

CHAPTER DESIGNATED FUNDS

MEETING CHAPTERS WHERE THEY ARE



CHAPTER DESIGNATED FUNDS were created to leverage donors' chapter affinity and as a mechanism to support the three core competencies that drive chapter excellence – academic achievement, safe and healthy housing and values-based leadership development.



	1 – CHAPTER SCHOLARSHIP FUNDS (CSF)	2 – CHAPTER HOUSING FUNDS (CHF)	3 – CHAPTER HOUSE OPERATING FUNDS	4 – CHAPTER LEADERSHIP FUNDS (CLF)	5 – DONOR NAMED CHAPTER FUNDS
Purpose	Support academic achievement through <u>locally tailored</u> scholarships	Fund clean, safe and healthy chapter housing through purchase and renovation grants	Ensure the proper maintenance of chapter houses through operating grants	Promote values-based leadership development through <u>locally chosen</u> grants for chapter members participation in leadership programs	Support scholarships and leadership grants as outlined by the donor
Program Manager	House Corporation, Chapter Advisor and CSF Contact	House Corporation	House Corporation	House Corporation, Chapter Advisor and CLF Contact	House Corporation
Outlook	Long-term	Short-term	Short-term and Long-term	Short-term and Long-term	Long-term
Fund Type	Endowed	Non-endowed	Non-endowed	Endowed and Non-endowed	Endowed
Fees	Gift/Programming fee is 10%; Quarterly maintenance fee is 0.5%	Gift/Programming fee is tiered based on dollars raised at 8%,7%,5% or flat 5% with Scholarship or Leadership Endowment; Quarterly maintenance fee is 0.5%	Gift/Programming fee is 10%; Quarterly maintenance fee is 0.5%	Gift/Programming fee is 10%; Quarterly maintenance fee is 0.5%	Gift/Programming fee is 10%; Quarterly maintenance fee is 0.5%
Min. Balance	\$5,000	\$25,000	None	None	\$25,000; can be funded over 5 years
Spend Policy	Annually 4.5% of the rolling 20-quarter market value average	100% of the fair market value up to a max. value equal to the percentage of the educational area of the facility times the total purchase or renovation cost	Up to the percentage of the educational area of the facility times the total annual operating expenses	Annually 100% of the year-end balance of the non-endowed fund and 4.5% of the rolling 20-quarter market value average of the endowed fund	Annually 4.5% of the rolling 20-quarter market value average
Lending Potential	Yes; up to, but not exceeding, 90% of the balance of the principal	No	No	Yes; up to, but not exceeding, 90% of the balance of the endowed fund principal	Yes; up to, but not exceeding, 90% of the balance of the principal



CHAPTER SCHOLARSHIP FUND POLICIES AND PROCEDURES ¹

- 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 Foundation will review each Chapter Scholarship Fund annually. The Trustees annually make available four and a half percent (4.5%) of the rolling 20-quarter market value average of the Chapter Scholarship Fund’s assets to be distributed during the grant period (August 1 - June 1). 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 remain in the Chapter Scholarship Fund.
- III. **Funds Not Distributed/Fees:** Any funds in the Chapter Scholarship Fund that are not distributed during a grant period (August 1 - June 1) will remain in the fund. Quarterly, half a percent (0.5%) of the Chapter Scholarship Fund’s value will be allocated to the Foundation for unrestricted use.
- IV. **Scholarships:** A Chapter Scholarship Fund may begin disbursing annual scholarship funds when it reaches a balance of \$5,000.00. The Chapter Advisor, House Corporation Board of Directors, and active alumni, as appropriate, will carefully review data of undergraduate members, and, based on their criteria 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 \$250.00.
 - 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).
- 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 for 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 reasonable, business-based loan with marketplace conditions including a market rate of interest, a secured mortgage and regular repayment terms.

