



---

ALPHA KAPPA LAMBDA EDUCATION FOUNDATION

---

Alpha Kappa Lambda Education Foundation  
Policies and Procedures

**Contents**

<b>1.</b>	<b>Code of Ethics .....</b>	<b>2-3</b>
<b>2.</b>	<b>Naming Policy .....</b>	<b>4</b>
<b>3.</b>	<b>Educational Housing Grant Policy .....</b>	<b>5-7</b>
<b>4.</b>	<b>Restricted &amp; Endowed Fund Policy .....</b>	<b>8-15</b>
<b>5.</b>	<b>Gift Acceptance Policy .....</b>	<b>16-25</b>
<b>6.</b>	<b>Board Member Expectations .....</b>	<b>26-27</b>
<b>7.</b>	<b>Grant Policy .....</b>	<b>28-33</b>
<b>8.</b>	<b>Stewardship Program .....</b>	<b>34-36</b>
<b>9.</b>	<b>Prohibition Against Providing Loans to Directors .....</b>	<b>37</b>
<b>10.</b>	<b>Director / Volunteer Reimbursement Policy .....</b>	<b>38-39</b>
<b>11.</b>	<b>Planned Giving Policies .....</b>	<b>40</b>
<b>12.</b>	<b>Board Orientation Plan .....</b>	<b>41-42</b>
<b>13.</b>	<b>Business Records Retention Policy .....</b>	<b>43</b>
<b>14.</b>	<b>IRS Form 990 Review Policy .....</b>	<b>44</b>
<b>15.</b>	<b>Investment Policy .....</b>	<b>45-52</b>

Alpha Kappa Lambda Education Foundation

# CODE OF ETHICS

---

*Adopted by the Alpha Kappa Lambda Education Foundation on September 17, 2013*

---

As a nonprofit organization, the policy of the Alpha Kappa Lambda Education Foundation (the "Foundation") is to uphold the highest legal, ethical, and moral standards. Our donors and volunteers support the Foundation because they trust us to be good stewards of their resources, and to uphold rigorous standards of conduct. Our reputation for integrity and excellence requires the careful observance of all applicable laws and regulations, as well as a scrupulous regard for the highest standards of conduct and personal integrity. To these ends, we agree to the following:

1. We expect integrity, honesty, and trustworthiness in our work; courage in our decisions; and a dedication to values and beliefs of the Fraternity.
2. We will comply with all applicable laws and regulations, and we expect our Foundation Directors, officers, and employees to conduct business in accordance with the letter and spirit of all relevant laws; to refrain from any illegal, dishonest, or unethical conduct; to act in a professional, businesslike manner; and to treat others with respect.
3. We expect responsible action on behalf of the organization and are accountable and transparent to our constituents and to one another. We share information when appropriate without sacrificing confidentiality.
4. We expect to be treated and to treat others with respect. We respect the opinions of and the differences among individuals.
5. We expect fairness to be evident in our actions internally and externally. We are equitable in our decisions and mindful of their impact on other groups and people.
6. We expect our actions to demonstrate our care for others and the community as a whole. We support each other in a humane manner. We care about the well-being of each other, the community, Alpha Kappa Lambda Fraternity and the Alpha Kappa Lambda Education Foundation.

In support of these standards of high ethical conduct, each officer, key staff member, and Foundation Director WILL NOT:

7. Deceive, defraud, or mislead Foundation Directors, officers, staff members or those with whom the Foundation has business or other relationships.
8. Misrepresent the Foundation in any negotiations, dealings, contracts, or agreements.
9. Divulge or release any information of a proprietary nature relating to the Foundation's plans, mission or operational databases without appropriate approval.
10. Obtain a personal advantage or benefit due to relationships established by any officer, senior staff member, or Foundation Director by use of the organization's name.

- 11. Accept individual gifts of any kind in excess of \$100, in connection with the officers, key staff members or Foundation Directors relationship with the Foundation. All other gifts are to be reported to the Foundation Vice-President who shall divulge gifts received during the calendar year to the Foundation President.
- 12. Withhold their best efforts to perform their duties to acceptable standards.
- 13. Engage in unethical business practices of any type.
- 14. Use Foundation property, financial resources, or services of Foundation personnel for personal benefit.
- 15. Violate any applicable laws or ordinances.

To honor the purpose and spirit of this policy, all Foundation Directors, officers and Foundation staff shall review and acknowledge their understanding of this policy on an annual basis.

**Acknowledgement**

I HEREBY CONFIRM that I have read and understand the Foundation's Code of Ethics and will strive to uphold it to the best of my ability.

---

Signature

Date

Alpha Kappa Lambda Education Foundation

## NAMING POLICY

---

*Adopted by the Alpha Kappa Lambda Education Foundation on September 17, 2013*

*Adopted by the Alpha Kappa Lambda Fraternity on \_\_\_\_\_*

---

On an ongoing basis, the Alpha Kappa Lambda Education Foundation seeks significant gifts to endow major programs of the Fraternity and Foundation.

