

**FEI HOUSTON SCHOLARSHIP FOUNDATION
(FHSF)**

STRATEGIC PLAN UPDATE

MAY 2016

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FEI HOUSTON SCHOLARSHIP FOUNDATION **(FHSF) STRATEGIC PLAN UPDATE**

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1. Executive Summary

The FHSF's program and financial status since the last strategic plan update in 2013 continue to be healthy:

- Solid financial position after 13 years of operation with assets growing from \$350k at the time of the 2013 update to over \$550k today
- Positive relationship with Financial Executives of Houston, Inc. ("FEI Houston Chapter" or "Chapter"), FHSF's sole member
- Good relationships with key corporate donors
- Good interface with university deans, senior faculty and students
- Positive initial activity in identifying and coordinating student scholarship recipients
- Strong, committed FHSF Board with solid administrative support
- Positive relationship with FEI national organization

A number of challenges continue to exist

- Educating new FEI Houston Chapter members and growing FEI Houston Chapter membership contributions
- Bridging the gap between the current corpus and FHSF's \$1.5 million target
- Better communicating appropriate recognition to all corporate and individual donors
- Improving regular communications with university deans and students
- Raising enthusiasm of FEI Houston Chapter membership for scholarship programs

Key strategies over the next 3 years will be to:

- Implement the 2013 Strategic Plan target to raise individual scholarship amounts to \$5k for the 2017 Academic Honors Day (delayed one year)
- Grow the corpus to at least \$1.0 million by the end of fiscal 2019 and \$1.5 million by the end of 2021 through
 - o Solicitation of new corporate and private sponsors
 - o Increased FEI Houston Chapter member donations
 - o New annual fund raiser beginning in 2018
- Protect and grow the FHSF corpus through appropriate investments pursuant to the FHSF Investment Policy
- Continue to maintain and enhance close integration with the FEI Houston Chapter Board, Officers, Academic Honors Day and Sponsorship Committees
- Improve appropriate recognition of all donors
- Build a strong scholarship recipient organization and celebrate their successes
- Continue to strengthen relationships with university deans and faculty

The next update to the FHSF Strategic Plan will be in 2019.

2. FHSF Mission Statement

The mission of the FEI Houston Scholarship Foundation is to protect and strengthen the financial viability of the FEI Houston Chapter Academic Honors Program that provides student opportunities for recruiting, mentoring and business exposure and awards non-discriminatory, need-based scholarships to high caliber accounting and finance students attending Southeast Texas accredited universities who can be future financial leaders.

3. FHSF Financial Goals

The strategic financial goals of the FHSF are to:

- Provide meaningful annual scholarships to selected students attaining the specified requirements. In conjunction with the FEI Houston Chapter Academic Honors Day Committee, the amount of the scholarships will be increased for the awards to be made in February 2017 to an amount of \$5k each. This is a one year implementation delay from the target set in the 2013 FHSF Strategic Plan
- Protect and grow existing funds with prudent investments.
- Work with corporate sponsors and appropriate individuals to grow the FHSF corpus to a goal of \$1 million by 2019 and \$1.5 million by 2021.
- Facilitate a continuing joint effort with the FEI Houston Chapter leadership to maintain financial support from the Chapter and individual membership to fund FHSF scholarship awards at a meaningful level.

4. Protecting & Growing Existing Corpus & Funding Expenses

Strategy: Ensure Sustainability and Protection of Existing FHSF Corpus.

A key FHSF objective is to protect and increase the corpus to fund future scholarship awards. Corpus growth requires donations from corporate and individual sponsorship, membership donations, Chapter donations (when finances allow), annual fundraisers and investment appreciation and income from existing assets

To enable the corpus to earn a safe investment income higher than daily money market returns, the corpus will be invested according to the FHSF Investment Policy as approved by the Board of FHSF from time to time. The Investment Policy will be administered by and recommendations made by the FHSF Investment Committee. Investment recommendations will be approved only by the FHSF board.

