

San Marino Rotary Charities

SAN MARINO ROTARY CHARITIES OPERATING GUIDELINES

February 21, 2006

San Marino Rotary Charities

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I. INTRODUCTION:

Many Rotary Club of San Marino members use the terms “Charities”, “Foundation”, “Rotary Charities”, “San Marino Foundation”, and others interchangeably. The Club has only one IRS 501 (c) 3 non-profit corporation, the name of which is “San Marino Rotary Charities” (“Charities”). The only “foundation” with which the Club is involved is “The Rotary Foundation”, and it is located at the Rotary International headquarters in Evanston, Illinois.

Payments made to the Club are not charitable contributions, while payments made to Charities are charitable contributions. Approximately 20% of the contributions to The Rotary Foundation pass through Charities while the other 80% go directly to the Club Foundation Committee which then sends them to The Rotary Foundation.

To help make this document clear to the reader the key terms used throughout have been defined in Attachment A, Definitions, and when used have the initial letters capitalized. It is recommended that, before reading any further, the reader refer to Attachment A and read the definitions.

No person related to a Rotarian is eligible to participate in any Charities sponsored event or activity, such as RYLA<sup>1</sup> and the TLC,<sup>2</sup> unless the Rotarian pays all expenses incurred as a result of such participation. RYLA and the TLC are the type of activities where each participant directly receives a financial benefit if his or her expenses are paid by Charities.

Historically, Club Presidents have proposed how funds will be donated to charitable institutions during their year as they saw fit and the proposals have routinely been approved. Often, the proposals mirrored the activities of prior years. Club President Len Therrien (2005-2006), with the concurrence of Wayne Carter (President-Elect for 2006-2007), formed a Charities Board committee to review the way Charities has operated in the past and to make recommendations

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<sup>1</sup> Rotary Youth Leadership Awards (“RYLA”) is a weekend leadership program for High School Juniors.

<sup>2</sup> Teen Leadership Camp (“TLC”) is a similar program to RYLA and is designed for 8<sup>th</sup> grade students.

for needed changes, if any, looking forward. These Guidelines were created as the result of that assignment.

Donations have, because of the way that they have been administered over the years, become “entitlements” that are both relied upon and often are expected by the recipient organizations. Usually a request for a Donation is not received by the Club, and sometimes organizations receiving Donations don’t acknowledge receipt, but the Donations continue to be made each year.

These Guidelines provide for the Charities Board to play an active role in decision making on Donation and Grant requests with the goal of improving the quality and effectiveness of the Disbursement process. The greatest responsibility of the Charities Board is to ensure that all funds that pass through Charities, i.e. gifts to other organizations, donations to The Rotary Foundation, Endowment Funds, and operating expenses, are properly handled. When the Endowment Fund is formally established, including investment guidelines, it will be managed by the Charities Board. When approved, these Guidelines, and any amendments, will be posted on the Club web site.

## II. ORGANIZATION OF CHARITIES:

### A. Background:

San Marino Rotary Charities was incorporated on December 27, 1994, under the name “San Marino Rotary Foundation”. On August 9, 1996, the name was changed to “San Marino Rotary Charities”.

The purpose of forming this California Nonprofit Public Benefit Corporation was to facilitate the tax deductibility of contributions made by members of the Club and others for charitable, scientific, literary and educational purposes, including, without limitation, contributions to civic and charitable organizations and grants for educational and civic improvement purposes. There are no geographical limitations on where funds may be used.

The Charities Board has the ultimate authority and responsibility (“fiduciary duty”) to conduct, manage and control the affairs and activities of San Marino Rotary Charities. The Board may delegate management of the day-to-day operation of Charities to others; provided that, the business and affairs of Charities shall be managed and all corporate powers shall be exercised under the direction of the Board. For example, while the Club’s Foundation Committee is responsible for managing the activities within its Committee scope, since some of the funds raised and expended by the Club Foundation Committee are handled by Charities, the Charities Board has the fiduciary duty to ensure that the Committee funds passing through Charities are appropriately handled.

## B. Relationship Between Club Board & Charities Board:

An important part of the Club's commitment to "service above self" is soliciting donations to fund charitable gifts to non-profit organizations and community events, and distributing those gifts. The sole purpose in creating San Marino Rotary Charities was to ensure that donations to the Club for use in its charitable activities qualify for treatment as income tax deductions. To ensure that this important process operates smoothly the relationship between the Club Board and the Charities Board must be clearly defined.