Subject to Foundation approval, it is the policy of the Alpha Kappa Lambda Education Foundation to name endowed funds, scholarships, programs and facilities in honor of significant benefactors who financially support the Foundation. Only the National Executive Committee of the Fraternity or Directors of the Education Foundation can officially name a particular fund, scholarship, program or Alpha Kappa Lambda facility.

To properly recognize donors, demonstrate the importance Alpha Kappa Lambda places on providing significant financial support and set uniform recognition policies for named funds, scholarships, programs and facilities, Alpha Kappa Lambda will establish formal standards for acknowledging and publicly referring to named funds, scholarships, programs and facilities in both written and verbal format.

The Alpha Kappa Lambda Fraternity and Alpha Kappa Lambda Education Foundation, as appropriate, will establish specific policies and protocol for referring to named funds, scholarships, programs and facilities as the opportunities arise.

In the absence of a specific written policy, individuals should consult with the President of the Foundation, or in his/her absence, the Executive Director of the Fraternity, for guidance about how to properly and publicly recognize and refer to named funds, scholarships, programs and facilities.

Alpha Kappa Lambda Education Foundation

# PROCESS AND PROCEDURES FOR REQUESTING AN EDUCATIONAL GRANT FOR HOUSING PURPOSES

---

*Adopted by the Alpha Kappa Lambda Education Foundation on July 15, 2013*

---

## Introduction

---

The Alpha Kappa Lambda Education Foundation is pleased to provide opportunities for Alpha Kappa Lambda Alumni House Corporations or Alumni Associations operating as the Chapter House Corporation (collectively referred to as the "Corporation") to request and obtain educational grants from a particular Chapter Restricted Fund or other restricted Fund (CRF) managed and maintained by the Education Foundation. Although the IRS has severely limited the ability of the Foundation to fund housing improvements, subject to various IRS restrictions, the Foundation can make educational grants from a CRF to build or renovate certain space in a Chapter house that qualifies as exclusively educational according to IRS rules and regulations.

Outlined below are the key items organizations should understand and the procedures organizations should follow to request an educational grant for housing purposes.

This policy is intended to outline the grant procedures. It is not intended to provide legal advice conclusive as to any particular grant request.

## Your Fund

---

The Foundation has already established a Chapter Restricted Fund for every active Alpha Kappa Lambda chapter. Your CRF is restricted for the exclusive use of your Chapter and its members. Alumni organizations should consult with the Education Foundation if they want to establish a separate restricted fund for their housing program. Colonies and inactive Chapters should contact the Foundation about the procedures for creating a CRF.

## General Overview

---

The Education Foundation is permitted to make grants to build, renovate and operate space in the house that qualifies as educational if it is equivalent to that which is provided by the host university in its dormitories. Consider the following scenarios:

- Zeta Zeta Chapter intends to build a 10,000 square foot new fraternity house. The total project cost is \$2,000,000. The Zeta Zeta House Corporation has obtained a legal opinion letter, and the Foundation has determined, that 20% of the new house qualifies as educational space pursuant to IRS guidelines. As a result, the Foundation is able to grant up to 20% of the construction cost or \$400,000 to help pay for the educational space. As long as the Zeta Zeta CRF has the necessary funds in it, the Foundation can make an educational grant to the Zeta Zeta House Corporation for house construction up to \$400,000.
- Two years after the new Zeta Zeta House is built, the Zeta Zeta House Corporation determines that they spend \$50,000 a year in operational costs (property taxes,

insurance, utilities, etc.). Based on the previous legal opinion letter and Foundation determination that 20% of their house qualifies as educational, the House Corporation may be able to request a grant of up to 20% of the operational costs (\$50,000 x 20% = \$10,000) to pay for these operational costs on an annual basis. If the available funds are in the Zeta Zeta CRF, the Foundation can make a \$10,000 grant for operational costs subject to a determination that the particular overhead item is applicable to the "educational space."

- Alpha Kappa Chapter wants to install a sprinkler system and renovate their 100-year old chapter house. The total cost of the renovation is \$500,000. The Alpha Kappa House Corporation obtained a legal opinion letter, and the Foundation has determined that 10% of the renovations qualify as educational pursuant to IRS guidelines. As a result, the Foundation is able to grant up to 10% of the renovations costs or \$50,000 to help pay for the educational space. Unfortunately, Alpha Kappa only has \$30,000 available for grants in its CRF. As a result, the Education Foundation is only able to make an educational grant of \$30,000 to help fund the project. As additional donations are received, the Foundation can make additional grants, up to a maximum of \$50,000 total.
- Pursuant to the Restricted & Endowed Fund Policy that governs all CRFs managed by the Alpha Kappa Lambda Education Foundation, spending is permitted subject to a maximum of 20% of the available balance. For example, if Alpha Kappa chapter has \$50,000 in its CRF, the maximum grant it may receive in a particular year is \$10,000.