It is expected that continuing contributions to FHSF will be made by the FEI Houston Chapter as the FHSF's sole member and for the Chapter's Academic Honors Day Program. The Chapter has contributed 50% of the annual total scholarship amount since the inception of FHSF, paid certain FHSF expenses, and made further Chapter donations

to FHSF as its finances allowed. This helped provide FHSF the opportunity to maintain and grow the corpus. As the corpus continues to grow, it is expected that the Chapter contribution for the scholarship amount will be reviewed while still growing the corpus. Expenses of FHSF such as administrative support, bank fees, annual audit fees, board meeting expenses, investment expenses and brochure or promotional costs are now paid by FHSF. It is also hoped the Chapter will be able to continue its annual \$10-20,000 donation as in prior years, above its contribution for scholarship amounts.

Strategy: Development Committee Activities for Significant Growth of Corpus

The FHSF Development Committee is responsible for soliciting significant corporate and individual contributions and planning annual fundraisers. Major underwritten, sponsored annual events targeting at least a net \$30-50k contribution per event beginning in 2018 should be explored to accelerate progress to the \$1.5 million corpus target and broaden the appeal of the FHSF. Such events will require dedicated, well organized resources, strong leadership, extensive sponsorship, coordination with the FEI Houston Chapter and solid organizational support. In order to attract larger corporate and individual donations, the FHSF Development Committee needs to explore naming rights for scholarships, which will require reconsideration of the FEI Houston Chapter's historic nominal awarding of scholarships in the names of speakers at its dinner events.

5. Corporate Sponsorship & Significant Corporate & Individual Donations

The FHSF has set a target corpus of \$1.5 million to be able to sustain the Scholarship Award Program in the long term. To attain this goal, significant new corporate and individual sponsors need to be developed and existing sponsors further cultivated. The FHSF Board will maintain a focused but opportunistic approach to engaging new corporate sponsors through close coordination by the FHSF Development Committee with the FEI Houston Chapter Sponsorship Committee and the FHSF Board itself.

Strategy: Increased Effort on Corporate Sponsorship

Opportunities for corporate sponsors/donors are dependent on the objectives of the donor companies and how aggressively they wish to publicize their support of FEI scholarship awards and the local FEI Houston Chapter.

Typical corporate sponsor/donor opportunities are:

- A reliable vehicle to provide a unique community service
- Name recognition at 12 local universities
- Access to potential future employees and interns from the local universities
- Contacts with deans and faculty at local universities to help identify prospects for future employees and interns
- Name recognition at the FEI Houston Chapter with attendant Chapter benefits

- Opportunities for internal company publicity indicating the company's support for Houston-area university education
- The possibility of naming scholarships in the company's name
- Opportunities for matching gifts for employees or other donors.

Short term fundraising activities and corporate sponsor solicitations will be coordinated by the FHSF Development Committee working with the FEI Houston Chapter Sponsorship Committee leadership. These plans will be reviewed as an agenda item at all FHSF meetings.

Areas targeted for corporate fundraising are:

- General industry, especially the energy sector
- Accounting/auditing companies
- Attorneys
- Financial organizations
- All other FEI affiliated organizations
- Private and corporate foundations
- Lifetime endowments (e.g. "The XXX Scholarship")
- Specific annual fundraisers

Published recognition for corporate sponsorship is covered in the FHSF Corporate Recognition Guidelines (coordinated with the FEI Houston Chapter Sponsorship Committee) and may change periodically. Current year recognition will be through the FEI Houston Chapter Membership Directory and on the website. A key driver for recognition is a company's or individual's lifetime contribution, with recognition in the Academic Honors Day and FHSF brochures. Lifetime levels are:

- >\$100k, Chancellor's Club
- >\$50k, Chairman's Club
- >\$25k, President's Club
- >\$10k, Dean's Club
- >\$5k, Faculty Club
- <\$5k, Professor's Club

The FHSF Development Committee and designated FHSF Board members should implement individual annual meetings/luncheons with key corporate sponsors to recognize their sponsorship/donations, to explain how their donation is used, reinforce appreciation and the importance of their donation and request future year sponsorship. This recognition should be established with specific FHSF Board responsibility by company.

Strategy: Increased Effort on Significant Individual Donations

Opportunities for individual donors are primarily philanthropic, but may involve a desire to create a legacy through academic scholarships. These individuals may be either FEI Houston Chapter members, FHSF Board members or individuals who support

scholarships for local universities related to finance and accounting. The FHSF Development Committee has the responsibility for developing criteria and cultivating/soliciting individuals for significant donations, including naming rights for scholarships.

