

## **Baltic Studies Fund: Past Performance and Future Plans**

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### **Introductory Summary**

The Baltic Studies Fund (BSF) is an endowment fund created to ensure the future well-being of AABS; it also serves as the fundraising arm of the Association. Contributions, bequests and gifts to AABS are credited to the Baltic Studies Fund endowment; the income generated by the Fund is used for such purposes for the benefit of the Association as the Association's AABS Board of Directors may direct. Also credited to BSF are any surplus funds which may from time to time be realized from AABS operations, although this has been quite rare in recent years. The endowment fund is managed by the BSF Investment Committee which is appointed by the AABS Board of Directors; the overall fundraising activities of BSF are guided by its Board of Regents, which is appointed by the President of AABS.

### **Overview of History**

In order to understand the critical part played by BSF in supporting the AABS, it is necessary to travel back in time to the earlier years of the Association. For a period of almost 30 years since the founding of AABS in 1968, AABS was in the fortunate position of enjoying the services of a dedicated group of volunteers who handled the management of AABS affairs on a professional level at little or no cost to the Association. However, toward the middle of the 30-year period, it became apparent that it would be unrealistic to expect this arrangement to continue indefinitely, and that sooner or later our day-to-day management would have to be turned over to a paid professional staff. At the same time, the academic programs of AABS underwent considerable expansion with concurrent requirement for additional funding. While the *Journal of Baltic Studies* had essentially been self-supporting, with paid subscriptions covering the expense of publication, it became clear that income from AABS membership dues would soon not be sufficient to finance the ever-expanding scope of the Association's activities, such as the *Newsletter* and academic programs while simultaneously supporting a paid management staff. With these considerations in mind, the cornerstone was laid in 1984 to the Baltic Studies Fund endowment. From the very beginning, the intent was, and still is, that BSF would amass capital sufficient to earn annual income to sustain AABS for the foreseeable future. I am pleased to be able to report that we have achieved a measure of success. Our capital now stands at close to one million dollars; with the income from the capital fund, AABS has been able to reorganize the former volunteer Executive Office to a new Business Office with a paid manager, and we have also been able to support an AABS Baltic Office in Riga, which back in 1984 no one could have even dreamed about. But the work is by no means finished. The pace of AABS activities in the Baltics is quickening; requirements for additional stateside support need to be met - and to meet present and future needs, BSF has now set an ambitious goal of doubling the endowment capital to a minimum of two million by the year 2005.

### **Fund-raising**

#### **A. Public Awareness.**

A major precondition for success in raising funds for an institution or organization is awareness by the public of the activities, past achievements, and future goals of the organization. Unfortunately, the visibility of AABS in the Baltic communities abroad still leaves much to be desired. The ethnic press has been the main vehicle for disseminating information about AABS but there are limits to this approach: for items to be printed in the press they need to be considered newsworthy and be of at least some interest to the general public. As a rule, we have attempted to create minimal public awareness by submitting articles for publication in the press prior to the year-end BSF direct mail fundraising campaign. A new incentive has been proposed to the AABS Board with the suggestion that each and every Director write one feature-length

article at least once a year concerning the mission and activities of AABS, for publication in the ethnic press of the Director's nationality, while simultaneously providing an English translation of the article to the BSF Board of Regents for possible use in a future fundraising campaign. The newsworthiness aspect will, however, continue as a concern. For instance, the AABS Baltic Office, as you are most likely aware, prepares summaries of its activities for publication in the *Baltic Studies Newsletter*. We recently conducted an experiment by translating such articles into the three Baltic languages and submitting them to the ethnic press in the U.S. We were advised by the respective Editors that they would only accept material of general interest, not items dealing with internal matters. We have also sought to publicize AABS in general and the Baltic Studies Fund in particular by paid advertisements (as opposed to news items) in the Baltic ethnic press in the U.S. To the extent that such efforts have been made with the long-term goal of securing consideration of BSF in the estate plans of prospective donors, there is no short-term way of gauging results. However, the consensus is that the approach is not cost-effective. Nevertheless, the publisher of the Latvian newspaper *LAIKS* - a staunch supporter and a major contributor to the BSF - has run a complimentary eye-catching front-page advertisement for us, every other month, for the past two years, and has agreed to continue this on a *pro bono* basis for the next two years as well. AABS and BSF have occasionally also been promoted at Baltic cultural events in the U.S. by displaying samples of publications and distributing handout materials such as the *AABS Fact Sheet*. We have not been successful, however, in structuring this as a standing promotional effort, largely due to the lack of volunteer manpower for this purpose.

