



## CHAPTER SCHOLARSHIP FUND POLICIES AND PROCEDURES<sup>1</sup>

- I. **Structure of Account:** Contributions to the Endowment Fund of the Phi Kappa Psi Fraternity ("Foundation"), designated for a Chapter Scholarship Fund, will be retained in the Foundation as principal, less ten percent (10%) that is deducted for unrestricted use by the Foundation. Example: On a \$100.00 donation, \$90.00 is deposited into the Chapter Scholarship Fund and \$10.00 is deposited into the unrestricted account of the Foundation. Each newly chartered chapter will be granted up to \$2,500.00 in matching funds to be used as a one for one match. The match will remain effective for one year from the group's chartering date. The Foundation at its sole discretion reserves the right to change these policies and procedures from time to time.
- II. **Review of Funds and Use of Income:** The Trustees have adopted a "Total Return" philosophy in allocating income for Chapter Scholarship Funds. Under this philosophy, the Trustees will review each Chapter Scholarship Fund annually. The Trustees annually make available five percent (5%) of the fair market value of the Chapter Scholarship Fund's assets to be distributed during the subsequent year. Distributions will be used only for purposes consistent with the Foundation's tax exempt status under section 501(c)(3) of the Internal Revenue Code as determined by the Foundation. The House Corporation will be notified of the amount and will be given a date certain by which the use of the funds must be recommended by the House Corporation. Any funds not distributed by the date certain will be reinvested into the Chapter Scholarship Fund. Example: On a Chapter Scholarship Fund with a balance of \$10,000.00, \$500.00 (or five percent of the Chapter Scholarship Fund's fair market value) would typically be made available for scholarships. Investment management and brokerage costs will be netted from income.
- III. **Funds Not Distributed/Fees:** Any income from the Chapter Scholarship Fund that is not distributed during a grant period (August 1 - July 31) will be added to and become part of the principal. Annually, one and a half percent (1.5%) of the year-end fair market value of the Chapter Scholarship Fund's assets will be allocated to the Foundation for unrestricted use. Example: If a Chapter Scholarship Fund has a value of \$50,000.00 during a given year, \$750.00 would go to the Foundation for unrestricted use.
- IV. **Scholarships:** A Chapter Scholarship Fund may begin disbursing annual scholarship funds when it reaches a balance of \$3,000.00. The Chapter Advisor, House Corporation Board of Directors, and active alumni, as appropriate, will carefully review data of undergraduate members, and, based on merit and need for a scholarship grant, will submit their recommendations to the Foundation Trustees who will have final authority for the granting of scholarships. The following shall apply to scholarship disbursements:
  - A. The minimum award payment from a Chapter Scholarship Fund shall be \$100.00.
  - B. House Corporations with loans from a Chapter Scholarship Fund or Funds will only be eligible for scholarship disbursements if all loan payments are current.
  - C. Award payments will be made directly to a two- or four-year public or private institution of higher learning as described in Code section 170(b)(1)(A)(ii).

<sup>1</sup> Adopted March 24, 2007; Revised November 3, 2007; Revised December 11, 2010



- V. **House Corporation Loans:** Up to, but not exceeding, ninety percent (90%) of the balance of the principal of the account will be made available as a loan to the House Corporation for chapter house renovation or for purchasing other or additional property, on the following basis and subject to the approval by the Foundation Trustees:
- A. The loan must be made as an “arm’s length” transaction. That is, it must be a safe, business-based loan with marketplace conditions including a market rate of interest, a secured mortgage and regular repayment.
  - B. It must be in a first position.
  - C. If the loan is not repaid as stipulated in the loan documents, the House Corporation agrees to release its ownership interest, without legal resistance, to the Foundation so that the property can be sold to recover the loan principal, fees, costs, and accrued interest.
- VI. **Dissolution:** In the event that the chapter is suspended from its host campus, is disbanded, is suspended by order of the Phi Kappa Psi Fraternity, or ceases to function for lack of members or any other reason, then, the following will apply:
- A. The Chapter Scholarship Fund will be maintained in place with five percent (5%) of the funds made available each year being made available for scholarships to worthy and deserving undergraduates in the chapter’s District until such time as the chapter be reconstituted or reinstated in good standing with the host institution and the Phi Kappa Psi Fraternity. All remaining income (less ten percent annually for unrestricted use by the Foundation) will be reinvested into the Chapter Scholarship Fund.
  - B. If the chapter has not been reestablished at its host institution within a period of twenty-one years, the Chapter Scholarship Fund shall be dissolved and all remaining funds, including principal and income, shall become a part of the unrestricted funds of the Foundation.