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July 12, 2000

To: The Officers, Trustees and Advisory Trustees of
The Space Center Rotary Club Endowment Foundation

Re: Mission Statement and Purpose

At the meeting of the Board of Trustees yesterday, I renewed my concern that until each of us can answer the questions: "What is the Foundation?" "Why does it exist?" "What is its purpose?" "What does or will it do with the money that I give to it?" in a clear and concise way, its growth will be minimal and very dependent upon the ups and downs of the stock market. Without a vision that is well defined and that can be clearly communicated to the members of our Club and to others, there is no focus. Without a focus for which a passion can be fostered and exhibited, there will be little accomplished.

The Rotary Foundation of Rotary International had a beginning similar to that of our Foundation. It started with an idea that it would be good to start something that could grow and do good works, but until there were specific projects for "good works", there was little passion or enthusiasm for giving. The *Polio Plus* program is a good example in the recent past of how focus and passion can generate a desire to give. This program was an immediate money-raising success because it had a clear and specific goal to do a good thing.

I believe that we have a good beginning for something that can be very beneficial to our community, but we have been chartered for nearly 10 years and have accumulated assets valued at less than \$10,000 per year of existence. How many of us can make a convincing argument for giving to the Foundation? If the Foundation exists for a worthy and noble purpose, we and each member of the Club should be able to express that. We need to be proud of our Foundation, not almost apologetic for it. We should not have to beg the Club's board of directors to give service funds to the Foundation, the board should be anxious to use the Foundation to help the community.

I have proposed to Chairman Bob that a meeting be held jointly with the Club's board for the sole purpose of a brain storming session. Hopefully, from such a meeting, or, if necessary, a series of such meetings, we will determine our focal point to the extent that those questions in the opening paragraph of this letter can be quickly and concisely answered. Only then will we know the product we are selling and what our sales message is. While the *Intent of Founders* found in Section 1.3 of

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the Foundation's bylaws (see the enclosed History & Purpose) may sound noble (especially if you understand the meaning of "eleemosynary"), so does the Declaration of Independence of 1776, but what does either really mean? I am confident that we have the vision. Let's describe it in a way that others will also see what we see. Let's light the fire of passion so that there will not only be a willingness to help the Foundation grow, but a great desire to be a part of that growth. Let's instill in the current and future members of Space Center Rotary Club an awareness of and a pride in our Foundation so that it is no longer the tolerated stepchild, but a focus of our efforts, as Rotarians, to serve others. Let's become something that will be a legacy for each of us, a way for each Rotarian to be remembered by our community beyond death.

To help us prepare for our brain storming session, I have enclosed a statement of the history and purpose of the Foundation. Please review it and begin formulating your ideas. Chairman Bob will let us know when we will meet.

Yours in Rotary,

BILLY R. SMITH
Past Chm. & Advisory Trustee

enc.

The Space Center Rotary Club Endowment Foundation
[*Its History & Purpose*]

When Billy Weseman was president (1988-1989), Floyd Boze and Bob Wren urged the establishment of an endowment foundation by our club. Although this was a new concept for us, many clubs had already established such foundations with which both Floyd and Bob were familiar. Since Billy was a strong supporter of the Rotary International Foundation and believed that a local foundation would compete for funds, he did not support the idea and nothing came of it.

The next year (1989-1990) John Watson was president and the idea of a foundation was again discussed by the Board. This time the Board unanimously supported the idea and resolved to establish the Space Center Rotary Club Endowment Foundation. John asked Billy Smith to obtain a charter from the Texas Secretary of State for a non-profit corporation and David Hamblin was asked to obtain approval from the Internal Revenue Service so that the Foundation was classified as a 501(c)(3) charitable organization. After considerable research and discussions with members of other Rotary clubs who had long-established foundations, both were accomplished. The corporate charter was issued on February 15, 1991 and 501(c)(3) status was granted on April 9, 1993. The purposes for which the Foundation is organized are stated in Article I of its bylaws:

**By-laws of
The Space Center Rotary Club
Endowment Foundation**

**Article I
Purposes of Corporation**

SECTION 1.1. *Purposes.* The purposes of the corporation (hereinafter referred to as the "Foundation") shall be as provided in Section IV of the Articles of Incorporation.

SECTION 1.2. *Restrictions on Funds.* This is an endowment foundation, and as such, the funds and properties coming into its possession shall not be expended, except as prescribed by the terms of a gift or bequest, but shall be restricted. Only the income of the Foundation shall be unrestricted and expended for the purposes of the Foundation.