## **B. Solicitation for Funds**

The actual solicitation for funds for the benefit of BSF is a two-pronged affair. We engage in personal contact with potential major donors on a year-round basis and we conduct a year-end direct-mail campaign. All donations and gifts to AABS are tax deductible in the United States under Section 501(c)(3) of the Tax Code, and year-end tax considerations can be a significant motivating factor in gift-giving.

The direct mail campaign is targeted to a mailing list of some 10,000 names. 2,500 are past or present AABS members; approximately 500 are past donors who are not AABS members; and there are some 7,000 Baltic professionals with no past connection to AABS or to the BSF. This wealth of information has been accumulated in the AABS data base over the past 30-plus years. The campaign proceeds in two steps. First, all 10,000 addressees receive a copy of the special December issue of the *Baltic Studies Newsletter*, the contents of which are oriented to fundraising concerns. This is followed about one week later by a second mailing, consisting of the actual solicitation letter, and the current *AABS Fact Sheet* which incorporates a membership application, a donation slip and of course a return envelope. Thus the mailings actually serve four distinct purposes: fundraising, membership drive, promotion for the concept of Baltic Studies; and support for the idea of Baltic unity for the benefit of all three nationalities. The first three are directly related to the promotion of Baltic Studies. The last one is a contribution to the basic idea of working together for a common goal. It is interesting, as well as important, to note that this very concept, "working together in Baltic unity for a worthwhile common goal" has been the main motivation for several major donations received by BSF. Special mention should be made of Mr. Vilis Ansis Vitols, a Latvian entrepreneur in Venezuela and Latvia, who has by himself contributed \$120,000 while emphasizing that a primary aim of his donations was to support the unity of the three Baltic nations and to strengthen their joint undertakings. Similar statements have been made by other contributors. Thus, AABS not only plays a role in supporting Baltic Studies as such, but is also instrumental in promoting Baltic unity. While the direct-mail campaign to some 10,000 addressees obviously involves significant cost, the expense must not be charged solely to fundraising without considering other benefits.

Personal contact with potential major donors is handled by the members of the BSF Board of Regents, by the Director of BSF, and by *ad hoc* representatives. It is no secret that while the direct mail campaign brings in a steady stream of contributions year after year, most major gifts are received as the direct result of personal contacts, reinforced by the information which potential donors subsequently receive in the mail in the course of the direct mail campaign. Significantly, analysis of BSF donations received over the years reveals that

smaller gifts of less than \$500 each, received from 85% of all contributors, only made up 15% of the total cash received. The remaining 15% of donors made gifts of \$500 or more - which amounted to 85% of total dollars received. This is very similar to the experience of other charitable organizations. The industry-wide ratio is about 20:80. **C. Directed Gifts**

After success in establishing an initial financial base, a "Directed Gifts" program was added to the BSF structure. This program allows interested parties to create separate endowments within the framework of the Baltic Studies Fund to promote specific programs related to Baltic Studies, and to do so on a tax-advantaged basis. One facet of this program deals with endowed fellowships allowing graduate students from the Baltics to study in the United States. A \$145,000 bequest from the estate of the late Dr. Mudite I. Zilite Saltups has already been received under the Directed Gifts program. The bequest funds annual fellowships of \$10,000 for a Latvian graduate student for further study in the United States. One additional bequest is now in probate, and as this edition of the *Baltic Studies Newsletter* goes to press, we have just received the proceeds of a directed gift under the will of Janis Grundmanis, to set up a new Fellowship program in his name. (A full announcement of the gift and the Janis Grundmanis Fellowship Program will be printed in the next issue of the *Newsletter*.) AABS has also been notified, in confidence, that the Association is included in several other estate plans.