It is essential that the Club Board be informed of, actively involved in, and agree with the activities of the Charities Board. The Charities Board will support the Club Board's activities by functioning as though it were a Club Committee charged with managing and implementing the Club's charitable activities, subject to the Charities Board retaining and discharging its legal and fiduciary responsibilities. The following steps will be followed to achieve this objective:

1. Club Board Approvals: The Club Board has final approval of the activities of the Charities Board; provided that, no Club Board directive will be implemented if it is inconsistent with the legal and/or fiduciary responsibilities of the Charities Board.
2. Publish Guidelines: These Guidelines provide to the members of each Board, and to the Club membership, a written statement of how the Club's charitable activities are administered. The Guidelines are posted on the Club web site for quick, easy reference.
3. Approval of Changes to the Guidelines: Prior to implementation both Boards approved these Guidelines, and it is desirable that any future changes to these Guidelines be approved by both Boards prior to implementation. However, if both Boards are unable to agree on making discretionary changes then any discretionary changes approved by the Club Board will be reflected in the Guidelines and implemented.<sup>3</sup> If both Boards are unable to agree on making non-discretionary changes, i.e. those required to be made to comply with legal and/or fiduciary requirements, any non-discretionary changes approved by the Charities Board will be reflected in the Guidelines and implemented.

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<sup>3</sup> For example, assume that an activity such as RYLA is approved by both the Club Board and the Charities Board as being appropriate. If the Club Board recommended a funding level of \$2,200 and the Charities Board recommended \$1,000, the funding level would be \$2,200.

4. Common Leadership: The Club President, Club President-Elect, and Club Board Director in charge of Foundation Activities are automatically members of the Charities Board, as provided for in the Charities Bylaws.<sup>4</sup> The Club President-Elect-Elect will automatically become an ex-officio member of the Charities Board. Historically, the Club President, when taking office, automatically became the Charities President and the Club President-Elect became the Charities Secretary. In the future, the Club President may become the Charities President and the Club President-Elect may become the Charities Secretary; provided that, the Charities Board elects the Club President to serve as the Charities President and the Charities Board elects the Club President-Elect to serve as the Charities Secretary.

5. Charities Board Composition: It is desirable to have Club Board member participation on the Charities Board; provided that, the number of Club Board members is less than 50% of the Charities Board membership.

C. Operation of Charities:

1. Charities Board: The Board consists of a Chief Executive Officer (“President”), Secretary and Chief Financial Officer (“Treasurer”), and 15 Directors. Directors must be members of the Club and have staggered three year terms. The President, Secretary and Treasurer, and five new Directors are elected by the Board each year.

2. Charities Board Meetings: The Board holds an annual meeting on the first Tuesday of August of each year to:

- Review and, if appropriate, ratify the past year's activities;
- Elect Officers and five Directors, and ratify the Executive Committee's appointment of the Incoming Fundraising, Disbursements and Endowment Chairs to serve on the Executive Committee; and
- Approve the annual Charities Budget.

Special meetings are held as needed to address policy issues such as establishing the operating parameters for the Endowment Committee (Investment guidelines, criteria for determining annual distributions, and criteria for qualifying recipients).

3. Charities Board Executive Committee: The business of the Board is administered, consistent with these Guidelines, by an Executive Committee. The Executive Committee consists of the following:

- President;
- Secretary;

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<sup>4</sup> If any of the offices of Club President, Club President-Elect, or Club Board Director in charge of Foundation Activities are vacant the Board will elect a Director to serve until the office is filled.

- The Fundraising, Disbursements and Endowment Committee Chairs; and
- The Club President-Elect-Elect serving as an ex-officio member.

The members of the Executive Committee serve until their successors are elected by the Board. A quorum is four members. Any conflict of interest created by a Committee Chair serving on the Executive Committee and acting on matters from his or her committee that are before the Executive Committee is waived. The Executive Committee meets as follows:

- Mid-March: Before or after a Club meeting to consider and, if appropriate, approve the President-Elect's recommended Incoming Chairs for the Fundraising, Disbursements and Endowment Committees.
- First Week of May: Before or after a Club meeting to consider, and if appropriate, approve (1) the Incoming Fundraising Committee's proposed fundraising activity and goal, and (2) the Treasurer's revenue estimates for the coming year.
- First Week of June: Scheduled meeting to consider, and if appropriate, approve the President-Elect's proposed Charities Budget.
- Fourth Week of June: If the President-Elect did not present a proposed Charities Budget to the Executive Committee for its consideration at a meeting during the first week of June, meet at a scheduled meeting to consider, and if appropriate, approve the Incoming Disbursement Committee's proposed Charities Budget.
- Following Year:
  - First Week of March: Scheduled meeting to review and, if appropriate, approve the Disbursements Committee recommendations for funding Grants.
  - Special Meetings: Held as needed.

4. Charities Board Operating Committees: The Board has three operating committees, i.e. Fundraising, Disbursements and Endowment. The President-Elect appoints the Chair of each committee, subject to approval by the Executive Committee. Each Chair then selects four committee members, with two being Charities Board members and the other two members coming from the Charities Board and/or the Club membership. No person may serve on more than one of the three operating committees.

D. Implementation of Guidelines:

1. Donation/Grant Guidelines Implementation Letter: To provide organizations an opportunity to adjust to changes in Donation levels and

to the new Grant application process, these Guidelines will be phased in over two years, beginning in the 2006-2007 year. Each current recipient of Donation funds will receive a letter of explanation in the form shown in Attachment B, Grant Guidelines Implementation Letter.