### **Process to Request and Disburse an Educational Housing Grant**

---

1. The Foundation will not consider disbursing funds for housing purposes until the CRF reaches a minimum balance of \$25,000.
2. The Corporation should provide at least 120 days advance notice by assembling and submitting the material listed on the **Educational Housing Grant Checklist** even if it is preliminary.
3. Based on the preliminary project budget, the Foundation will review the Corporation's grant request and make an initial decision.
4. Assuming the decision of the Foundation is positive, such a decision shall be considered "Initial Approval." The Directors will provide Initial Approval for up to 75% of the anticipated total/final educational grant amount. The IRS requires that grant monies only be disbursed against documentation of invoiced receipts pertaining to the educational space. Accordingly, of necessity, any commitment of funds by the Foundation at this stage is contingent, in amount, upon actual costs ultimately incurred and documented.
5. During the course of the project, the Corporation must maintain records for all expenditures and submit reports and final invoices with periodic grant requests in order to draw against the amount of the Initially Approved educational grant.

6. At the conclusion of the project, the Corporation should submit final project costs and related information. At that time, the Foundation will disburse any funds remaining up to the maximum amount of the final grant amount.

### **Legal Opinions**

---

Corporations are required to obtain a legal opinion letter, at their expense, that expresses an opinion about the percent of any housing project that qualifies as educational under IRS guidelines.

### **Other Related Information**

---

The Alpha Kappa Lambda Education Foundation has established other policies and has additional information that may also be of interest to Corporations interested in working with the Education Foundation on housing-related projects. Corporations are encouraged to review the following:

- The Alpha Kappa Lambda Education Foundation Restricted and Endowed Fund Policy: for additional information about creating, managing, investing, spending and borrowing funds from a CRF.
- A 2001 letter from Magill and Rumsey, P.C. discussing negotiations with the IRS pertaining to the subject of educational housing grants from fraternal foundations.
- A 2003 IRS Exempt Organizations – Technical Instruction Program for FY 2003 document
- A list of law firms and attorneys in the United States with experience issuing legal opinion letters required



Alpha Kappa Lambda Education Foundation

## RESTRICTED & ENDOWED FUND POLICY

---

*Adopted by the Alpha Kappa Lambda Education Foundation on 6/8/13*

*Updated on January 18, 2014*

---

### Introduction and Purpose of this Policy

To optimize funding from individuals and other entities, the Alpha Kappa Lambda Education Foundation (the "Foundation") must be capable of responding quickly, and in the affirmative where possible, to all gifts offered by prospective donors, including those where a donor wants to place a restriction on the use of the gift.

The Foundation encourages donors to support the organization without encumbering the Foundation with gifts which may prove to generate more cost than benefit, or which are restricted in a manner which is not in keeping with the goals of the organization.

The Foundation recognizes that many donors prefer to specify how their gift is used in a way that complies with IRS regulations and is consistent with the mission of the Foundation.

The Foundation seeks to maximize transparency and wants donors to understand the rules, management practices and fees associated with any restriction a donor may place on the donor's gift.

The Foundation seeks to provide a stable funding source in perpetuity for various programs and Chapters and needs a mechanism to manage and govern certain restricted funds in order to promote this interest.

If the Foundation is to maintain long-term financial stability, restricted and designated funds must contribute to the cost of the Foundation's infrastructure. Activities supported by restricted funds may represent a significant percentage of the total assets of the Foundation. Unrestricted funds, alone, cannot bear the full burden of the infrastructure and administrative costs required to support these activities.

**Definition - Restricted Funds.** Restricted funds are dollars given to the Foundation by outside donors or grantors who place specific guidelines on the use of those funds. The Board of Directors of the Alpha Kappa Lambda Education Foundation can also place restrictions on certain Foundation funds by resolution. Restricted funds must be accounted for separately from gifts given to the organization in furtherance of its

general purposes. The Foundation has a stewardship obligation to the donor or grantor to use the funds in the manner specified and to be able to report, if necessary, on categories and amounts of expenditures that support the intent of the fund. By this policy, it is not the intent of the Foundation to create any donor advised funds as the term is defined by the IRS. The Foundation shall make all investment decisions as to any restricted fund and shall make all final determinations as the disbursements from restricted funds in a manner best to achieve the donor's intent consistent with the Foundation's 501(c)(3) qualified purposes. Restricted Funds may be named for an individual (i.e., John Q. Sample Scholarship Fund) or designated for a specific chapter (i.e., Alpha Chapter Fund) pursuant to the Foundation's Naming Policy.

**Restricted Fund Types.** The Foundation establishes two different types of restricted funds as follows:

Permanently Restricted Funds contain permanently restricted net assets as defined by the IRS. Permanently restricted net assets are assets donated with stipulations that they be used for a specified purpose, be preserved and invested to provide a permanent source of income. Permanently Restricted Funds are designed to provide a stable funding source with the same purchasing power in perpetuity. The funds within a Permanently Restricted Fund are permanently restricted and endowed. Subject to (1) exceptions granted by applicable law, (2) Foundation policy or (3) terms of the gift agreement allowing it, the Foundation can never invade or spend from the principal within a Permanently Restricted Fund. Every Permanently Restricted Fund will have a corresponding Temporarily Restricted Fund. The annual investment returns from a Permanently Restricted Fund may provide some funds for spending in the Temporarily Restricted Fund each year and may provide some funds for re-investing into the endowment's corpus with the hope that the corpus of the Permanently Restricted Fund grows with inflation over time. Likewise, the funds in a Permanently Restricted Fund may be reduced as a result of investment losses.

