

## Philanthropy: It's Nice to Be Important, but It's More Important to Be Nice

Reed Phillips, DC, PhD

The faculty of the arts and sciences of Harvard University held \$4.7 billion of the university's \$10.9 billion endowment as of June 30, 1997. There was a 26 percent yield in fiscal year 1997 on the endowment holdings. However, this doesn't seem to be enough. The current endowment fundraising drive for the College of Arts and Sciences has raised \$796 million as of December 31, 1997, over 80% of their goal.<sup>1</sup>

Let me define a billion dollars. Suppose you had to physically move one billion dollar bills to the bank. A one-dollar bill weighs 1.02 grams. At this weight, it would take 445 one-dollar bills to equal one pound. By computation, it is learned that the billion bills would weigh 2,247,191 pounds and require 1,123 one-ton trucks to transport them, with enough one-dollar bills left over to fill a half-ton pickup and still leave \$84,995 for pocket change.<sup>2</sup>

While I know of no chiropractic college that retains a billion-dollar endowment, I believe each one would benefit from having an endowment of any size. How does a college obtain an endowment? Some schools plow unspent tuition revenue at year's end into an endowment fund. Such action may seem unfair to the current students, but it helps to ensure the long-term viability of the institution.

The most obvious source of endowment funding is through gifts and donations. With varying degrees of effectiveness, every college president has asked someone to make a donation to their respective school. Most colleges support a fundraising or development office on campus. Through that office, a variety of fundraising efforts are launched.

The more common programs are annual programs where alumni and friends of an institution are asked to give a yearly donation, usually at year's end, to take advantage of a tax savings. Routine giving of this nature is often couched in such programs as a "treatment a month" program, and solicitation for the donations is generally done through telephone calls or by direct mail. This is an inexpensive way to solicit donations, but it is also one of the least successful methods. Its greatest advantage lies in the identification of willing donors who may be able to give more if asked.

The question is often posed: "Why don't colleges seek support from private industries, foundations, community funding programs or federal programs?" They do! There is money to be found in these sources, but it is difficult to acquire. Most money-granting organizations have very strict guidelines on what and whom they will fund. If a college fits all the criteria, then they are in line to compete with a large number of other grant seekers. Many times, knowing someone on the inside of the granting organization gives one-upmanship on grantsmanship skills.

Another fundraising effort is tied to honoring an individual, usually posthumously. The family asks that donations be made to a college rather than spending money on flowers, etc. With the appropriate approach to solicitation, permanent scholarship funds and endowment funds can be ordered so the deceased can be remembered repeatedly as grants or scholarships derived from the interest of the endowment are awarded, usually on an annual basis.

There are times when a school needs a large influx of revenue to undertake some major project such as constructing a new building on campus, doing some extensive remodeling or initiating a new program. These needs are usually met by what is referred to as a capital campaign. As indicated in the beginning, capital campaigns for some major universities can extend into the billions of dollars.

Most chiropractic colleges would be strapped to seek a million dollars in a capital campaign. The reason for this is related to how capital campaigns are generally conducted. A capital campaign is usually not publicly announced until somewhere between 50 and 75 percent of the total projected money is already collected. This is accomplished by individual donors stepping up to the plate and making large contributions, or by the board of trustees collectively making a large contribution towards the capital campaign. The remaining 25 percent of the campaign's goal is usually reached by numerous smaller donations obtained from a very active solicitation effort.

A very popular fundraising approach is deferred giving. Essentially, individuals make an agreement through a trust to give a designated college a gift: often real estate, investment holdings, or some valuable possession. This gift is then placed in a trust. A percentage of the income derived from this trust creates a revenue stream that returns to the donor for the remainder of the donor's life. Upon the donor's passing, the assets of the trust become the property of the college.

This is a very simplified explanation of a very complicated set of requirements. Nevertheless, many aging alumni of our institutions can escape pressing capital gains taxes, get significant tax credits, establish a lifelong revenue stream, and pass their wealth on to a nonprofit organization using this type of program. Anyone considering retiring who also holds property should consult their estate planner or work with the chiropractic college of their choice to see if this deferred giving approach can benefit them.

While the philosophical debates continue within the profession, no one can deny that chiropractic education needs a greater financial base of support. At a recent meeting I attended, an astute doctor painted the picture this way:

"I feel like I am in the crow's nest on the Titanic. I can see the iceberg, but it's too late to save the ship from crashing."

Chiropractic colleges are tuition-dependent institutions. If we strive to increase the quality of our educational programs, we generally incur increased costs. If we strive to improve facilities, build new facilities, or simply maintain the ones we have, we incur increased costs. If we strive to enhance our research programs, clinic training programs, faculty development programs, political action programs, alumni programs, public relations programs or any other programs, we incur increased costs.

The cost of obtaining a chiropractic education now exceeds \$50,000 for nearly all schools. Student debt (the iceberg) is averaging in excess of the \$50,000 range, with many students borrowing over \$100,000. The profession (Titanic) is fast approaching the point where eventual earning power will not be sufficient to manage the graduating student's debt burden. When the ship meets the iceberg, there will no longer be a student debt problem. It will no longer be a school finance problem. It will become a professional survival problem. We must start turning the ship now before it's too late.

Debt counseling for students and prudent fiscal management by the colleges are band-aids placed on large gaping wounds. Enhancing revenue production from sources other than tuition increases is an important step in the right direction, although many of the colleges are competing with each

other for the same revenue dollar.

"Debt counseling for students and prudent fiscal management by the colleges are band-aids placed on large gaping wounds."

Einstein said, "The significant problems we face cannot be solved at the same level of thinking we were at when we created them." Could we be so bold as to consider the consolidation of chiropractic education? We must not limit our thinking to 20th century thinking by envisioning consolidation in the physical sense of combining two colleges into one. With the advent of technologically-assisted learning, consolidation could occur digitally. With shared faculty, common curricula, and easy access not bound by time or place, overhead costs could be shared. Technology costs would be high initially, but over time could be shared and spread across a common student body.

"Could we be so bold as to consider the consolidation of chiropractic education?"

Technology is not the answer to all our problems, but it does present a possibility. Can we swing the rudder and change the direction of the ship before we hit the iceberg?

1. Dean Knowles, annual letter to the faculty, January 26, 1998.
2. Speaker's Library of Business Stories, Anecdotes and Humor.

*Reed B. Phillips, DC, DACBR, PhD*  
*President, Los Angeles College of Chiropractic*  
*Whittier, California*  
rbp-lacc.edu

JULY 1998