2. 2006-2007 Implementation: For the 2006-2007 year the following will be implemented:

- The amounts budgeted in 2005-2006 for the organizations and events listed as Community Service Activities, other than the Memorial Day Ceremony and the Fishing Derby which both stay at \$200, and San Marino Library Honorarium Books which will stay at \$600, will be reduced by one-third;
- An organization may use the amounts remaining after the one-third reduction for ongoing operating expenses;
- If an organization wishes to apply for additional funds it may do so in accordance with the requirements set forth in Section IV.D, Grant Application Process, below.

3. 2007-2008 Implementation: The amounts budgeted for 2005-2006 for the organizations and events listed as Community Service Activities, other than the Memorial Day Ceremony and the Fishing Derby which both stay at \$200, and San Marino Library Honorarium Books which will stay at \$600, will be reduced by two-thirds.

4. 2008-2009 Implementation: For the 2008-2009 year the Donation levels will remain the same; subject to, Charities ensuring that the mission and goals of an organization or activity receiving a Donation are consistent with the goals of the Club. The Grant application process (See Section IV.D., Grant Application Process) will be fully funded and implemented.

### III. REVENUE SOURCES (Non-Endowment):

#### A. Background:

The sources of funding for Charities fall within the following two categories:

#### Contributions:

- Billed Fines
- Sergeant's Fines
- Mini Grants (pass through)
- The Rotary Foundation (pass through)
- Allstate Grant
- Other

Other Receipts:

- Annual \$10,000 Fundraiser (minimum)
- Paul Harris Luncheon
  - Donations (member contributions to The Rotary Foundation)
  - Lunch Funds Transferred from the Club (avoided regular lunch)
  - Receipts-Other than Members
  - Collection from Quarterly Club Billing (\$10/quarter/Member)
- Interest Income
- Endowment Fund (To be established)
- Other

B. Fundraising Committee:

The Incoming Fundraising Committee Chair will recruit four additional members to serve on the Committee. Once formed the Committee will select a proposed fundraising activity, and goal of not less than \$10,000, for presentation to the Executive Committee for consideration and approval at its first week of May meeting.

IV. DISBURSEMENTS:

A. Disbursements Committee:

The Incoming Disbursements Committee Chair will recruit four additional members to serve on the Committee. The Disbursements Committee will perform the following tasks:

1. In the first week of April the Incoming Disbursements Committee Chair will ask the Treasurer to prepare a projection of the Revenues anticipated to be received during the coming year,<sup>5</sup> and to present that projection to the Executive Committee for consideration and approval at its first week of May meeting.
2. Following approval of the Incoming Fundraising Committee activity and goal, and the Treasurer's Revenue projection at the Executive Committee first week of May meeting, the Incoming Disbursements Committee Chair will ask the President-Elect to prepare a draft Charities Budget and present it to the Executive Committee for consideration at its first week of June meeting.<sup>6</sup> The draft Charities

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<sup>5</sup> An estimate of (1) the level of revenue that will be generated by the "Contributions" sources of funding, and (2) the revenue that Charities anticipates will be received during the following year from the "Other Receipts" sources of funding.

<sup>6</sup> If the Club President-Elect does not prepare a draft Charities Budget for consideration by the Executive Committee at its meeting scheduled for the first week of June the Incoming Disbursements Committee will prepare a draft Charities Budget for consideration by the Executive Committee at a meeting to be held during the fourth week of June. In this event the

Budget will reflect a plan of charitable giving consistent with the President-Elect's goals for the upcoming Rotary year, or for a series of years if the President-Elect and future Presidents would like to initiate a multi-year project. As part of this process each Club committee chair associated with Club funded activities should be asked to indicate the level of Donation needed to fund their activities.

3. Following approval of the Charities Budget by the Executive Committee the proposed Charities Budget will then be presented to the Club Board for review, comment and approval at its July Board Meeting. After the Club Board has approved the proposed Charities Budget it will be presented to the Charities Board for review and approval at its August Annual Board Meeting.
4. Following approval of the Charities Budget (1) notify the Club committee chairs associated with Club funded activities and the organizations that will receive Donations of the level of Donation funding that can be expected during the coming year and, (2) invite qualifying organizations to submit Grant proposals.<sup>7</sup>
5. In February, when Grant proposals are due, evaluate the proposals and prepare a recommendation for funding the successful Grant proposals. Submit the successful Grant proposals to the Executive Committee for review and approval at its first week of March meeting.
6. By mid-March inform the organizations that submitted Grant applications whether or not they were successful.
7. Present Donations and Grants to the recipient organizations as provided for in Section IV.E., Presentation of Grants, below.

B. Disbursement Categories:

The terms defined below, taken as a whole, represent the areas where Charities disburses funds (See Attachment C, Pro Forma Charities Budget). Also, for reference, see Attachment D, Charities Budget For 2005-2006. These terms also are reflected in Attachment A, Definitions.