Temporarily Restricted Funds contain temporary restricted net assets as defined by the IRS. Temporarily restricted net assets are assets donated with stipulations that they be used for a specified purpose or specified period of time. The funds within a Temporarily Restricted fund are not permanently restricted or endowed. Temporarily Restricted funds may accrue from one year to the next, or they may be spent in their entirety subject to any stipulations placed by (1) applicable law, (2) Foundation policy or (3) terms of the gift agreement specifying how Temporarily Restricted Funds are to be spent.

### **Creating a Restricted Fund**

Only a donor can place a legal restriction on funds the donor contributes. An Alpha Kappa Lambda Chapter, Alumni Association, Alumni Club or other entity cannot place or modify a restriction on funds contributed by individual donors.

The shape and form of the restrictions are defined in the “gift instrument.” The gift instrument is the document that establishes the use of the donated funds. Any gift instrument or agreement creating a restricted fund should reference and incorporate this policy.

Any restricted fund must:

- Support the mission of the Foundation,
- Comply with applicable law, and
- Comply with all other Foundation policies.

A Temporarily Restricted Fund will automatically be created for every new Alpha Kappa Lambda Chapter upon their chartering with the Alpha Kappa Lambda Fraternity. A Permanently Restricted Fund will be created upon request of a Chapter's Alumni Association and approval by the Directors of the Alpha Kappa Lambda Education Foundation.

The Foundation may create restricted funds in either of the following ways:

- By entering into a gift agreement with one or more donors, or
- By a resolution of the Directors of the Alpha Kappa Lambda Education Foundation.

If the Foundation establishes a Permanently Restricted Fund, it will automatically establish a corresponding Temporarily Restricted Fund.

**Minimum Funding Requirements.** Unless otherwise authorized by the Foundation, the minimum pledge or gift required to establish a restricted fund (other than a Chapter Directed Fund) is as follows:

	Pledge Payable over Five Years	Gift
Permanently Restricted Fund	\$50,000	\$10,000
Temporarily Restricted Fund	\$12,500	\$2,500

### Investing Restricted Funds

The Foundation shall invest the principal and any accrued earnings of each restricted fund as part of a pooled investment of all Foundation funds pursuant to Foundation policy. The choice of methods and vehicles for, investment of the restricted fund shall be at the sole discretion of the Directors of the Foundation. Neither the Foundation, nor its Directors, officers, nor employees, shall be liable for any diminution in value of the fund.

All investment income, expenses, capital gains and losses shall be prorated to each restricted fund based upon its share of the investment pool.

Title to property acquired by the Foundation by purchase or otherwise with the funds of the restricted fund shall be taken in the name of the Foundation.

The Foundation may invest all or part of the restricted fund as the Foundation's Board of Directors may from time to time determine, and all or part of any property contributed to the restricted fund may be converted into cash, bonds, stocks, real estate mortgages, real estate or improvements thereon, or on any other income-producing property or securities, real or personal. If a loan or mortgage is not repaid or the investment incurs a loss, the Foundation shall in no event have any duty or obligation to repay or replenish the restricted fund out of any other Foundation funds.

**Loaning Restricted Funds.** The Directors must approve any special investment or loan using restricted funds.

Minimum Criteria. Any loan of restricted funds must meet the following minimum criteria:

- The loan must be secured by a mortgage on property and/or one or more personal guarantees;
- The terms for repayment shall be no greater than twenty (20) years;
- Interest charged shall be at least equal to the Prime Rate plus 1.0%;
- The loan must be for no more than 90% of the value of the restricted fund account;
- There shall be no pre-payment penalties if a borrower chooses to pay back the loan faster than originally anticipated;
- The loan recipient must execute any and all appropriate loan documents requested by the Foundation;

**Requesting a Loan.** Individuals and other entities must submit any loan request in writing by completing a loan application packet as established by the Foundation.

**Repaying a Loan.** Unless the Foundation specifies otherwise:

Principal Payments. Principal payments will be deposited into the Permanently Restricted Fund and the Temporarily Restricted Fund for the restricted fund in whatever proportion these two funds served as the source of the loan.

Interest Payments. Interest payments will be deposited into the Temporarily Restricted Fund for the restricted fund that served as the source of the loan.

**Donations.** Unless otherwise specified by the donor and agreed upon by the Foundation, all donations designated for a particular restricted fund will be deposited into its Temporarily Restricted Fund.

## **Fees & Expenses**

**Donations.** Unless otherwise determined by the Foundation, the Foundation will assess a fee of seven percent (7.0%) of any contribution made to a temporarily restricted fund and five percent (5%) to any permanently

restricted fund to offset the costs of fundraising and other administrative expenses incurred by the Foundation. The Foundation will also assess any other fees or expenses identified in the Alpha Kappa Lambda Education Foundation Gift Acceptance Policy.