6. Individual Donations From FEI Houston Chapter Membership

Strategy: Re-engage FEI Houston Chapter General Membership

Constant engagement of individual FEI Houston Chapter members is necessary to continue and grow support for the Academic Honors Day Program. To achieve this objective, FHSF activities, student activities and consistent solicitation messages must be publicized at every opportunity throughout the year.

FHSF will present an activity review to the general FEI Houston Chapter membership during at least one Chapter meeting (currently the May meeting). Donation request letters will be issued to the membership toward the end of the fiscal year and prior to the end of the calendar year. FHSF will also review ongoing activities at regular Chapter Board meetings through its ex-officio Director and present an annual report at an agreed Chapter Board meeting. An annual Member meeting is specified in the FHSF Bylaws and this should be held in conjunction with the FEI Houston Chapter Board meeting each May.

Strategies for annual solicitation of FEI Houston Chapter members fall into 5 categories:

- FEI Houston Chapter Board: FEI Houston Chapter President verbal and written request for \$500/Board member and officer donations
- FHSF Board: Board Chair verbal request for \$1000/member donations
- Major Chapter Donors: Specific recognition, request for continued support
- New Chapter Members: Circulation of FHSF brochure and request for donations
- All other individual Chapter members: Donation requests in amounts recommended by the FEI Houston Chapter Board of Directors and communicated by the FEI Houston Chapter President

Other media will be used periodically to remind members of the work of the FHSF and the support needed for award students. Until and unless changed, each monthly speaker will have a scholarship nominally given in their name to keep focused attention on the program through the year.

Recognition of individual cash or stock annual donations will be provided in both FEI and FHSF publications (and online) in the following categories:

- \$1,000 or greater
- \$500 to \$999
- \$200 to 499
- Up to \$199

Lifetime giving levels for both corporate sponsors and individuals will be recognized in FHSF publications and online in accordance with the recognition levels specified above.

FHSF should implement an annual luncheon or evening reception recognition event for individual donors to recognize their donations, explain the use of their donations, reinforce the value and importance of their donations and request future year donations.

7. Student Scholarship Recipient Tracking, and Establishment of Recipient Alumni Group

Strategy: Contact Student Scholarship Recipient Alumni

Since 1970, over 500 students have received academic awards from the FEI Houston Chapter and FHSF organizations. It is assumed that most recipients are conducting successful careers, but little information is available. Several successful stories are known, but the Chapter and FHSF have lost contact with most previous scholarship recipients. A key strategic initiative will be to construct a database of student alumni from at least the past 10 years and work to contact these recipients. A long-time Committee Chair of the Academic Affairs Committee has volunteered to spearhead this effort in conjunction with past scholarship recipients, relying upon FHSF administrative support and information from the recipients' universities.

Benefits from this activity will include:

- Ascertaining the level of success of the scholarship program
- Encouraging student scholarship recipients to become members of FEI organizations when eligible
- Establishing a student scholarship recipient association to encourage recipient giving to FHSF and acting as an advisory group to the FHSF Board
- Compiling success stories for program publicity among FEI members
- Providing publicity for corporate and individual donor solicitations
- Increasing network opportunities for all involved, including recipient mentoring of current award students and renewed contact with university Deans etc., in addition to the Academic Honors Day experiences

8. Facilitation of University Dean & Faculty Relationships

Strategy: Strengthen Relationships with University Deans and Faculty

Regular communications with the business school deans and senior faculty are critical for the scholarship award program and need to be strengthened. They are typically handled by the FEI Houston Chapter Academic Relations Committee with input from the FHSF Board. The communications create a close relationship of Academic Relations Committee members with specific universities, many of which are the Alma Mater of the main contact.

Since 2012, additional activities have focused on the annual Halliburton-sponsored Academic Deans' Luncheon each November. Halliburton initially committed to a 3 year sponsorship and then a 3-year renewal of the luncheon which has been organized by a committee including members of the FHSF, the Academic Relations Committee and Halliburton. The purpose of the luncheon is to introduce senior university faculty members to Halliburton and senior FEI members to facilitate the positioning of high caliber students in internship or permanent positions within Halliburton.

Details of southeast Texas universities supported, the student award criteria and an outline of the Academic Honors Program are included in the Appendix.