1. Rotary Activities: The Activities within this category, such as RYLA and the 4-Way Speech Contest, will be supported each year. Unless one of

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Club President-Elect will be provided a copy of the draft Charities Budget and invited to comment on it.

<sup>7</sup> During the period when the Guidelines are being implemented, to the extent that projected Revenues are not realized, funds that would be used to fund Grants may be used to fund Donations that otherwise would not be funded.

these Rotary Activities is terminated or is changed substantially it is unlikely that a change will be made to this category.

2. Community Service Activities: Community Service Activities are funded by Donations and/or Grants made to IRS 501 (c) 3 charities that serve the greater San Gabriel Valley, or to single day community events such as the City of San Marino Memorial Day Ceremony. Organizations listed under Community Service Activities may receive a Donation to be used for operating expenses and/or a Grant approved to be used to fund a specific project.

3. Schools/Student Activities: The Activities in this category generally are funded by Donations each year. However, they will be reviewed annually to ensure that they continue to qualify for receipt of Club funds, and the amount to be donated will be determined based on the overall Charities Budget and the Club goals to be accomplished for the year.

4. International Activities: Normally no activities will be shown in this category; however, should the Club decide to participate in an international project this is where the project will be reflected together with the amount budgeted for the activity.

5. The Rotary Foundation Activities: Approximately 20% of the charitable donations directed to The Rotary Foundation are made to Charities with a designation that they be forwarded to The Rotary Foundation. These donations are shown under the category The Rotary Foundation Activities. Also reflected in this category are disbursements related to the Paul Harris Luncheon and The Rotary Foundation Fundraising.

6. Charities Activities: Charities Fundraising Expenses and Administrative Expenses consisting of Secretary of State filing fees for the Charities IRS 501 (c) 3 non-profit corporation.

C. Focus of Charitable Giving Plan:

1. Geographical Area: The primary focus of the Club's charitable giving plan is on supporting non-profit organizations, and single day Community events such as the Memorial Day Ceremony, located in the San Gabriel Valley with emphasis on supporting organizations located within, or serving the residents of, the City of San Marino. Normally the Club will not create and/or support specific international programs through Charities, but in special circumstances may do so. It will normally support international programs by working through Rotary International and its international programs.

2. Time Limits: An organization may receive Donations and/or Grants indefinitely so long as, with respect to Grants, a Grant application for a particular year is approved. The emphasis will be on need and benefits to be realized from receipt of the Donations and/or Grants rather than on the number of years Donations and/or Grants have been received.

3. Donations: Funds, other than Grants, to be used for the operating expenses of intrinsically worthy organizations or activities. Donations will be modest (hundreds of dollars rather than in the thousand dollar range). To receive a Donation, no application process is required. Each year, before approving continuation of a Donation, Charities will ensure that the mission and goals of an organization or activity receiving a Donation are consistent with the goals of the Club.

4. Grants: Applications for Grants for new programs and projects (“seed funds”) will be encouraged with emphasis on first year funding; however, funding beyond the first year may be approved for succeeding years through the Grant application process for that year.

5. Grant Application Review: Charities will review each Grant application by considering the applicant’s need for the funds requested, its size, its financial strength, and its available revenue sources. Also, the current needs of the community and the current attitudes recognizing the works of a worthy, benevolent organization will be considered.

6. Full Grant Funding: Grant funds available for distribution are limited. Charities prefers to fully fund some Grant applications rather than partially funding a greater number of applications. Decisions on Grant applications will not be based upon a limitation of funds available for Grants, but rather, upon the benefits of the proposed use of funds.

7. Participant Qualification: No person related to a Rotarian is eligible to participate in any Charities sponsored event or activity, such as RYLA and the TLC, unless the Rotarian pays all expenses incurred as a result of such participation. RYLA and the TLC are the type of activities where each participant directly receives a financial benefit if his or her expenses are paid by Charities. The 4-Way Speech Contest, Dan Stover Music Contest and George Hensel Essay Contest are not included in this limitation because there is no entry fee to participate and the winners are selected by a panel of judges based on individual performance. Participation in organizations such as the South Pasadena-San Marino YMCA and the SGV Boy Scout Council also are excluded as any benefit from Charities contributions to these organizations is extremely remote. This limitation complies with the spirit and intent of Rotary’s statement of

policy regarding RI Foundation funding of the Ambassadorial and Cultural Scholarship programs<sup>8</sup> and also of applicable IRS Regulations.