The actual selection process for fellowship recipients is handled by a special AABS Scholarship Committee of three to five members, at least three being full professors, past or present. The members are appointed by the Academic Executive Director of AABS, subject to approval by the AABS President.

All funding received as Directed Gifts under arrangements similar to the Saltups and Grundmanis Bequest funds is invested as part of BSF capital but accounted for separately. While Directed Gifts of this particular nature do not benefit AABS or the BSF directly, the Association does charge an annual management fee which is used for general corporate purposes as determined by the AABS Board of Directors. A general procedure has been set up for the administration of similar fellowship funds. The minimum amount for such special funds has been set at \$200,000, the reason being that the effort required for the administration of smaller amounts would be disproportionate to the benefit by AABS or BSF. As a rule, the income earned from each special fund will be allocated on the basis of 70% for program use, and 30% as a management fee for general AABS purposes. The income thus distributed consists of interest, dividends, and realized capital gains. All funds accounting will of course be subject to our internal audit as well as the regularly scheduled annual audit by an outside Certified Public Accountant. The Saltups and Grundmanis Fellowship funds, plus the additional bequest now in probate, represent a modest but significant beginning for the Directed Gifts program. It is our hope that future Directed Gifts may address the needs of Baltic Studies and of AABS more directly and much of our solicitation effort will be concentrated in this direction.

#### **D. Foundation Support**

The National Endowment for the Humanities (NEH) offers a Matching Grants program for qualifying organizations, somewhat similar in nature to Matching Gifts programs operated by many businesses and corporations in the United States. The procedure is for the organization to start a fund drive and to apply to NEH for a grant to match contributions received by the organization up to a limit specified by NEH.

BSF has made two approaches to NEH under this program. The first, in 1986, resulted in a \$50,000 grant on a 3:1 basis - AABS was thus required to raise \$150,000 on its own to qualify for the \$50,000 NEH grant. These terms were met, with an overflow, during the four-year campaign period. Moreover, NEH went out of its way to compliment AABS on the exemplary quality of our application; we were even asked for permission to use our application as an example for other organizations to emulate.

However, our second application for another \$50,000 matching grant was not successful. We attempted this 11 years later, in 1997. The review commission stated several reasons for the rejection; a strong suspicion exists that some of the evaluators were not entirely competent and that the Baltic region in general was not in

their area of expertise. An interesting example was one evaluator referring to AABS as being engaged in studies of the *Balkans*. (The evaluator's comment, in the original handwriting, is being carefully preserved in our archives.)

BSF has also explored opportunities for grants from other major U.S. foundations, selected for their interest in international relations or support for developing financial bases for academic institutions. Contact has been made with more than 50 such foundations. Unfortunately, while polite responses were received from each one, there were no dollar results and we received no encouragement to make further specific grant applications.

However, in a complete reversal, AABS itself was approached by The Andrew W. Mellon Foundation for assistance with their ongoing Eastern European program. The Mellon Foundation had run into communications problems with certain academic institutions in the Baltics and solicited our help. With involvement of several AABS officers, we were able to help Mellon to resolve the difficulties. We were rewarded for our part in this cooperative effort with a grant of \$25,000 to BSF, with additional grant allocations later on as AABS began to participate even further with Mellon programs. During the entire process, excellent personal relations were developed with the Mellon foundation. We regard this as a valuable asset for BSF which may produce further benefits down the road in the future.