¹ Adopted March 24, 2007; Revised November 3, 2007; Revised December 11, 2010; Revised July 9, 2014; Revised December 12, 2015; Revised June 8, 2019

- 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. In the event the host campus suspends the chapter for a specific time period with the intention of allowing the chapter to re-charter/recolonize at the conclusion of the time period, the normal four and a half percent (4.5%) of the rolling 20-quarter market value average disbursement for scholarships will not be allowed during the suspension period. Instead the four and a half percent (4.5%) of the rolling 20-quarter market value average of the Fund will remain in the Chapter Scholarship Fund. At the conclusion of the time period and concurrent with the chapter's recolonization, the chapter may again start to award the usual four and a half percent (4.5%) of the rolling 20-quarter market value average. If a chapter does not commence recolonizing within one year from the end of its suspension period, the scholarship funds will be handled under paragraphs B and C below.
 - B. The Chapter Scholarship Fund will be maintained in place with four and a half percent (4.5%) of the rolling 20-quarter market value average of the Fund made available each year for scholarships to worthy and deserving undergraduates in the form of District Scholarships. Funds will be distributed evenly among all Districts for the purposes of these scholarships until such time as the group is recolonized and in good standing with the host institution and the Phi Kappa Psi Fraternity. All remaining funds (less half a percent (0.5%) quarterly for unrestricted use by the Foundation) will remain in the Chapter Scholarship Fund.
 - C. 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.





CHAPTER HOUSING FUND POLICIES AND PROCEDURES¹

- I. **Structure of Account:** The Chapter Housing Fund is a temporary fund for the purpose of receiving contributions toward a particular fundraising campaign. The account is approved until the campaign is completed and all money is disbursed from the fund. The Foundation at its sole discretion reserves the right to change these policies and procedures from time to time.
- II. **Campaign Status:** Upon request from the House Corporation the Trustees of the Endowment Fund of the Phi Kappa Psi Fraternity (“Foundation”) will approve a campaign status for the House Corporation (“Corporation”). During this time all contributions made by the chapter’s alumni will default to the Chapter Housing Fund, unless the donor specifies another purpose including making a contribution specifically to the Phi Psi Fund (Funds are traditionally directed to the Phi Psi Fund as the standard default when no fund preference is made.).
- III. **Contributions:** Contributions to the Foundation, designated for a Chapter Housing Fund, may be made by check, credit card, bank transfer, or by stocks, bonds or other financial instrument subject to approval of the Foundation. Real property may be contributed only after the review and approval of the Foundation. All chapter campaigns are subject to a fee which provide support for the Foundation’s operational, fundraising and programming expenses which includes the costs associated with supporting the chapter campaign. The fee for this support varies based on the size of the fundraising campaign.

For fundraising campaigns that do not include a chapter leadership endowment initiative (generating an endowment equal to or greater than \$250,000) a tiered fee schedule applies.

- Eight percent (8%) of the first \$750,000 raised
- Seven percent (7%) of the second \$750,000 raised
- Five percent (5%) of the remainder of the campaign

For fundraising campaigns that do include a chapter leadership endowment initiative (generating an endowment equal to or greater than \$250,000) contributions to the housing-related portion of the campaign will be subject to a five percent (5%) fee and contributions to the leadership endowment will be subject to a ten percent (10%) fee. For campaigns that include a chapter leadership endowment, twenty-five percent (25%) of each contribution will be allocated to growing the leadership endowment until the \$250,000 is deposited in the endowment account.

- IV. **Review of Funds and Use of Income:** Funds held within the Chapter Housing Fund will be invested and share in earnings and losses as a percentage of the total corpus under investment. Upon request of the Corporation and with the approval of the Trustees, these funds may be invested in a capital preservation investment instrument. In that case, all earnings and losses would be allocable to the Chapter Housing Fund alone, as that money would be segregated from the general investment portfolio. Earnings and losses, in either case, will be posted on a monthly basis and investment management and brokerage costs will be netted from income. Quarterly, half a percent (0.5%) of the Fund’s value will be allocated to the Foundation for unrestricted use. This fee compensates the Foundation for operational and grant-making related expenses.
- V. **Distribution of Funds:** A Chapter Housing Fund may begin disbursing funds when it reaches a balance of \$25,000.00. Funds will be distributed by approval of the Trustees on not less than fifteen (15) days prior written request of the Corporation. Funds will not be disbursed from a Chapter Housing Fund until the