D. Grant Application Process:

For a Grant to be considered the recipient organization must submit an application for the Grant (See Attachment E, Grant Application Guidelines) that meets the following criteria:

1. Charitable Purposes: Grants will only be made to IRS 501 (c) 3 charitable organizations or to single day community events such as the City of San Marino Memorial Day Ceremony.
2. Grant Limitations: Grants for the following purposes will not be considered:
  - Conferences, workshops, exhibits, travel, surveys, film or publishing activities;
  - Debt retirement;
  - Projects or programs normally financed by government, academic, or private sources;
  - Endowment funds;
  - Political organizations or candidates;
  - Sectarian religious purposes;
  - Medical, science, or academic research; and
  - Direct grants, scholarships, or loans to individuals.
3. Confirmation Letter: For a past Grant recipient to have a new Grant request considered the organization must have submitted a letter to Charities explaining how the Grant funds received in the prior year(s) were used and the results achieved.
4. Club Member: At least one member of the Club must be an active volunteer with the applicant organization.
5. Board-Approved Policy: Have a board-approved policy regarding staff employment, electing a governing board, and provide service without discrimination on the basis of race, religion, gender, sexual orientation, age, disability, or national origin.

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<sup>8</sup> "...persons in the following categories are ineligible: (a) a Rotarian or Honorary Rotarian; (b) an employee of a Rotary club or district, of Rotary International, or of another Rotary-affiliated entity; (c) a spouse, a lineal descendant (child or grandchild by blood or by legal adoption), a spouse of a lineal descendant, or an ancestor (parent or grandparent by blood) of any living person in categories (a) or (b); and that Rotarians and their relatives as described above remain ineligible for 36 months after resignation."

## E. Presentation of Donations & Grants:

1. Schedule: When the Charities Budget and the Grants have been approved the Disbursements Committee Chair will prepare a schedule for presenting the approved Donations and Grants to the recipient organizations that reflects the timing of the need for funds by the recipient organizations. Members of the Disbursements Committee will be assigned to present the Donations and Grants.

2. Donation/Grant Presentation Outline: The goals of the presentation of Donations and Grants to representatives of recipient organizations at Club lunch meetings are:

- To recognize worthy organizations for the good work that they do; and
- To show the Club membership that their contributions are spent in a meaningful way.

The organization's representative will be encouraged to explain to his/her Board how San Marino Rotary supports their activities. The Club President should read acknowledgment letters to the membership at a regular meeting or, if appropriate, such letters should be reflected in the Rotoscope.

Historically, presentations have been little more than presentation of a check and a photo-opportunity. To make the presentations more meaningful, it is suggested that presenters take the following steps:

- About two weeks prior to the scheduled presentation, the presenter should contact the Treasurer to ensure that a check for the approved amount will be available at the meeting.
- About one week prior to the scheduled presentation the presenter should contact the recipient organization and (1) obtain sufficient background on the recipient organization and the designated representative ("Representative") to make a brief introduction, and (2) request that the Representative come to the meeting prepared to give a brief description of how the funds will be used.
- Prior to the meeting arrange for the Representative to be seated at the head table, and ensure that a table name tag is provided for the Representative.
- At the meeting greet the Representative when he/she arrives, provide a name tag, and introduce the Representative to Club members during the social period.
- When the Club President recognizes the presenter he/she will introduce the Representative, invite him/her to describe the use to which the Donation and/or Grant will be put, and make the presentation. This process should not take more than four-five

minutes. Ensure that the Representative does not take 10-15 minutes describing the organization and project.

V. ENDOWMENT FUND:

A. Investment Policy: Document and implement an investment policy for the Endowment Fund;

B. Annual Distributions: Document a process for determining the level of funding available for distribution and annually make that determination;

C. Limitations on Distributions: Document any limitations on the sources of specific funds (refer to source documents), and ensure that requests for distribution of funds are consistent with any such limitations. Refer to Attachment B, Pro Forma Charities Budget Format, for categories within which prospective donors may make bequest and/or contribution designations to the Endowment Fund.

D. Applications For Distributions: Document the process to be followed to request a distribution of funds, and to be followed to evaluate and approve such requests.

E. Review of Spent Funds: Ensure that distributed funds are spent for the purposes intended and that the expenditures are reasonable.

F. Governance: Prepare a document that covers governance, i.e. number of committee members, meetings including notice, voting rules, dissolution etc.

G. Web Site: Post the written policy and procedure material needed by the Board to discharge its responsibilities on the Club web site.

VI. CLUB FOUNDATION COMMITTEE:

Charities hereby delegates the day-to-day management responsibilities for The Rotary Foundation Activities to the Club's Foundation Committee, as set forth below:

- Organize and conduct the annual Paul Harris Luncheon; and
- Conduct the Club's fundraising efforts in support of The Rotary Foundation.

## Attachment A

### DEFINITIONS

The terms used in this document, with initial capitalizations, are defined as follows:

1. Charities: San Marino Rotary Charities was incorporated on December 27, 1994, as an IRS 501 (c) 3 non-profit corporation. The purpose of Charities is to serve as the conduit through which charitable contributions to the Club flow in order to qualify for treatment as tax deductible contributions. The By-Laws are broadly written and provide for support of "...charitable, scientific, literary and educational..." purposes. These charitable activities may be local or international in nature. The elected leadership consists of a President, Secretary, and Treasurer, and 15 Directors. The By-Laws of Charities are posted on the Club website.

