

HOW TO START A PRSA CHAPTER ENDOWMENT FUND

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- 1) WHERE TO BEGIN - Assemble a loose group of co-conspirators to discuss possibilities, including possible fund objectives.
- 2) FIND A LEADER – Locate a plugged-in senior chapter member, such as a past president, willing to make a multi-year commitment to lead the effort.
- 3) BUILD CREDIBILITY AT THE OUTSET – Identify one or two or several agencies or individuals willing to pledge to gifts of \$250 or \$500 or more to launch the fund.
- 4) APPROACH THE BOARD – Bring the idea to the chapter board for discussion and for a vote to proceed with development of a financial plan to be brought back to the board for later approval. Achieving prior commitments as outlined in steps 1-3 before approaching the board will create the necessary momentum.
- 5) INVOLVE CHAPTER MEMBERS – Alert the chapter membership as to the planning effort underway and solicit volunteers to serve on an endowment committee, whose chair would be the senior member previously enlisted. At the same time, invite chapter members to offer the committee their ideas. Figure out who will lead each fundraising task and come to agreement on the amount of revenue each individual component can be expected to produce.
- 6) DETERMINE YOUR GOALS
 - The Miami chapter awards one scholarship to a student at each local college or university that maintains a PRSSA chapter, presently three, plus Miami Dade College. Our program is formally known as the Ev Clay/PRSA Miami Chapter Endowment Fund. The decision to support a student at MDC, a predominantly two-year institution, resulted from a relationship the fund's namesake had with that institution.
 - By contrast, PRSSA's Gulfstream Chapter gives scholarships to support professional development for members.
 - Definition of fund objectives is very much a local matter. It may include support of projects outside of the scholarship realm.
- 7) DEVELOP YOUR PLAN – The committee should present to the board for approval a three-to-five year plan that includes a statement of objectives and projects the inflow and outflow of funds on a year-by-year basis.
 - The plan should identify specific income sources and financial expectations, however tentative, relating to each activity. It should reflect the philosophy that

the easiest way to raise money is to simply ask for it – the right person, asking in the right way, at the right time.

- You may wish to make no disbursements at all for the first couple of years, and only token disbursements for a time thereafter. Funds should be operated in a way that continually builds the fund's balance. As time passes, investments rather than events or other such laborious enterprises, will come to drive the fundraising.
- Since continuity of effort will build your donor base, plan to repeat the same activities each year.
- You should expect to derive income every year from at least the following five sources, plus others developed from locally available opportunities: 1) A major event such as a scholarship award luncheon, possibly linked to an existing awards program; 2) A board member appeal, with the expectation of 100% participation; 3) A chapter member appeal (after the board member appeal, using 100% board participation as a selling point); 4) A chapter donation; and 5) Investment income.
- There's no reason the average-sized chapter can't generate \$5,000 - \$10,000 a year from these methods and even more when investment income begins kicking in. The secret lies in 1) methodologically building and maintaining a corps of believers while 2) breaking the huge task of building an endowment into manageable sub-tasks, each of which board members consider extremely reasonable and achievable.
- The Miami Chapter took six years to achieve the goals of its five-year plan, which called for doubling its existing endowment to \$100,000 and raising scholarship disbursements from \$3,000 to \$7,500 annually. We are proud that after year three, we were only \$300 off of our revenue generation plan. (The sixth year was the result of the prolonged stock market slump).

8) CREATE A GOVERNANCE STRUCTURE – In tandem with development of a long-range plan, the board should set up a fund governance structure and develop operating principles. Some suggestions:

- The chapter might ask board members to wear a second hat by also sitting as trustees of the endowment fund, or at minimum heavily weighting the endowment board with current chapter leaders. It's important to link the endowment effort closely with other current activities undertaken by the chapter. I personally would resist the impulse to ask a group of past presidents or other senior members to run the endowment independently "to keep them involved by giving them something to do."
- Tasking board members with an additional duty means the need to accommodate this role in your chapter bylaws. When chapter elections are held, chapter members are reminded that they are electing officers who will be doing double duty.

- By-laws language should have a provision about trustees' responsibility to "safeguard the endowment." We in Miami interpret this to mean that the chapter, not the endowment fund, conducts fundraisers so as to protect the endowment from any risk of loss. After conducting the event, the chapter turns the profits over to the endowment. An event that raises \$4,000 with \$2,500 in expenses and \$1,500 profit going to the endowment will be represented on the chapter budget as a wash -- \$4,000 on the income side and \$4,000 on the expense side. We also interpret "safeguarding the endowment" to mean that the chapter, rather than the endowment, absorbs any administrative costs, which are less than \$200 per year. In more than 20 years of operating the Miami chapter endowment, the only endowment fund disbursement for other than scholarships was a one-time attorney's fee for the 501c3 filing.
- The bylaws should spell out two specific board duties relating to the endowment. Duty one is for the board to accept, early in the year, the financial report of the endowment chair covering the previous year's operation. Duty two is to approve a proposed disbursement plan for the upcoming year (at the February or March meeting). By board policy, the Miami fund makes available for scholarship distribution in any given year an amount equal to between 6 and 7 percent of the fund balance on December 31 of the preceding year.