### **E. Professional Fundraisers**

In the hope of perhaps achieving dramatically improved results, BSF has on two occasions explored the use of professional fund-raising services. On closer examination, the potential benefits were outweighed by negatives. For one thing, up front payment of \$20,000 would have been required, with total campaign costs estimated at up to \$100,000, - without any guarantee of results although both agents had produced solid references and had achieved satisfactory results in the past for academic institutions. However, both fund-raises pointed out that interest in and potential support for Baltic Studies outside the Baltic community would be limited, and within the Baltic community all personal contact with possible major donors would have to be handled by AABS personnel, anyway. All things considered, the consensus was that utilization of outside fundraisers would not provide sufficient additional leverage to offset the cost of the campaign. In fact, there would have been a real possibility that the net result would be a painful loss instead of success in adding to BSF endowment. Thus, on the recommendation and advice of the AABS Executive Office, the Board of Directors of AABS declined the proposals of outside fundraisers on both occasions.

### **Administration and Investments**

All facets of administering the Baltic Studies Fund were handled in the past by the Executive Office of the Association. With the growth of the endowment we recognized the need for a Board of Regents. In fact, in 1984 when BSF was first created, an outline of the functions and responsibilities of such a Board was adopted by the AABS Board of Directors. However, full implementation of the plan had to wait until 1999 when the entire administration of AABS was restructured. Overall administration of the BSF now rests with the Director of the Fund. The Board of Regents acts in an advisory capacity and assists with the solicitation of major donations. All accounting, record-keeping and database maintenance is handled by the AABS Business Office. The Board currently consists of thirteen members, all of whom have made a substantial personal contribution to the Fund in the past, either in terms of monetary gifts or as advisors. They are a group of professionals with expertise in business, fund-raising and financial management. All three Baltic nationalities are represented.

Total invested assets of the Baltic Studies Fund as of the end of fiscal 2000 (30 June) stand at \$927,000 (at cost). This includes the principal of the Saltups fellowship fund of \$146,000. All investments are managed by the BSF Investment Committee. The current Committee, appointed by the President of AABS, consists of three members, all with substantial past experience in investment management. The committee is chaired by Juris Padegs (Advisory Managing Director, Scudder Kemper Investments, Inc., New York), with members Gundar J. King (Dean Emeritus, School of Business, Pacific Lutheran University, Tacoma, WA) and Juris

Viksniòs (Professor of Economics, Georgetown University, Washington DC). For the past several years, the Committee has placed all funds in a series of portfolios managed by the Frank Russell Investment Management Company of Tacoma, WA. The "portfolios", which are essentially similar to mutual funds, are balanced between 62% equities and 38% fixed income securities. In addition, BSF maintains a small brokerage account at the firm of Paine Webber, for the purpose of facilitating receipt and acceptance of contributions in the form of securities. The account is in the low five figures.

### **Relations of BSF to AABS**

What role does BSF play in providing support for AABS in its far-reaching activities? For an answer to this basic question we only need to look at the AABS Operating Budget for the 2000 fiscal year (which ended on June 30th).

The expense budget of the AABS is actually in two parts: the Administrative Budget (which includes the Business Office, overhead and fundraising expenses), and the Academic Budget (which includes the Baltic Office, academic programs in the Baltics, and subsidies for the *Journal of Baltic Studies* and the *Baltic Studies Newsletter*. For the 2000 fiscal year, the Administrative Budget was set at a total of \$90,000 and the Academic Budget at \$35,000. (We were successful in holding actual administrative expense to a level below the budgeted \$90,000 but this point is moot for the purposes of this discussion.)

On the income side, we had budgeted membership dues income for the year at \$30,000 - plus another \$5,000 charged as management fees for the Saltups endowment fund. Total budgeted income - \$35,000. Total budgeted expense - \$125,000. Shortfall - \$90,000. And the obvious question - where does the \$90,000 come from? The equally obvious answer - it is covered by earnings of the Baltic Studies Fund.