2. Club: Rotary Club of San Marino is an unincorporated association consisting of all Club members with an elected leadership that conducts the business of the Club. The elected leadership consists of a President, Vice President, Secretary, Treasurer and Immediate Past President, and eight Directors. The By-Laws of the Club are posted on the Club website.

3. Disbursements:

Rotary Activities: The Activities within this category, such as RYLA and the 4-Way Speech Contest, will be supported each year. Unless one of these Rotary Activities is terminated or is changed substantially it is unlikely that the Charities Board will make a change to this category.

Community Service Activities: Community Service Activities are funded by Donations and/or Grants made to IRS 501 (c) 3 charities that serve the greater San Gabriel Valley, or to single day community events such as the Memorial Day Ceremony. Organizations listed under Community Service Activities may receive a Donation to be used for operating expenses and/or a Grant approved to be used to fund a specific project.

Schools/Student Activities: The Activities in this category generally are funded by Donations each year. However, they will be reviewed annually to ensure that they continue to qualify for receipt of Club funds, and the amount to be donated will be determined based on the

overall Charities Budget and the Club goals to be accomplished for the year.

International Activities: Normally no activities will be shown in this category; however, should the Club decide to participate in an international project this is where the project will be reflected together with the amount budgeted for the activity.

The Rotary Foundation Activities: Approximately 20% of the charitable donations directed to The Rotary Foundation are made to Charities with a designation that they are to be forwarded to The Rotary Foundation. These donations are shown under the category The Rotary Foundation Activities. Also reflected in this category are disbursements related to the Paul Harris Luncheon and The Rotary Foundation Fundraising.

Charities Activities: Charities Fundraising Expenses and Administrative Expenses consisting of Secretary of State filing fees for the Charities IRS 501 (c) 3 non-profit corporation.

4. Donation: Funds, other than Grants, to be used for the operating expenses of intrinsically worthy organizations or activities. Donations will be modest (hundreds of dollars rather than in the thousand dollar range). To receive a Donation, no application is required. Each year, before approving continuation of a Donation, Charities will ensure that the mission and goals of an organization or activity receiving a Donation are consistent with the goals of the Club.
5. Endowment Fund: The Charities Board has approved establishment of the San Marino Rotary Endowment Fund pursuant to the recommendation of a committee that was established to explore the feasibility of creating an Endowment Fund. The purpose of the Endowment Fund is to provide a convenient vehicle for Club members to use to include the Club in their charitable giving plans in addition to annual contributions to Charities for annual distribution and to The Rotary Foundation.
6. Grant: Disbursement to a charitable organization [IRS 501 (c) 3] that falls within the Community Service Activities, Schools/Student Activities or International Activities category. Unlike a Donation a recipient organization must apply for, and be approved for, a Grant.
7. Guidelines: This document entitled "San Marino Rotary Charities Operating Guidelines", which has been approved by both the Club and the Charities Boards. Any amendments to the Guidelines will be handled

consistent with Section II.B.3, Approval of Changes to the Guidelines.

8. The Rotary Foundation: The Rotary Foundation is located at the Rotary International headquarters located in Evanston, Illinois and carries out RI's international service activities.

Attachment B

DONATION/GRANT GUIDELINES IMPLEMENTATION LETTER

Date

To:

From: San Marino Rotary Charities  
(Address)

Subject: Donations and Grants

The Board of Directors of San Marino Rotary Charities ("Charities") has approved new operating guidelines governing the distribution of funds for Donations and Grants. The terms Donation and Grant are defined below:

Donation: Funds, other than Grants, to be used for the operating expenses of intrinsically worthy organizations or activities. Donations will be modest (hundreds of dollars rather than in the thousand dollar range).

Grant: Disbursement to a charitable organization [IRS 501 (c) 3] that falls within the Community Activities, Schools/Student Activities or International Activities category. Unlike a Donation a recipient organization must apply for, and be approved for, a Grant.

**Community Activities Insert**: The biggest change affecting your organization in the Community Activities category will be, using the amount distributed to you in the 2005-2006 period as a reference, a decrease in your 2006-2007 Donation by one-third, or from \$\_\_\_\_\_ to \$\_\_\_\_\_. Then in the 2007-2008 year your Donation will be decreased by another one-third, or from approximately \$\_\_\_\_\_ to \$\_\_\_\_\_. This reduction in the level of Donations is being implemented over a two year period to allow recipients of Donations time to adjust to the changes. The amount of your Donation will ultimately will be determined based upon the overall Charities budget and the goals to be accomplished for that year.

The accumulated funds resulting from the decreases in Donations will be retained in the Charities budget. These funds will be used to support specific projects, and will be distributed as Grants, rather than having all of the funds that we donate used for organization operating expenses.

