

PLATO
BOARD OF DIRECTORS
SPECIAL MEETING MINUTES
“Financing PLATO into the Future”
Thursday, September 15, 2011 - 1:00 p.m.
DCS Office, 21 North Park, Madison, WI

Present: Tim Otis, Chair, Marv Beatty, Patricia Becker, Greg Bell, Lauren Blough, Mary Boyd, Harold Green, Scott Kolar, Mike Lovejoy, Frank Power, Fred Ross, Judy Sadowsky, Arden Trine, Barry Orton.

I. CALL TO ORDER – T. Otis called the meeting to order at 1:04 p.m.

II. PURPOSE OF MEETING – T. Otis

The purpose of the meeting is to review the proposal presented in “Financing PLATO into the Future” initially distributed to Board members at the June 17, 2011 meeting, and to decide on whether to proceed with the recommendation. This is the work of the ad hoc task force comprised of Marv Beatty, Mike Lovejoy, Ved Prakash, Fred Ross, and Arden Trine who met over the period of a year to formulate the plan.

III. OVERVIEW REPORT – F. Ross

- A. In response to why PLATO should establish a relationship with UW Foundation and Division of Continuing Studies (DCS) to create a “PLATO Charitable Fund,” Fred noted that PLATO has both the financial and administrative wherewithal needed. Fifteen years ago the subject was discussed, but it wasn’t until PLATO’s membership growth resulted in an accumulation of funds that serious planning began. About ten years ago Ved Prakash and Paul Hartwig had the foresight to invest funds that have grown to \$86,000.
- B. To secure the financial future for PLATO the following objectives were considered:
 - 1. Maintaining low PLATO membership dues;
 - 2. Planning for additional project costs such as *The Agora* journal and space needs;
 - 3. Preparing for an anticipated increase in costs for DCS services.
- C. In addition to the benefits for PLATO members noted above, funding for charitable ventures such as the established scholarship program could be increased with effective planning. Also noted was that the PLATO By-laws (Resolution 2009-2) state that, “Whereas the amount of giving may vary from year to year, at a minimum it will equal the amount of PLATO’s earned income in the previous fiscal year.”

IV. IMPLEMENTING THE CONCEPT – M. Beatty

- A. Although increased membership dues could be one source of added income, the task force recommended broadening the funding base. One method is to attract tax-deductible

donations. The steps for implementing the concept are outlined on page 2 of the “Financing PLATO into the Future” document. The revised statements read as follows:

1. PLATO and UW Continuing Studies develop a mutually agreeable document regarding the ~~transfer to PLATO of the dollars~~ **use of funds** residing in a yet-to-be-established “PLATO Charitable Fund” within the UW Foundation.
2. When such an agreement is signed, establish a “PLATO Charitable Fund” within the UW Foundation, dedicated to purposes outlined below.
3. Transfer \$50,000 from PLATO’s current investments to this Fund, as an initial funding source.
4. Establish a continuing, ~~five-member~~ Financial Advisory Committee **under the auspices of the PLATO Board**, including **as members** the PLATO President, Treasurer, and ~~three~~ **additional** appointed members, with broad responsibility for developing and carrying out a program to grow and administer the Charitable Fund. Duties of this committee would include but not be limited to.... (There were no revisions to the duties listed in original document on page 2.)

B. Discussion of setting up the Foundation focused on the following points:

1. 501(c)(3) status is advantageous because contributors can donate directly to PLATO and they do not have to be PLATO members to get a tax-deduction. As a 501(c)(7) only members are eligible for tax deductible donations to PLATO. 501(c)(3) status would also make PLATO eligible to apply for grants.
2. T. Otis and B. Orton met with UW Foundation representatives. There would be no initial cost for setting up the PLATO Charitable Fund, but the UW Foundation would charge an annual fund management fee of 1%. The guaranteed return on capital would be 4.4% after the deduction of the 1% annual fee. (Note: MGE yields 4% so earnings are similar.)
3. The minimum initial investment required is \$10,000. The task force recommends that PLATO transfer \$50,000 from MGE stock or cash. MGE is currently worth \$62,000. Once invested the funds would be diversified with UW Foundation holdings as a hedge against future downturns.
4. An ongoing fund-raising campaign would be undertaken to publicize the opportunity for contributors to make tax-deductible donations and to keep PLATO members up-to-date on the Fund’s progress and the projects it supports. An honor roll of donors could be included in PLATO publications.
5. Projects funded with PLATO Charitable Fund money would still be under Board scrutiny. The PLATO Board would retain control of the funds. The agreement between PLATO and the UW Foundation and DCS would have to be clear on PLATO’s use of foundation earnings as the sign-off comes from the DCS Dean.
6. On the other hand, the Board would have complete control over donations given directly to PLATO. With 501(c)(3) status PLATO would be more likely to attract tax-deductible contributions from a wider pool than the membership.
7. There was a question re the possibility of increased operating expenditures and would there be enough money left to cover contingencies if \$50,000 were invested in the Charitable Fund. The response was that \$50,000 represents 60% of the available \$86,000 and that the remaining \$36,000 could cover contingencies for several years. In addition, a limited number of withdrawals

from the Charitable Fund would be allowed. PLATO would not lose access to the principal.

8. Following additional questions about PLATO operating expenses, Barry Orton proposed holding further discussion for a future Board meeting. He will prepare a review of the cost of DCS services noting the distinction between those that are charged and those that are provided without cost to PLATO.
 9. When a business plan is drawn up the amount to be invested can be reviewed, although the task force recommended \$50,000 as it would send the message that this is a significant amount for charitable purposes.
 10. In regards to a question about why PLATO funds are given to students who are not members of the organization, it was noted that supporting non-traditional older students is a mission of DCS as well the long-standing charitable extension of PLATO's teaching and learning objective. The PLATO money that goes to support the Odyssey scholarships is from investment earnings.
 11. It was also suggested that projects like *The Agora* journal could be covered by the Charitable Fund earnings as not all PLATO members would agree to support it with their dues. To the question "Are there any restrictions on projects to be undertaken with Charitable Fund earnings?" the reply was if DCS provides assistance, then the options are broad.
- C. To file for 501(c)(3) status PLATO will have to consult with a lawyer at a cost of approximately \$2,000. The filing process could take a year or more.
- D. The "Financing PLATO into the Future" proposal is broad and inclusive. It is not a public document at this point and some effort would have to be expended to bring it to the attention of the membership. The appointed Financial Advisory Committee would be responsible for performing the duties listed on page 2 of the document and reporting back to the PLATO Board to address policy.

V. MOTIONS APPROVED

- A. M. Beatty made a motion to approve the proposal as documented in "Financing PLATO into the Future" with the revisions on page 2, #1 and #4. G. Bell seconded it. Motion approved unanimously.
- B. P. Becker made a motion to approve the next step which is that the President, T. Otis, will formally assign the Financial Advisory Committee. The committee will meet to discuss their duties for setting up and administering the Charitable Fund, and to determine the costs for establishing PLATO as a 501(c)(3) nonprofit organization. G. Bell seconded it. Motion approved unanimously.
- C. Thanks were extended to the task force for their hard work on the proposal.

Meeting adjourned at 3:00 p.m.

Respectfully submitted,
Lauren Blough