Overall, communications with university deans and senior faculty should emphasize:

- Key objectives of the FEI Scholarship Program
- Financial support available today with awards of \$5k
- Ability to assist with internships and permanent positioning
- Ability to facilitate interaction of deans with corporate organizations
- Potential for guest lecturers to assist deans in student programming
- Possibility of FEI Houston Chapter membership or potentially FHSF Board membership

9. Integration of FHSF with FEI Houston Chapter

Strategy: Maintain and Enhance Strong Integration with FEI Houston Chapter

The FEI Houston Chapter is the sole member of FHSF, FHSF's historic main benefactor and the entity responsible for organization of Academic Honors Day. FHSF exists to support the FEI Houston Chapter's Academic Honors Day scholarship program. Strong interaction with the FEI Houston Chapter is critical in achieving FHSF objectives and its role in supporting the FEI Houston Chapter's Academic Honors Day. This relationship has been a cornerstone of successful achievements over the past 13 years. FHSF directors must liaise with Chapter leadership and the FHSF must be an integral part of Chapter planning in administrative, sponsorship and fundraising activities. Since 2013, ex-officio Board positions have been implemented for the FHSF President to be an ex-officio member of the FEI Houston Chapter Board and the FEI President-Elect to be an ex-officio member of the FHSF Board. The ex-officio roles have been memorialized in the Bylaws of Financial Executives of Houston, Inc. and FHSF. This has been a significant positive way of enhancing the communications between the two groups. The composition of the FHSF Board is also important in maintaining communications, including past Presidents of FEI Houston Chapter and overlapping Board memberships on the FHSF Board. An active effort to maintain and enhance communications needs to be a constant focus.

10. Administrative Activity

Strategy: Strengthen and Utilize Administrative Support

Strong administrative support for FHSF is essential to implement the proposed strategies. Since September 2012, the FHSF Board has benefitted from a dedicated part-time administrator. This function is critical to efficiency and FHSF success. The individual's responsibilities include the organizing of solicitation communication to FEI members, consolidating financial information and assisting with the audit of financial statements, helping facilitate FHSF organized functions, maintaining FHSF files and data on the "cloud", maintaining website information and periodically reviewing website content with the designated FHSF Board member, "masking" confidential information from scholarship applicants used only for data collection and working on special projects such as creating a student scholarship recipient database. The administrative function needs to continue either with a FHSF independent resource or utilizing the administrative network of the Chapter.

The administrator works with the FHSF Treasurer on preparation of audit and financial statement requirements and with the FHSF Secretary on maintenance of annual activity listings and retention of appropriate policies and documents.

11. Strategic Plan Focus and Implementation

The FHSF Strategic Plan will be an evergreen document and command discussion at the FHSF Board level. It will be updated every three years or if circumstances change significantly. Specific short-term action steps will be agreed at each FHSF board meeting. FHSF strives to be a model for all FEI chapters in the US in its unique approach to supporting the FEI Houston Chapter Academic Honors Day. The delivery of a meaningful scholarship program requires determination and support from many constituencies. Continued FEI Houston Chapter support, individual member support and ongoing corporate sponsorship/donations and significant individual donations will be required to fund scholarships at the target level. The Board of Directors of the FEI Houston Scholarship Foundation ask that all constituencies involved with the FEI help to support the FHSF and therefore financially disadvantaged students of high caliber in the finance and accounting fields.