**Schools/Student Activities Insert**: Organizations and activities such as yours comprising the Schools/Student Activities category are funded yearly by

Donations. However, the level and purpose of the Donation to your organization will be reviewed annually to ensure that they continue to meet the Charities guidelines for receipt of Charities funds, and the amount ultimately donated will be determined based upon the overall Charities budget and the goals to be accomplished for that year.

**Insert In All Letters:** A copy of the Grant Application is attached to this letter for your reference. If you have a project, program or activity that you believe meets the criteria for a Grant, you are invited to submit an application for a Grant by October 1, 2008. For a complete explanation of how Charities operates and distributes its funds please visit the San Marino Rotary Club web site at [www.smnet.org/comm\\_group/smrotary/](http://www.smnet.org/comm_group/smrotary/) and click on Charities

Should you have any questions or desire to discuss the above information, please telephone or e-mail the following person.

Sincerely,

Elliott L. Katz  
Chair, Disbursements Committee  
Telephone: 626 281 3161  
E-mail: [paindudepa@aol.com](mailto:paindudepa@aol.com)

Attachment C

PRO FORMA CHARITIES BUDGET FORMAT

**DISBURSEMENTS:**

**Rotary Activities:**

RYLA  
4-Way Speech Contest  
Dan Stover Music Contest  
Rose Parade Float Committee  
George Henzel Essay Contest  
Teen Leadership Conference  
Ambassadorial Scholar Reception

**Community Service Activities:**

YMCA  
SGV Boy Scout Council  
Hill-Harbison House  
Memorial Day Ceremony  
San Marino Library Foundation  
Old Mill Foundation  
San Marino Library (honorarium books)  
San Marino Historical Society  
Library Building Donation (one time)  
Fishing Derby  
Centennial Clock Maintenance Fund  
Grant Fund

**Schools/Student Activities:**

Mini Grants  
Reading By Nine  
Career Connection Program (meals)  
Southwestern Academy  
San Marino Schools Foundation  
San Marino High School Fine Arts Contest  
San Marino High School Football/Baseball Boosters  
San Marino High School Grad Night

**International Activities:**

**The Rotary Foundation Activities:**

The Rotary Foundation Disbursements  
Paul Harris Luncheon  
The Rotary Foundation Fundraising

**Charities Activities:**

Charities Fundraising Expenses  
Administrative Expenses

**Carryover Commitments From Prior Year:**

Attachment D

CHARITIES BUDGET FOR 2008-2009

**To be added when approved. During the review process please see the draft forwarded with this document.**

Attachment E

GRANT APPLICATION GUIDELINES & GRANT APPLICATION

**San Marino Rotary Charities  
Rotary Club of San Marino**

**Community Service & Schools/Student  
Grant Application Guidelines  
2008-2009 Grant Year**

**Application Deadline: October 1, 2008  
Awardees will be notified by November, 2008  
Grants will be awarded by March, 2009**

Please mail your application to

Disbursements Committee  
Attention: Chair  
San Marino Rotary Charities  
P.O. Box 80301  
San Marino, CA 91118

## **Rotary Club of San Marino Community Service & Schools/Student Grant Guidelines**

San Marino Rotary Charities (“Charities”) will consider Grants to assist credible agencies and institutions serving children and youth, the elderly, and projects that will improve the quality of life of people in the San Marino community.

Consideration will be given to the support of well conceived projects which promise significant positive results and that are likely to produce a multiplier long-term effect. Grant requests from nonprofit organizations that are represented by a large number of active volunteers from the Rotary Club of San Marino are given priority. It is not normally the desire of Charities to be the sole source of the funding for a project; an applicant’s efforts to obtain additional funding for a project from more than one source will be viewed favorably.

To be reviewed, a complete application must be received by 5:00 p.m. on the deadline date. The applicant must submit one original (marked original) and one copy of the application package. All pages need to be identified with the name of the organization with page numbers on the lower right corner. Applications must be submitted to the address on the cover page in hard-copy format by mail only. If a special courier is used, please check “no signature required” option.

Please note that the Grant guidelines and procedures are subject to modification each year at the beginning of the grant cycle.

### **Scope and Type of Grants**

#### **I. Eligibility:**

A. Charitable Purposes: Grants will only be made to IRS 501 (c) 3 charitable organizations or to single day community events such as the City of San Marino Memorial Day Ceremony.

B. Grant Limitations: Grants for the following purposes will not be considered:

- Conferences, workshops, exhibits, travel, surveys, film or publishing activities;
- Debt retirement;
- Projects or programs normally financed by government, academic, or private sources;
- Endowment funds;

- Political organizations or candidates;
- Sectarian religious purposes;
- Medical, science, or academic research; and
- Direct grants, scholarships, or loans to individuals.

C. Confirmation Letter: For a past Grant recipient to have a new Grant request considered the organization must have submitted a self-evaluation report documenting the prior Grant project's actual cost, results and effectiveness within the one-year period during which the Grant funds were to be used.