Dividend and interest income for the year - all attributable to the Baltic Studies Fund - was budgeted at \$30,000. In addition, the investment portfolio had generated realized capital gains of close to \$60,000 during the preceding year, and the total of \$90,000 covered the shortfall. (1999 capital gains income had been set aside and reserved to balance the budget for 2000. This practice will be continued from year to year. Since there is no way of accurately predicting what the capital gains will be in any given years, the prudent practice is to establish an appropriate reserve from current year's earnings for use in the following year, and to construct the budget for the following year accordingly.)

I trust that I have now answered the somewhat rhetorical question: what is the relationship between AABS and the BSF? In very plain language, AABS as we know it could not exist without the substantial contribution from BSF; without it, we would not have sufficient income to cover even half of our administrative expenses, let alone the all-important academic program. (Please keep in mind that the days when all AABS administration was taken care of on a volunteer basis are now past history! It would be safe to say that over 30 years AABS has enjoyed professional volunteer services worth many hundreds of thousands of dollars.) Incidentally, you may wonder why the calculations above do not make any mention of income from gifts and donations. The answer, as explained earlier, is that all contributions to BSF are immediately credited to the BSF endowment capital; this income is therefore excluded from the operating budget.

Actual financial reports for fiscal 2000 were not available by the deadline for this issue of the Baltic Studies Newsletter. It should be noted that all AABS financial reports are a matter of public record; copies of the 2000 report will be available from the AABS Business Office upon request, as well as the Office of the Attorney General of New York State. (AABS was incorporated in the State of New York.)

### **BSF in the Future**

What do we see as the future of the BSF? Perhaps we should start with the obverse of the coin: what do we see as the future of AABS? Our aim is to continue and expand on the work of the past 32 years. The acronym AABS stands for "Association for the Advancement of Baltic Studies", and advancement is what we have

sought to do in the past and shall continue to do in the future. New vistas have opened since 1991. AABS has responded by opening a Baltic Office in Riga. We have recently added minimal representation in Estonia and Lithuania as well - which should be expanded, circumstances permitting. We expect to continue publication of our two quarterlies, the *Journal of Baltic Studies* and the *Baltic Studies Newsletter*. We have started on an ambitious research program dealing with the Soviet/Nazi/Soviet occupation of the Baltic states, 1940 through 1991. And we must not forget the biennial Conferences. An important corollary to all this lies in our emphasis on AABS as a cooperative effort between three Baltic nationalities, and we absolutely intend to never abandon this approach. But all of our activities involve expense - and please do not forget that while AABS has now a significant presence in the academic world, it also requires significant administrative effort to keep the organization going, and we no longer have the luxury of a volunteer professional administrative staff. We must also take in consideration the possibility that after many bull-market years in the recent past, we may well experience a period of less than stellar investment returns in the future, and it will be prudent to establish "rainy day" reserves for such an eventuality.

The mission of BSF in the future, therefore, is to continue to provide supplemental funding for AABS activities, since income from membership dues, as discussed above, does not even come close to covering our requirements. It would be unrealistic to expect improvement in this respect. If AABS is to grow as we hope it will (and, indeed, even if AABS is only to survive in its present form), growth in BSF endowment is an absolute "must". Our present goal of doubling the endowment to two million dollars within the next few years may sound overly ambitious, but it is not beyond reach. Emphasis in our fundraising efforts will be placed on promoting major donations, bequests, and Directed Gifts. (As an example, a Directed Gift for the special purpose of funding publication of the quarterly *Newsletter* would be a wonderful development. This could be accomplished by a \$200,000 bequest!) These are long-range projects and tangible results may well not be seen for several years, but I am confident that with the added impetus provided by the Board of Regents, our two million dollar goal will be realized - hopefully sooner than we think. May we count on your help?