**Fundraising.** Any direct costs of raising funds for a restricted fund may be assessed against donations or charged to the restricted fund. Fund raising costs shall be those costs incurred in acquiring contributions specifically for the restricted fund including but not limited to (1) feasibility studies and professional fundraising fees when performed by pre-approved outside third parties (2) printing, (3) postage and mailing expenses, (4) long distance, conference call and other telephone solicitation costs, (5) donor recognition purchases (plaques, etc.), (6) approved travel and (7) events.

**Investment and Administration.** A standard fee for management and administration of the fund by the Foundation shall be charged to every restricted fund balance on an annual basis, or such other time period as the Foundation determines facilitates accounting needs. The Foundation's standard annual administration fee shall be two percent (2.0%) for permanently restricted funds. No fee shall be assessed to temporarily restricted funds. The annual administration fee may be adjusted from time to time at the discretion of the Foundation at a rate to fairly compensate it for administering the fund. Any change in that rate shall be reported in the minutes of the Foundation and sent to the Fund administrator, if one exists.

**Special Investments.** In the event the Foundation agrees to invest any restricted fund in a special investment including but not limited to a mortgage, loan, or real estate, the Foundation, in its sole discretion, may charge any direct costs incurred in managing the special investment to the restricted fund.

**Spending.** The Directors of the Alpha Kappa Lambda Education Foundation shall review this spending policy on an annual basis to make sure it complies with applicable law and prudent standards for spending from endowment funds. The Directors may amend this spending policy at any time. Any change to this policy shall be reported in the minutes of the Foundation and sent to the Fund administrator, if one exists.

**Permanently Restricted Funds.** To provide for long-term growth of the Permanently Restricted Fund, each year, five percent (5.0%) of all cash or cash-equivalent assets of the respective fund balance, shall automatically be transferred to its corresponding Temporarily Restricted Fund within 30 days of the start of the Foundation's fiscal year. This transfer will only occur after the respective fund balance reaches \$5,000 in cash or cash-equivalent assets. No transfers will occur until a fund balance totals at least \$5,000. Funds invested in mortgages or other special investments that are not easily convertible to cash, although assets, are not counted for the purposes of determining the distribution or transfer to the Temporarily Restricted Fund.

**Temporarily Restricted Funds.** Temporarily Restricted Fund balances may accrue over time. No spending will occur until a fund balance totals at least \$2,500. Funds invested in mortgages or other special investments that are not easily convertible to cash, although assets, are not counted for the purposes of determining the distribution or transfer to the Temporarily Restricted Fund.

- a) To provide for long-term growth of Chapter Restricted Funds established by the Foundation, spending is permitted subject to a maximum of 20% of the available balance and any restrictions placed on the Fund.

### **Modifying, Releasing and Dissolving Restricted Funds**

**By the Donor and Foundation.** Subject to approval by the Foundation, every donor to a restricted fund may agree to modify or terminate the restriction.

**By the Foundation.** The Foundation can modify or remove a restriction subject to this policy, applicable law and any written gift instrument establishing a restricted fund between the Foundation and a donor based on the following two guiding principles:

To facilitate this process, any restricted fund agreement between the Foundation and a donor should contain the following language or something substantially similar:

If at any time in the future the specific purpose, program, or use of the restricted fund no longer exists, no longer serves the objectives and purposes of the Foundation, would adversely affect the Foundation, jeopardizes the Foundation's exemption under section 501(c)(3) of the Internal Revenue Code (or comparable provisions of any federal income tax statutes that are subsequently enacted), or if the Foundation President determines that fulfilling the purpose of the restricted funds becomes impracticable, inappropriate or impossible to implement, then he shall seek action by the Board of Directors. If a majority of the Directors determine that one of the conditions above make fulfilling the purpose of the restricted fund impracticable, inappropriate, or impossible to implement, then the Donor hereby, and now, agrees that the Foundation may remove or revise the restriction on the fund and use the fund's assets for such purposes most in keeping with the purpose of the original restricted fund, as outlined in this agreement and approved by a majority of the Directors. If there is any doubt as to what such purpose should be, the Donor hereby agrees that the income from the fund may be used for scholarships pursuant to the policies of the Foundation's scholarship program.

If at any time in the future the specific purpose, program, or use of the restricted fund no longer exists, no longer serves the objectives and purposes of the Foundation, would adversely affect the Foundation, jeopardizes the Foundation's exemption under section 501(c)(3) of the

Internal Revenue Code (or comparable provisions of any federal income tax statutes that are subsequently enacted), or if the Foundation President determines that fulfilling the purpose of the restricted funds becomes impracticable, inappropriate or impossible to implement, then he shall seek action by the Board of Directors. If a majority of the Directors determine that one of the conditions listed above has been met and fulfilling the purpose of the restricted fund becomes impracticable, inappropriate, or impossible to implement, then the Foundation may remove or revise the restriction on the restricted fund and use the fund's assets for such purposes most in keeping with the purpose of the original restricted fund, as approved by a majority of the Directors. If there is any doubt as to what such purpose should be, the Foundation will review any written gift instrument to determine donor intent.

By Law. The Foundation or a Donor may employ any available legal remedies to modify or release a restriction.

