



September 9, 2008

From the Pi Beta Phi Foundation Board of Trustees,

A STATEMENT ON THE RELATIONSHIP BETWEEN PI BETA PHI FOUNDATION AND
ARROWMONT SCHOOL OF ARTS AND CRAFTS

A recent widely distributed, anonymous email has seriously misstated the facts about Pi Beta Phi Foundation, its mission and operations, and its relationship with Arrowmont School of Arts and Crafts. The conclusions it draws are misleading. It is important to correct them to ensure the Foundation's ability to carry out its mission, which is to fund programs that benefit the members of Pi Beta Phi Fraternity and the larger society. The following information sets forth the truth:

1. Pi Beta Phi Fraternity, Pi Beta Phi Foundation and Arrowmont School of Arts and Crafts are three separate legal entities, each with its own purpose, budget and operating strategy. Moreover, each is run by its own board – the Fraternity by a Grand Council, the Foundation by a Board of Trustees, and Arrowmont by a Board of Governors.
2. Despite the independence of each, they share a common bond in the philanthropic history of Pi Beta Phi and some overlap in ex-officio board representation. This commonality and overlap have led to confusion about the Foundation's role in the Fraternity's proposed sale of property that it currently leases to Arrowmont.
3. The Foundation is the youngest of the three organizations. True, it exists solely because of the Fraternity, having been established to receive and distribute charitable monies that Pi Phi members want to give to Pi Phi causes. These causes include educational and leadership programs for members, collegiate and alumnae scholarships, financial assistance for indigent members, and other philanthropic efforts, including Holt House, including literacy and including Arrowmont.
4. Once established, however, the Foundation became legally (and morally) bound to manage and grant its funds according to IRS rules and regulations, as well as its own policies and procedures. These guidelines are in place to ensure the Foundation's Board of Trustees carries out its fiduciary responsibility. There is no room for personal motivation. There is no allowance for fraternal manipulation.
5. The Foundation only gives money after it receives a grant application from a person or an entity with a need that meets its governing guidelines. Even if the Foundation holds and manages money for a specific designee, such as Arrowmont, it does not grant funds to that designee without the Board of Trustees reviewing and approving a formal written grant request.

This grant application procedure has been efficiently utilized for many years.

6. At the present time, the Foundation manages approximately \$89,000 in endowed and expendable scholarships that are paid to Arrowmont for the benefit of its students.
7. Additionally, the Foundation has granted total gifts of approximately \$2.1 million to Arrowmont since its inception, including a capital campaign carried out specifically for Arrowmont in the early 1990's. Chapter and alumnae club contributions, including the Nashville Alumnae Club's, are paid directly to Arrowmont and are in addition to these Foundation grants.
8. Recently, the Foundation received a bequest of approximately \$417,000 from the estate of a Pi Phi, designated for the benefit of Arrowmont. At the time of its receipt, the Foundation's Board of Trustees, in order to accommodate Arrowmont, made it clear to its Board of Governors and to David Willard that the bequested funds can be applied for at any time and for any amount up to and including its total.
9. All money stewarded by the Foundation is professionally managed, and there is a cost to that management. So the Foundation allocates the cost by charging 4% on a fund's annual earned income, not on its principal. This is standard policy for every fund, whether a scholarship, a bequest, a leadership programming fund, etc. In the case of Arrowmont's funds, last fiscal year's total management fee was \$562.00.
10. As stated, the Foundation is an independent organization whose core purpose is enriching lives through charitable gifts. Just as the Fraternity has no veto power over the Foundation's granting decisions, the Foundation has no say or influence on the Fraternity's decision regarding the property it owns and leases to Arrowmont. Neither is the Foundation in a position to influence or disclose information on Arrowmont, as that is the responsibility of Arrowmont's Board of Governors.
11. The Foundation plans to continue to receive, manage and grant monies on Arrowmont's behalf as long as Arrowmont remains a non-profit, charitable organization.

The Foundation and its Trustees are respectful of Pi Beta Phi's philanthropic heritage. Its priorities to serve Pi Beta Phi's members and, through its philanthropic efforts, to benefit the larger society, have never changed.

The Trustees welcome your questions and deeply appreciate your support. We also encourage you to contact us should you hear any potentially damaging or unsubstantiated rumors about the Foundation. Your willingness to seek the verification of all information is gratefully acknowledged. Please address inquiries to Lisa Scott, President of the Board of Trustees, at 970-264-2730 or sranch@centurytel.net.