¹ Adopted September 13, 2007; Revised February 28, 2009; Revised December 11, 2010; Revised March 2, 2012; Revised July 6, 2016; Revised October 10, 2017; Revised June 8, 2019

Foundation and Corporation execute a grant agreement outlining the educational percentage of the facility. The Corporation will maintain records for all expenditures and will be required to submit reports and additional records as outlined in the grant agreement. Distributions may be made for the following purposes:

- A. Grants for educational space and materials
- B. Creation of an operating grant fund for continuing costs of operation
- C. Deposits to the Chapter Scholarship Fund
- D. Other costs as deemed exempt and appropriate by the Foundation

The Foundation may at its sole discretion reimburse fundraising expenses up to the percentage of the facility used as educational areas.

- VI. **Dissolution:** The Chapter Housing Fund will be dissolved by approval of the Foundation Trustees, at the request of the Corporation, when all funds held within have been redirected or paid out or upon the direction of the Trustees. At that point this agreement will be terminated.
- VII. **Additional Provisions:** As the fundraising to establish and grow the Chapter Housing Fund may entail a campaign over an extended period of time, the Foundation further agrees to the following assistance:
 - A. The Foundation will manage contributions to the Foundation for the campaign, will process gifts in a timely manner, will acknowledge each gift to the donor, will help manage multi-year pledges and pledge reminders, will mail annual tax statements to each donor, and will otherwise steward each donor in a manner consistent with the Donor Bill of Rights and industry standards.
 - B. The Foundation may in its sole discretion assist in the process of evaluation, preparation and training in campaign procedures, including board, staff or volunteer training, campaign strategy, research and design of gift range charts, marketing, alumni relations events, publications and other components which may help to ensure the success of any campaign effort.
 - C. The Foundation will work with the Corporation to record address updates and other information necessary to the campaign process and will provide regular and timely reports of changes and corrections.
 - D. The Corporation may request special reports and updates at any time and can expect a timely turnaround on that request. Reports and information provided by electronic means will be provided at no cost. Mailing labels, printed materials or postage will result in a charge for costs to the Foundation.
 - E. If technology permits, the Foundation may in its sole discretion allow access to online data and campaign management resources for the Corporation and its campaign manager, committee and/or volunteers.
 - F. The Foundation will work with the Corporation to have a representative available for periodic alumni and fundraising events, or for personal prospect visits, if appropriate. That availability will depend upon other commitments, and travel schedules of staff and Trustees. It is understood that the presence of a Foundation representative, when possible, can be of great assistance to the campaign process and the education of potential donors.
 - G. The Foundation will work with the Corporation to reconfigure the annual solicitation process and may in its sole discretion remove its chapter alumni from the Foundation's annual campaign effort.
 - H. Where possible and appropriate, the Foundation will assist in the clarification of tax expectations and understandings regarding chapter campaigns, facility construction, educational exemptions and grants and other information that will help the Corporation to maximize the educational advantages offered and approved by the IRS.