Alpha Kappa Lambda Education Foundation  
**RESTRICTED & ENDOWED  
 FUND POLICY SUMMARY**

	<b>Permanently Restricted Fund</b>	<b>Temporarily Restricted Fund</b>
IRS Classification	Permanently Restricted	Temporarily Restricted
Can spend from corpus?	No	Yes
Balance available for spending each year	No	Yes
Created for Alpha Kappa Lambda Chapters	Upon request and Foundation approval	Automatically upon Chartering
Created for other Donors	Upon written gift instrument	Upon written gift instrument
Minimum requirements to create by a pledge payable over five years	\$50,000	\$25,000
Minimum requirements to create by a cash gift	\$10,000	\$5,000
Investment gains and losses allocated to Fund	Yes	Yes
Special investments allowed	Yes	Yes
Donations deposited in this Fund	No - unless specified by donor	Yes
Fee for contributions	5%	7%
Annual investment and administration fee on fund balance	2.0%	None
Spending rules	No spending allowed; balance accrues subject to annual return moved to Temporarily Restricted Fund	Spending is permitted. Funds created for Alpha Kappa Lambda Chapters are subject to a maximum of 20% of the available balance and any restrictions placed on the Fund



Alpha Kappa Lambda Education Foundation and Alpha Kappa Lambda Fraternity

## GIFT ACCEPTANCE POLICY

---

*Adopted by the Alpha Kappa Lambda Education Foundation on 6/8/13  
Adopted by the Alpha Kappa Lambda Fraternity on 8/9/2013*

---

### Introduction

The purpose of this gift acceptance policy is to:

- Give guidance and counsel to those individuals within the Alpha Kappa Lambda Fraternity and Alpha Kappa Lambda Education Foundation (collectively referred to as "AKL") concerned with the planning, promotion, solicitation, receipt, acceptance, management, reporting, use and disposition of gifts.
- Encourage funding of AKL without encumbering the organization with gifts which may prove to generate more cost than benefit, or which are restricted in a manner which is not in keeping with the goals of the organization.
- Protect the interests of AKL and the persons and other entities who support its programs by assuring that all gifts to, or for the use of AKL are structured to provide maximum benefits to both parties.

To optimize funding from individuals and other entities, AKL must be capable of responding quickly, and in the affirmative where possible, to all gifts offered by prospective donors. It is understood that except where stated otherwise, these policies are intended as guidelines, and that flexibility must be maintained since some gift situations can be complex, and decisions can only be made after careful consideration of a number of interrelated factors. Therefore, these policies will in some instances require that the merits of a particular gift be considered by the Gift Acceptance Committee.

### Powers & Authority

The President of the Alpha Kappa Lambda Education Foundation and the National President of the AKL Fraternity shall appoint the Gift Acceptance Committee (the "Committee") for their respective organizations. In the absence of an officially appointed Gift Acceptance Committee, the Board of Directors of the Alpha Kappa Lambda Education Foundation and the National Executive Council of the AKL Fraternity shall constitute the Gift Acceptance Committee until one is appointed.

The Directors of the Alpha Kappa Lambda Education Foundation and the National Executive Council of the AKL Fraternity may modify these guidelines as they relate to their respective organization at any time for the good of their organization and in conformance with their fiduciary responsibilities and IRS regulations. They also may, as a body, overrule any decision made by the Gift Acceptance Committee. The Gift Acceptance Committee of each entity shall function independently of the other.

## General Gift Acceptance Provisions

AKL reserves the right to refuse any gift that is not consistent with its mission. In addition, AKL will not accept gifts that:

- Violate any federal, state, or local statute or ordinance,
- Contain unreasonable conditions,
- Could expose AKL to adverse publicity, litigation or other liability,
- Come from a donor who may not have sufficient title to the assets or is mentally incompetent to legally transfer the gift,
- Contain a condition that the proceeds will be spent by the organization for the personal benefit of a named individual or individuals,
- Prohibit the organization from seeking gifts from other donors,
- Require undue expenditures, or involve the organization in unexpected responsibilities because of their source, conditions or purpose.

Associated expenses of a gift are to be borne by the donor.

Donors of property gifts of over \$5,000, except for gifts of publicly traded securities, must obtain an appraisal by an independent third-party appraiser in accordance with current tax law requirements.

Prospective donors shall be strongly encouraged in all cases to consult with their own independent legal and/or tax advisors about proposed gifts, including tax and estate planning implications of the gifts. No representative of AKL shall provide legal or tax advice to any donor or prospective donor.

AKL is unable to accept gifts that are overly restrictive in purpose. The most desirable gifts are those with the least restrictions, as unrestricted funds allow the organization to address its most pressing needs. Donors should consult the Endowment and Restricted Gift Policy for additional information.

## Outright Gifts

### *Cash, Check & Credit Card Gifts*

Unrestricted, outright gifts of cash, check, money order, credit card and their equivalents do not require approval by the Committee.

All checks must be made payable to the designated entity (Alpha Kappa Lambda Education Foundation or AKL Fraternity) and shall not be made payable to an employee or volunteer for the credit of AKL.