Appendix: FEI SCHOLARSHIP FOUNDATION CASH FLOW PROJECTIONS(\$k) - UPDATED APRIL 2016

Year	2009/10			2012/13		2013/14		2014/15		2015/16		2016/17	2017/18	2018/19	2019/20	2020/21	Notes:
	2009/10	2010/11	2011/12	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Forecast						
Individual Student Awards	\$2k	\$3k	\$3k	\$3k		\$4k		\$4k		\$5k	\$4k	\$5k	\$5k	\$5k	\$5k	\$5k	
FSF Opening Balance	219	277	304	339	339	370	388	409	418	448	432	575	620	690	755	830	
Fund Additions:																	
Chapter Lump Sum Don'n	20	10	15	10	15	10	17.5	10	2.5	10	5	10	10	10	10	10	
Chapter 50% of awards	12	18	18	18	18	24	24	24	24	24	24	30	30	30	30	30	Assumes Chapter funds 50% of awards
New Event (net)	0	0	0	0	0	0	0	0	0	0	0	0	25	25	30	35	Assumes new fundraising event
Membership (incl.raffle)	9	15	12	12	10	12	17.9	12	22.9	12	129.4	36	36	37	38	39	Assumes continued growth
ExxonMobil \$10k	8	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	Assumes flat
Hein \$10k(3 yrs), then \$7k	10	10	10	7	7.5	7	7.5	7	7.5	7	7.5	7.5	7.5	7.5	7.5	7.5	Assumes flat
Mutual Of Omaha Bank	0	5	5	5	0	5	0	5	5	5	5	5	5	5	5	5	Assumes flat
Halliburton (net after exp.)	0	0	0	10	10	10	10	10	10	10	10	10	10	0	0	0	Commitment expires 2017/18
KBR \$5k	0	5	5	5	5	5	5	5	0	5	0	0	0	0	0	0	No resumption
BBVA Compass	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	No resumption
Noble Energy	0	0	0	0	0	0	0	0	4	0	8	0	0	0	0	0	No resumption
Investments (incl. G/(L))	3	2	1	2	-5.1	10	12.9	10	12.3	12	20	26	28	31	33	38	Assumes 4.5% of beginning balance
Total Additions	62	75	78	79	70.4	93	104.8	93	98.2	95	218.9	134.5	161.5	155.5	163.5	174.5	
Funds Used:																	
Student Awards (net)	-24	-36	-33	-36	-36	-48	-48	-48	-46.3	-60	-44	-60	-60	-60	-60	-60	Net of returns (2012, 2015, & 2016)
Administration total	0	0	0	-8	-2	-11	-5.4	-11	-12.8	-12	-16	-17	-19	-20	-21	-22	Includes AMC, Board mtgs, bank fees
Audit Fees	0	0	0	0	0	0	-7.5	0	-7.5	0	-7.5	-7.5	-7.5	-7.5	-7.5	-7.5	Assumes flat
Program costs - Deans' Luncheon	0	0	0	-6	-5.8	-5	-5.7	-5	-4.8	-5	-5.4	-5	-5	0	0	0	Ends with HAL commitment
FSF Brochure	0	0	0	-3	0	0	-0.6	0	0	-3	-3	0	0	-3	0	0	Continue triennial publishing
Total Uses	-24	-36	-33	-53	-43.8	-64	-67.2	-64	-71.4	-80	-75.9	-89.5	-91.5	-90.5	-88.5	-89.5	
Net Activity	38	39	45	26	26.6	29	37.6	29	26.8	15	143	45	70	65	75	85	
Accrual Adjustment & other	20	-12	-10	5	22.4	10	-7.6	10	-12.8	10	0	0	0	0	0	0	To tie to audited statements (net zero)
FSF Ending Balance	277	304	339	370	388	409	418	448	432	473	575	620	690	755	830	915	
Target Balance											550	700	850	1000	1250	1500	Target \$1MM 3 yrs. & \$1.5 MM 5 yrs.
Variance to Target											25	-80	-160	-245	-420	-585	
Chapter Support(\$k)																	
50% of Awards	12	18	18	18	18	24	24	24	24	30	22	30	30	30	30	30	
Annual Lump Sum	20	10	15	10	15	10	17.5	10	2.5	10	5	10	10	10	10	10	
Audit Fees	7	4	4	7	7	7	0	7	0	7	0	0	0	0	0	0	
Total	39	32	37	35	40	41	41.5	41	26.5	47	27	40	40	40	40	40	

Assumptions: Annual Corporate contributions included are Hein (\$7.5k), ExxonMobil (\$10k), Mutual Of Omaha (\$5k), HAL (\$10k gross thru 2018). Chapter pays 50% of annual awards, plus \$10k per year. Academic Honors Day expenses are underwritten by chapter. FHSF website/admin use in Admin cost.

Conclusions: Fund balance continues to grow while maintaining annual student award of \$5k. Continuation of current sponsorship and proposed award levels does not get to \$1M balance by 2020 (prior plan target). **New 5 year target to achieve corpus to fund \$60,000 annual awards based on 4% withdrawal (vs. 4.5% assumed income rate).**