D. Club Member: At least one member of the Club must be an active volunteer with the applicant organization.

E. Board-Approved Policy: The applicant organization must have a board-approved policy regarding staff employment, electing a governing board, and provide service without discrimination on the basis of race, religion, gender, sexual orientation, age, disability, or national origin;

## II. Type of Grants:

A. Program Support: Grants are available for a new program, the expansion of an existing program or strategic support for an existing program. Services delivered by the program must be part of the nonprofit's mission and meet identified community needs. The program is defined as a coherently packaged group of activities designed to result in meaningful and measurable change for its participants. The program should be designed to reach the greatest number of people at the most reasonable cost. These funds are to be used to support direct program costs, not indirect operating expenses.

B. Capital Expenditure: Grants may be made for a capital expenditure used for the acquisition of tangible items or improvement of facilities. Examples of tangible items are new vehicles or equipment, equipment replacement and modernization, and educational materials that tend to remain with an organization and have a minimum life span of five years. Items that do not constitute a capital request include videos, books, web site development, and "consumables" such as brochures, posters, uniforms, and individual sports equipment. Funds cannot be used for reimbursement of items purchased prior to the Grant award date.

C. Grant Period: The Grant period is one year in duration from the date of award. If funding is not utilized within one year from the date of the award, the Grant may be rescinded at the option of Charities. If the Grant is rescinded the unexpended funds are to be returned unless a prior extension is granted through a written request.

D. Full Grant Funding: If Grant funds available for distribution are limited, Charities prefers to fully fund some Grant applications rather than partially funding a greater number of applications. Decisions on Grant applications will not be based upon a limitation of funds available for Grants, but rather, upon the benefits of the proposed use of funds.

## **Grant Review Process**

Each Grant proposal will be reviewed by the Charities Disbursements Committee, which comprises volunteers. Final approval rests with the Charities Board of Directors. All applications are treated with confidentiality and impartiality.

The Disbursements Committee may request additional information and clarification and/or an interview and site visit while considering your proposal. Please do not attempt to contact or “lobby” volunteers to influence their decisions. The process takes approximately three months, thus a proposal with an immediate need for funding is not appropriate.

The following Grant review criteria play the most important role in the decision-making. These criteria are offered as a means of helping applicant organizations to understand what the Grant Committee is looking for as it reviews proposals.

- A. APPROPRIATENESS: How well does the project to be funded by this proposal meet the Grant guidelines?
- B. SIGNIFICANCE: If the project does meet the Grant guidelines, how significant is the issue or need and how meaningful will the project's outcome be?
- Is the issue/opportunity significant in our community?
  - Is evidence offered to substantiate the problem described?
  - If the project succeeds, will it make a meaningful contribution?
- C. CAPACITY: The extent to which the organization demonstrates sound management practices and has the skills, commitment, resources, experience, and time to implement the proposed project successfully.
- D. METHODS: Given the proposed outcomes of the project, does the plan of action seem appropriate and will it be effective in achieving its goals?
- Does the plan of action give you a clear picture of how the project will proceed?

- Does the plan of action clearly relate to the stated problem/opportunity?
- If this is a new program, is there a credible basis for the plan of action?

E. PRIOR PERFORMANCE: Effectiveness, Quality of Services and Accountability.

- Review of the applicant organization's performance on past Grants.
- Review of progress and final grant self-evaluation reports on previous Grants.

F. CLARITY: Are the proposal project, plan of action and proposed outcomes stated clearly so that the members of the Donation/Grant Committee fully understand what is involved in the project and what will occur if it is funded?

## **Awards**

All applicants will be notified in writing no later than Mid-November, 2008 whether a Grant request has been approved. If a proposal is declined, a designated member of the Disbursements Committee will be available to explain and advise on future application efforts.

When the Charities Budget has been approved the Disbursements Committee Chair will prepare a schedule for presenting Donations and Grants to the recipient organizations that reflects the timing of the need for funds by the recipient organizations. Members of the Disbursements Committee will present the Grants at regular San Marino Rotary Club lunch meetings.

Regrettably, the availability of grant funds permits a favorable response to only a limited number of requests. Lack of approval should not be considered an indication by San Marino Rotary Charities as a lack of appreciation for the merit and worthiness of either the proposal or the organization seeking support.

## **GRANT APPLICATION**

**Name of submitting organization and primary contact:**

Include full name and address of submitting organization as well as the primary contacts.

**Overall objective(s) of the proposed activity:**

Describe in detail the primary objectives of the project, activity or experiment. Subordinate objective(s) should be identified, if necessary

**Detailed description of how the requested funds will be used to achieve that(those) objective(s)**

This section should be as specific as possible so that the review committee has a clear understanding of how the objective(s) will be met. It will also be useful if the benefits, long term and /or short term, of the project are identified.

**Funding requested and the anticipated duration of the activity:**

A reasonably detailed cost breakdown which can be related to the stated objective(s).

It is anticipated that Grant Applications will be reviewed within a minimum of four weeks of receipt. Any questions or need for additional information will be directed to the designated primary contact within that time period.