## Stocks, Bonds and Securities

### *Publicly-Traded Securities*

Publicly traded securities may be accepted without approval of the Committee. Donors should anticipate that securities they give may be immediately sold, although AKL has discretion to use gifts of securities in any manner consistent with this policy, the Investment Policy and any other policies. In no event shall any employee or volunteer working on behalf of AKL commit to a donor that a particular security will be held unless authorized to do so by the Committee. Gifts of publicly traded securities shall be valued to the donor based on the average of the highest and lowest quoted selling price on the date the gift was received.

### *Closely Held Securities*

Non-publicly traded securities may only be accepted and disposed of after approval of the Committee.

Non-publicly traded securities will be valued to the donor based on current IRS regulations. In some cases, donors may be responsible for obtaining their own appraisals for tax valuation purposes and for any fees or other expenses related to such appraisals.

### *Real Property*

Any proposed gift of real property requires approval by the Board of Directors.

In general, real estate located within the United States, with an equity value after selling costs estimated by the donor or others at \$25,000 or greater will be strongly considered.

In general, real estate located outside of the United States will not be accepted unless it appears to have equity value after selling costs in excess of \$100,000 and there is reason to believe it is highly marketable.

Property encumbered by a mortgage or other indebtedness cannot normally be accepted as a gift unless the donor agrees to assume all carrying costs until the property is liquidated. The Board can make exceptions to this guideline when the value of the property exceeds the anticipated exposure, will produce income or will be used by AKL in its programs. Special attention shall be given to the receipt of real estate encumbered by a mortgage, as the ownership of such property may give rise to unrelated business income for AKL and disqualifying certain split interest gifts unless handled in a proper manner.

In order to accept gifts of real property, the following actions must take place:

The Board shall, at its own expense, select an independent party to appraise the property who shall have no business or other relationship with the donor. The donor must provide the following documents to the Board:

- Real estate deed
- Real estate tax bill
- Plot plan
- Substantiation of zoning status

Donors are responsible for obtaining their own appraisals for tax valuation purposes and for any fees or other expenses related to such appraisals.

If the real estate is being given to fund a charitable gift annuity, the Board must seek a legal opinion as to the permissibility of this action under the laws of the state or states involved.

After receiving the written appraisal, the Board must approve and decide whether to accept the gift of real property

For gift crediting and accounting purposes, the value of the gift is the appraised value of the real estate. AKL may, in its discretion, choose to exclude from the value of the gift costs for maintenance, insurance, real estate taxes, broker's commission, and other expenses of sale.

### *Tangible Personal Property*

Generally, gifts of tangible personal property will only be accepted when it is reasonably expected they can be converted into cash within a reasonable period of time or when AKL can utilize the property in its operations.

The Committee must approve and accept any gift of jewelry, artwork, furniture, books, stamps, coins, collections and other tangible personal property. In order to accept gifts of tangible personal property, the following actions must take place:

The Committee will provide the donor with a copy of this policy and notice that the Committee will follow all applicable laws and regulations and cooperate fully in all matters related to IRS investigations of non-cash charitable gifts.

If the Committee reasonably believes that the property has a value of \$5,000 or more, the Committee shall, at its own expense, select an independent party to appraise the property who shall have no business or other relationship with the donor.

For any gift of tangible personal property, the Committee shall evaluate and determine whether AKL intends to dispose of the property quickly or retain it for an extended period of time. The decision to dispose of or retain the property is one only the Committee can make. In no event shall any employee or volunteer working on behalf of AKL commit to a donor that a particular piece of property will be held unless authorized to do so by the Committee.

The Committee must evaluate whether the property is perishable or will require special facilities or security to properly safeguard it

Donors are responsible for obtaining their own appraisals for tax valuation purposes of tangible personal property and for any fees or other expenses related to such appraisals.

In all cases, the Committee shall follow the laws and regulations under terms of the Internal Revenue Code governing gifts of property of this type.

AKL will acknowledge receipt of gifts of tangible personal property in accordance with the federal tax law and will sign any IRS form or other documents necessary for the donor to obtain a tax deduction for such gifts, so long as such acknowledgment does not entail valuing the gift.

### **Other Property**

Other property of any description including mortgages, notes, copyrights, royalties, easements and other intangible personal property shall only be accepted by action of the Committee.

Donors are responsible for obtaining their own appraisals for tax valuation purposes of intangible personal property and for any fees or other expenses related to such appraisals.

AKL will acknowledge receipt of gifts of intangible personal property in accordance with the federal tax law and will sign any IRS form or other documents necessary for the donor to obtain a tax deduction for such gifts, so long as such acknowledgment does not entail valuing the gift.

### **Deferred Gifts**

AKL shall actively encourage individuals to make deferred / planned gifts.

#### *General Deferred Gift Provisions*

In the event of an inquiry by a prospective donor or their representative(s), representations about the future acceptability of property proposed to be left to AKL through a deferred or planned gift shall only be made according to the terms of this policy.

Gifts from the estates of deceased donors consisting of property which is not acceptable can only be rejected by action of the Committee. In such an event, the legal counsel for AKL shall expeditiously communicate the decision of the Committee to the legal representatives of the estate.