CHAPTER HOUSE OPERATING FUND POLICIES AND PROCEDURES¹

- I. **Structure of Account:** A Chapter House Operating Fund is established after the Endowment Fund of the Phi Kappa Psi Fraternity (“Foundation”) receives and executes a grant agreement outlining the educational percentage of a House Corporation’s respective facility. The Foundation at its sole discretion reserves the right to change these policies and procedures from time to time.
- II. **Contributions:** Contributions to the Foundation, designated for a Chapter House Operating Fund, may be made by check, credit card, bank transfer, or by stocks, bonds or other financial instrument subject to approval of the Foundation. Real property may be contributed only after the review and approval of the Foundation. Contributions to the Foundation, designated for a Chapter House Operating Fund, are subject to a ten percent (10%) fee for the unrestricted use by the Foundation. An exception to this fee occurs if funds are transferred to a Chapter House Operating Fund from a Chapter Housing Fund which occurs when the amount raised into a Chapter Housing Fund for a chapter campaign exceeds the amount which can be granted based upon the educational portion of the project.
- III. **Review of Funds:** Funds held within Chapter House Operating Funds will be invested and share in earnings and losses as a percentage of the total corpus under investment. Earnings and losses will be posted on a monthly basis. Investment management and brokerage costs will be netted from income along with any expenses associated with establishing and maintaining the fund, including drafting and performing the educational percentage analysis. Quarterly, half a percent (0.5%) of the Fund’s value will be allocated to the Foundation for unrestricted use.
- IV. **Distribution of Funds:** 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 (the maximum to be the percentage of the educational area of the facility as more particularly outlined in each respective grant agreement of the total allowable expenses) and will be given a date certain by which the use of the funds must be recommended by the House Corporation. Funds will be distributed by approval of the Trustees, at the request of the House Corporation; however, the Foundation Trustees have final authority for the disbursement of grants. Expenditures made in furtherance of the educational purposes as specified in the grant agreement shall be charged against the Chapter House Operating Fund disbursement. The House Corporation will maintain records for such expenditures and will be required to submit such reports and additional records as outlined in the grant agreement. Distributions may be made for the following purposes:
 - A. Real estate taxes
 - B. Casualty and liability insurance premiums
 - C. Utility costs
 - D. Personal property taxes assessed on educational materials and equipment
 - E. Costs directly attributable and allocable to educational areas
 - F. Other similar costs as deemed exempt and appropriate by the Foundation

The following shall apply to grant disbursements:

- A. The minimum grant disbursement from a Chapter House Operating Fund shall be \$7,500.00.
- B. House Corporations with loans from a Chapter Scholarship Fund or Funds will only be eligible for educational operating grant disbursements if all loan payments are current.

¹ Adopted September 13, 2007; Revised December 11, 2010; Revised October 15, 2013; Revised July 6, 2016; Revised October 10, 2017; Revised June 8, 2019

- V. **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. In the event the host campus suspends the chapter for a specific time period with the intention of allowing the chapter to re-charter/recolonize at the conclusion of the time period, the normal grant disbursement will not be allowed during the suspension period. At the conclusion of the time period and concurrent with the chapter's recolonization, granting may resume. If a chapter does not commence recolonizing within one year from the end of its suspension period, the Chapter House Operating Fund will be handled under paragraphs B and C below.
 - B. The Chapter House Operating Fund will be maintained in place with four and a half percent (4.5%) of the rolling 20-quarter market value average of the Fund's assets made available each year for scholarships to worthy and deserving undergraduates in the form of District Scholarships. Funds will be distributed evenly among all Districts for the purposes of these scholarships until such time as the group is recolonized and in good standing with the host institution and the Phi Kappa Psi Fraternity. All remaining funds (less half a percent (0.5%) quarterly of the Fund's value for unrestricted use by the Foundation) will remain in the Chapter House Operating Fund.
 - C. If the chapter has not been reestablished at its host institution within a period of twenty-one years, the Chapter House Operating Fund shall be dissolved and all remaining funds, including principal and income, shall become a part of the unrestricted funds of the Foundation.





CHAPTER LEADERSHIP FUND POLICIES AND PROCEDURES¹

- I. **STRUCTURE OF ACCOUNTS:** Chapter Leadership Funds are established by the Endowment Fund of the Phi Kappa Psi Fraternity (“Foundation”) to meet the leadership and educational programming needs of a chapter. Each chapter may establish a Non-Endowed Chapter Leadership Fund and an Endowed Chapter Leadership Fund (collectively “Chapter Leadership Fund(s)” or “Fund(s)”). All gifts designated to benefit a specific chapter will default to the Chapter Leadership Funds, unless the donor specifies another purpose.

The Non-Endowed Chapter Leadership Fund does not seek to build principal, but to offer liquidity and thus provide an immediate impact on the availability of leadership programming opportunities to chapters and their membership. The Endowed Chapter Leadership Fund is established for perpetuity and produces a consistent return to fund the chapter’s leadership programming needs.

Notwithstanding anything herein to the contrary, the Foundation shall hold and administer contributions to a Fund subject to the provisions of applicable law, the Foundation’s Articles of Incorporation and Bylaws, as amended from time to time, and the policies and procedures for the Funds, which at the Foundation’s discretion may change from time to time. Further, the Funds are temporarily restricted funds and as such normal fees and fundraising expenses associated with the solicitation and collection of gifts and annual account maintenance will be assessed as established by the Foundation’s Trustees.