SECTION 1.3. *Intent of Founders.* Not desiring to diminish the importance of or to detract from the work of The Rotary Foundation of Rotary International or to interfere with or compete for support, through its members, of Space Center Rotary Club, and, while acknowledging the worthiness of the Club's attaining the highest possible level of member participation in financially supporting The Rotary Foundation through Paul Harris Fellowships, Paul Harris Sustaining Members, and Benefactors, the founders of The Space Center Rotary Club Endowment Foundation believe that there will be those among its members, both present and future, as well as relatives and friends of members, who, desiring to foster and promote the ideals of Rotary, wish to do so within the local community and through the control, management, and administration of members of Space Center Rotary Club. Therefore, this Foundation has come into existence and shall strive to nurture, encourage, and advance the development of effective programs, activities, undertakings, and projects of a philanthropic, charitable, educational, humanitarian, and eleemosynary nature. To achieve this intent, the founders believe that it will be important and desirable for the Trustees of the Foundation to resist the temptations to distribute all available funds, but, at least in the early years to concentrate on the building of a sizable trust corpus, accumulating as much of the income as possible and adding it to the principal until the Foundation has the means and resources to offer

financial assistance to worthy projects of a far greater dimension than it would otherwise be able to consider.

Article IV Board of Trustees

SECTION 4.1. *General Powers.* All business of the Foundation shall be managed by the Trustees, except certain matters which must also receive approval of the members, as set forth in Section 3.3 of Article III. In managing the affairs of the Foundation, the Trustees shall have the following powers and duties:

- (a) To hold, invest, manage, and administer all funds and property of the Foundation. In furtherance of this responsibility, the Trustees are authorized to do the following:
 - (i) To sell, lease, transfer, or exchange all or any part of the property of the Foundation at such prices and upon such terms and conditions and in such manner as they may deem best;
 - (ii) To execute and deliver any proxies, powers of attorney, or agreements that they may deem necessary or proper and that may be permitted by law;
 - (iii) To invest and reinvest the Foundation's funds in such manner as they deem suitable;
 - (iv) To select and employ suitable agents and attorneys, including the employment of investment managers to whom may be delegated such powers in managing and investing the funds of the Foundation as the Trustees may deem advisable, and as the laws of the State of Texas may permit, and to pay their reasonable compensation and expenses;
 - (v) To adopt budgets and appropriate funds for programs, projects, and activities of the Foundation; and
 - (vi) To pay all necessary expenses of administering the Foundation;
- (b) To administer all programs, projects, and activities of the Foundation;
- (c) To evaluate on a continuing basis all programs, projects, and activities funded by the Foundation and report to the members annually concerning all awards and grants made by the Foundation;
- (d) To promote the Foundation and disseminate information about it, and to provide appropriate forms of recognition to individuals and others who support the Foundation;
- (e) To assume primary responsibility for developing and initiating new Foundation programs, projects, or activities;
- (f) To consider and approve proposals by the Directors of Space Center Rotary Club concerning the Foundation;

- (g) To adopt and amend additional rules and regulations for the administration of the Foundation as in their opinion may be necessary or advisable, provided such rules and regulations shall not be contrary to the constitution and by-laws of Space Center Rotary Club or to the Articles of Incorporation of the Foundation and to these by-laws.

You can see that two things are prominent:

1. As an “endowment” foundation, only the income from its funds or properties may be spent. This is to accomplish a growth in value of assets so that the income produced will be an amount which will facilitate the implementation and support of projects the magnitude of which is not possible from the Club’s annual fund raising. This is to be perpetual, to live beyond our individual lives.
2. There is to be no competition between the Rotary Foundation Committee and the Endowment Foundation for members’ money. Both are important, the first for international service and the second for local community service. In fact, most, if not all of the Trustees and advisors are Paul Harris Fellows and some are also Floyd Boze Fellows.

Considerable time passed between the resolve of the Board to establish the Foundation and its birth and much more time has now elapsed, making it important that the commitment made by that 1989-1990 Board of Directors be renewed annually and that the history be carried forward to inform newer members of where we are and how we got here so that we have a vision of where we are going.

It has been a struggle from the beginning to convey and plant the idea among our members that the Foundation *is* us and not *separate* from us. The bylaws state that the members of the Foundation are *all* of the members in good standing of Space Center Rotary Club.

The Club’s Board of Directors sometimes views the Foundation and its Board of Trustees as aliens, set apart from the Club, when, in fact, it is only a separation of entities for tax reasons. The bylaws provide that the Trustees must be members of the Club and are elected by its members. The bylaws further provide that no property may be used or funds spent without approval of the members of the Club acting through its Board of Directors. The only exception is when a donor attaches a condition to a gift directing that it be used in a specified manner or for a specified purpose.

For a long time, those involved with the Foundation have struggled to answer the question, “For what purpose does/will the Foundation use the money or property it is given?” Since no project has been identified, although we have a planning committee considering various possibilities, our standard answer has essentially been, “We don’t know yet.” Then we attempt to convey, in concept, the overall purpose and mission of the Foundation’s existence. This has usually not satisfied the inquirer. Recently, though, the light has shown through the clouds and I have awakened to the fact that it is not the duty of the Trustees and its advisors to determine how the Foundation will use its assets and what projects to which it will give, that is primarily the duty and responsibility of the members of the Club acting through its Board of Directors. Only the board can approve funding.

While our passion for making the Foundation a success (measured by what it does for the citizens of the greater Clear Lake Community) is a driving force, those of us who serve as Trustees and Advisory Trustees of the Foundation have, as our primary responsibility, the management and investment of its assets and the promotion of its worthiness.