9) CONSIDER APPLYING FOR TAX-EXEMPT STATUS

- You may choose to gain tax-exempt 501c3 status for your fund, though ours operated for more than 10 years simply as a chapter committee with funds in a segregated account. Strangely, we didn't miss out on many donations because the fund was not federally tax-exempt, but it does smooth the way in all respects to do so.
- To become a 501c3, the law requires a new fund to project income and expenses, and an existing fund to account for the past few years of financial activity... so if you want to become a 501c3, it's doubly essential to do operating projections.
- In filing for 501c3 status, the first steps are to seek a federal tax number and adopt a fund by-laws that is filed with your secretary of state's office. Check to find out what your particular state requires. In Florida, we need to keep our corporate status current by filing a form and making a payment of \$61.50 to the state every year.
- Once you set up a 501c3, there's no annual federal filing requirement unless your fund averages \$25,000 or more in income over three years time.

10) SET UP AN AWARDS PROCESS

- Soliciting nominees and selecting winners is a major task of the endowment committee.
- Establish good relationships with the institutions involved by inviting a faculty member from each to join the endowment committee. Often it will be the PRSSA faculty sponsor. Sometimes the institutional representative is not even a PRSA member.
- If you involve more than one institution, do not be discouraged if you face an inability to enforce uniformity re. application forms, procedures or timing. Each

institution can be expected to want things to work a little differently. You have to fit into their framework, rather than they to yours.

11) DEVELOP AN INVESTMENT STRATEGY

- From the beginning, strive as a goal to drive your endowment program through solicitations and investments, rather than labor-intensive events.
- At a minimum, keep the endowment account segregated from the general chapter account.
- A recommended approach is to invest in no-load mutual funds handled by Fidelity, Vanguard, T. Rowe Price or similar with all transactions done by mail. It is extremely advantageous to have all investments reported on one statement from a single source, rather than squirrel away funds in CD's and different savings and checking accounts around town.
- Miami's approach is to invest 60% in a broad-based market index stock fund, 30% in a fixed-income fund, and 10% in a money-market fund with checking account privileges. As new money comes in, investment decisions become easy. Simply allocate the new funds to the category that is "light."
- Your board-approved investment strategy should include an optimal weighting between different investment categories with rebalancing at year-end if categories become heavily over- or under-weighted. This is easiest done if you have your investments all in one place.
- We file a fresh corporate resolution and signature cards with Vanguard each year. The president, treasurer and endowment financial management chair are authorized to sign checks, with two signatures required as a safeguard. The only checks signed in a year are those going to scholarship winners.
- Total administrative expenses for the Miami fund each year are zero. The only outflow from the fund consists of checks going to scholarship winners. Because the chapter absorbs mailing and any other expenses, donors have the assurance that every penny they contribute goes to scholarships, a useful selling point with potential donors.

12) SPECIAL OPPORTUNITIES

- Should a locally revered practitioner die, you might consider incorporating that person's contribution to the professional through naming the endowment in his/her honor. You will have powerful allies for all time if the person's family, friends and institution consent early and are behind your effort.
- As time goes on and the number of supporters grows, gifts have a habit of just showing up, without anyone's coaxing or suggestion. Just about every year the Miami chapter receives memorial gifts, some in the thousands of dollars. Once you achieve local credibility, great things happen.

13) AN ALTERNATIVE IF SELF-ADMINISTRATION IS TOO BURDENSOME

- If the chores involved with operating an endowment appear to daunting, assistance is often available in the form of local community foundations. They

will carry out your board's wishes with respect to handling administration, running the application process and making investments if you'd prefer. To do this, they typically charge 2% of the fund assets each year as a fee.

14) EXERCISE YOUR IMAGINATION

- Imagine dozens of PRSA chapters with their own endowments. Right now there are at least five – Miami, Gulfstream, Detroit, Nebraska and Boston – and maybe more. Let us know if you go ahead and join this group, or if you know of other chapters that have endowments.
- Further, imagine the PRSA Foundation offering members a new giving option – the opportunity to designate gifts to their own chapters. The PRSA Foundation would thus attract a whole new group of donors that would otherwise have little incentive to give. At the same time, the Foundation would be building value with PRSA members at the grassroots level.
- Presently PRSA does not identify or track scholarships awarded by chapters, nor does it specifically encourage chapters to create endowments. It should consider doing so. A survey instrument to identify chapter scholarship practices has already been developed and is available for this purpose.

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3/10/06

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