written.



President, Morehead State University



CEO, Morehead State University Foundation