

## **Guidelines for Handling Edmonds Rotary Foundation Funds**

### **Definitions:**

1. “Club” is the Rotary Club of Edmonds.
2. “Foundation” is the Edmonds Rotary Foundation
3. “Board” is the Board of the Edmonds Rotary Foundation.
4. “Unrestricted use” means that it is available for any charitable purpose the Foundation Board may approve. It also includes operating expenses of the Foundation.
5. “Restricted use” means that the funds may be used only for the charitable purpose designated by the donor or the Board when the fund was set up.
6. “Endowment Fund” means a permanent fund where the capital cannot be spent, but the income is available. The income may be “unrestricted” or “restricted.” In the case of a restricted endowment, its income may be used only for designated purposes.

### **The Foundation receives funds from:**

1. Donations
2. Bequests
3. Fundraising projects such as the Auction

### **Funds from donations will be accepted as follows:**

1. In any amount for unrestricted use.
2. In any amount designated for existing charitable projects.
3. In any amount for an existing endowment fund, either restricted on unrestricted.
4. With the approval of the Board, for a new donor designated charitable project or endowment which has not been previously approved. Normally this would only be done when the amount donated for the project exceeds \$10,000.
5. The Treasurer shall issue a receipt for all donations including those received for the auction, retaining a copy for Foundation records. The copies shall be kept in chronological order in a separate file so that they may be easily accessed by subsequent Treasurers. Where the donation is other than cash or stock, the Treasurer shall indicate selling price, if applicable, on the receipt.

### **Investment of the Funds**

1. The funds shall be invested in a manner approved by the Board after receiving the recommendations of an “Investment Committee.” The committee, appointed by the Foundation President, should have one member from the banking field, and one from a CPA occupation. The Foundation President shall be a member of this committee. In forming their recommendations, it is expected that the committee will seek recommendations from people in the investment field.
2. Funds in endowments shall be held separately accounted for.
3. The investment policy approved by the Board shall be reviewed at least quarterly by the Investment Committee and recommendations made to the Board for changes if deemed appropriate.

## **Endowment Funds Management**

### **Philosophy of Endowment Distribution Procedure**

Endowment funds are composed of gifts, legacies and bequests made to the Foundation and designated as endowment funds. It is the purpose of this policy to ensure that the principal of these funds remains whole and intact and that the total return from the funds is disbursed in accordance with donors' wishes and according to any binding laws. To this end, the Foundation will attempt to maintain the purchasing power of endowment income and protect the real value of the endowment principal.

### **Allocation Procedure for Endowments**

1. No distributions from an Endowment Fund shall be made until its value reaches \$50,000.
2. Each year, on the first business day in April, the Treasurer will determine each Endowment Fund's value as on March 31 and report those amounts to the Foundation Board.
3. Unless otherwise indicated by a donor agreement, 4% of the value of each endowment fund which has a value of \$50,000 or more on will be distributed according to the instructions when the Endowment Fund was created.

## **Expenditure of Foundation funds**

1. While the IRS allows 501(c)(3) organizations to use funds for a number of purposes, for the present time, Foundation funds will typically be used for charitable and educational purposes.
  - a. Charitable activities can be widely defined and include improved living conditions for needy persons – housing, water or sanitation in depressed areas, and living assistance to those affected by natural disasters.
  - b. Educational activities include scholarships, books, and assistance in building schools.
2. Although the Bylaws give the Foundation wide latitude in expending its funds for charitable purposes, it is anticipated that funds will be approved only for Club projects upon request from the Club board.
3. When the Club prepares its annual budget, it shall identify those projects which it expects the Foundation to fund. That portion of the Club's budget will be submitted to the Foundation Board with a request for funding.
4. The Foundation's Board will consider the Club's request for funding and that portion of the funding approved shall be restated as part of the Foundation's Budget.
5. All anticipated expenditures for setting up and holding a fund raising activity for the Foundation such as the annual Auction shall be included in the Foundation's budget. All expenses included in the approved Foundation budget may be approved by the chairperson in charge of the activity without further Board approval.

6. Invoices under \$500 for budgeted items may be paid by the Treasurer with approval of the Committee chairperson or the President. Invoices for unbudgeted items approved by the Board shall be approved by the President. Checks in the amount of \$500 or more shall be cosigned by the treasurer and the president.
7. Checks for approved charitable purposes shall be issued directly to the end recipient and not to the Club. An example of this would be the issuance of scholarship funds which shall be made out to the educational institution where the recipient is enrolled. Such checks may be provided to the Club for the award ceremony.
8. In cases where the actual payee, such as a college, cannot spend the money for the designated purpose, it shall be returned to the Foundation. An example of this is where a scholarship is granted but the recipient does not go to the educational institution that received the payment.
9. Checks for budgeted or Board approved operating expenses may be paid to the provider or as reimbursement to the person making the expenditure upon submission of a bill or receipt.
10. The treasurer shall prepare a financial statement for each meeting of the Board. This statement will include the budgeted amount, the balance of funds unspent and a detail of receipts and expenditures.
11. Budgeted funds not spent by the end of the fiscal year will revert to the Foundation's fund from which it was to be drawn and not be carried over to the next year. This does not prevent the Board from approving funds under the new budget for the same purpose.
12. If, for any reason, the Edmonds Rotary Foundation is terminated, all funds will be transferred to the RI Foundation.

### **Changes**

This policy may be changed at any meeting by the vote of a majority of the Foundation Board.