- II. **CONTRIBUTIONS:** Contributions to the Foundation, designated for Chapter Leadership Funds, will be retained in the Funds, less ten percent (10%) that is deducted by the Foundation as a gift administration fee. Example: On a \$100.00 donation, \$90.00 is deposited into the Fund and \$10.00 is the amount of the gift administration fee. A donor may contribute to the Endowed Chapter Leadership Fund with a minimum gift of \$1,000.
- III. **INVESTMENT OF CONTRIBUTIONS:** The Foundation will review each Fund annually and shall have all powers necessary, in its judgment, to carry out the purposes of the Fund including, but not limited to, the power to retain, invest, and reinvest the Fund’s assets and the power to commingle such assets for investment purposes with the assets of other Foundation funds or the Foundation’s general assets. Contributions held within a Fund will be invested and share in earnings and losses as a percentage of the total corpus under investment. Earnings and losses will be posted on a monthly basis. Investment management and brokerage costs will be netted from income along with any expenses associated with establishing and maintaining the Fund. Quarterly, half a percent (0.5%) of the Fund’s value will be allocated to the Foundation for its general use as a management fee.
- IV. **HOUSE CORPORATION LOANS:** Up to, but not exceeding, ninety percent (90%) of the balance of the principal of the Endowed Chapter Leadership Fund will be made available for 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 reasonable, business-based loan with marketplace conditions including a market rate of interest, a secured mortgage and regular repayment terms.
 - 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.

¹ Adopted March 21, 2015; Revised March 11, 2018; Revised June 8, 2019

- V. **DISTRIBUTIONS:** The Foundation's Board of Trustees ("Trustees") shall direct and monitor the distribution of the proceeds from the Funds to ensure that they are consistent with the Foundation's tax exempt status under section 501(c)(3) of the Internal Revenue Code as determined by the Foundation and are only used exclusively for charitable or other exempt purposes (within the meaning of the Internal Revenue Code).

The Trustees annually will make available one hundred percent (100%) of the year-end balance of the Non-Endowed Chapter Leadership Fund and four and a half percent (4.5%) of the rolling 20-quarter market value average of the Endowed Chapter Leadership Fund to be distributed during the grant period (August 1 - June 1).

The Chapter Advisor, House Corporation Board of Directors, and active alumni, as appropriate, will carefully review data of undergraduate members, and, based on merit, academic records, leadership activities and other qualitative and quantitative criteria as determined by the House Corporation, will select the leadership program participants. In furtherance of the Foundation's exempt educational purposes, leadership program grants will be made directly to the organization hosting the leadership program.

- VI. **MONIES NOT DISTRIBUTED:** Any funds from the Chapter Leadership Funds that are not distributed will be retained in the Funds.

- VII. **DISSOLUTION:** In the event that a 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 to their Fund balances:

- A. In the event the host campus or the Fraternity suspends the chapter for a specific time period with the intention of allowing the chapter to re-charter/recolonize at the conclusion of the time period, annual disbursements will not be allowed during the suspension period. Instead the monies will remain in the Funds. At the conclusion of the time period and concurrent with the chapter's recolonization, the chapter may again start to award the usual disbursements. If a chapter does not commence recolonizing within one year from the end of its suspension period, the Funds will be handled under paragraphs B and C below.
- B. Both the Non-Endowed and Endowed Chapter Leadership Funds will be maintained in place with four and a half percent (4.5%) of the rolling 20-quarter market value average of the Funds made available each year for leadership programming. Funds will be distributed evenly among all chapters within the District with a need for funding assistance until such time as the group is recolonized and in good standing with the host institution and the Phi Kappa Psi Fraternity. All remaining funds (less half a percent (0.5%) quarterly management fee) will remain in the Funds.
- C. If the chapter has not been reestablished at its host institution within a period of ten years from the date of the original suspension, the Funds shall be dissolved and all remaining funds, including principal and income, shall become a part of the unrestricted funds of the Foundation.