Donors are encouraged to notify AKL, and AKL shall attempt to discover deferred gift expectancies whenever possible in order to reveal situations which might lead to unpleasant donor relations in the future. Where possible, intended deferred gifts of property other than cash or marketable securities should be brought to the attention of the Committee and every attempt be made to encourage the donor to modify his or her plans to this policy.

AKL may not represent or market any type of deferred gift as an investment vehicle or security of any type in such a way that violates federal and/or state securities regulations. All disclosures required by federal and state law and regulations shall be made in a thorough and timely manner.

AKL shall encourage donors to seek their own counsel in matters relating to their bequests, life income gifts, tax planning and estate planning.

All legally binding documents shall be prepared and/or reviewed by counsel retained by the donor, to avoid any conflict of interest or undue influence. Alternatively, a donor may sign a document prepared by AKL, releasing AKL from any liability and waiving any conflict.

Donors of deferred gifts will be recognized as having made a gift in the amount of the value of the assets transferred. For example, a donor who transfers \$100,000 to a trust will be acknowledged as having made a gift of \$100,000 to create a trust. This amount may be different from the amount of the donor's charitable income tax deduction. It also is different from the amount AKL is required to include on its books for financial statement purposes.

### *Bequests*

A donor may leave a bequest of any amount through their last will and testament to AKL.

Once it knows of a bequest, AKL will make every effort to protect its interests by following the gift through the probate process.

Donors who have indicated that they have made a bequest to AKL may, depending upon the individual situation, be asked to disclose, in writing or by copy of the will, the relevant clause that benefits AKL as evidence of their gift. This information is used for internal financial purposes and is not binding on the donor.

### *Financial Institution / Retirement Account Beneficiary Designation*

A donor may name the AKL Fraternity and/or Alpha Kappa Lambda Education Foundation as the beneficiary of a bank, financial institution, IRA, pension, 401(k) or other retirement account.

Once it knows it is a beneficiary of a particular account, AKL will make every effort to protect its interests by following the gift through the probate process.

Donors who have indicated that they have named AKL as a beneficiary of a financial institution or retirement account may, depending upon the individual situation, be asked to disclose, in writing or by copy of the beneficiary designation documentation that names AKL as beneficiary as evidence of their gift. This information is used for internal financial purposes and is not binding on the donor.

### *Life Insurance*

A donor may name the AKL Fraternity and/or Alpha Kappa Lambda Education Foundation as the beneficiary of a life insurance policy of any amount that they have purchased on the donor's life.

AKL will not accept gifts from donors for the purpose of purchasing life insurance on the donor's life. Any exception to this policy can only be made after researching relevant state laws to assure that AKL has an insurable interest under applicable state law.

AKL will not endorse a particular insurance product for use in funding gifts to AKL.

AKL will not furnish names or lists to any entity for the purpose of marketing life insurance for the benefit of AKL because such a practice violates other AKL policies, presents a potential conflict of interest and may subject AKL to state insurance regulations should the activity be construed as marketing life insurance.

### *Charitable Remainder Trusts*

Where AKL is asked to serve as a single or co-trustee, the Committee must agree to the request. In all other cases, where AKL is the beneficiary of a charitable trust, no action by the Committee is required.

In general, AKL will not serve as sole trustee of a charitable trust for the benefit of AKL. This policy may only be waived by a written resolution of the governing body of the proposed recipient organization.

Due to the costs of drafting and administration, the minimum amount required to establish a charitable trust for which AKL serves as co-trustee is \$50,000.

Any fees for managing a charitable trust will only be paid by AKL upon approval of the Committee.

Management fees for the administration of a charitable remainder trust when AKL is named as trustee or co-trustee shall be paid from the income of the trust.

No employee or volunteer acting on AKL's behalf shall make any representation as to the manner in which trust assets will be managed or invested by a corporate fiduciary.

The Committee and other employees and volunteers acting on behalf of AKL should become familiar with the types of property generally accepted by a corporate fiduciary as suitable contributions to a charitable trust. Employees and others acting on behalf of AKL shall not encourage donors to make gifts of any property to a charitable trust which are not in keeping with such guidelines.

The payout rate of a charitable remainder trust shall be determined in consultation with the donor and AKL's investment advisor. The payout rate shall be negotiated between the donor and AKL and shall reflect the number of beneficiaries, their ages, the size of the trust and legal requirements.

AKL shall not encourage a donor to make a charitable trust where:

- The trust names income beneficiary individuals under 60 years of age.
- The trust names more than two income beneficiaries.
- It is determined that the net present value of the remainder interest in the trust is less than 25% of the value of the funds transferred to the trust.

### *Charitable Gift Annuities*

Charitable gift annuities may only be accepted after approval of the Committee.

Due to the cost of drafting and administration, the minimum contribution to establish a gift annuity is \$10,000.

The minimum contribution for an additional gift annuity by an individual who has previously entered into a gift annuity agreement shall be \$5,000.

There shall be no more than two (2) beneficiaries on a charitable gift annuity. If state laws require a maximum of one beneficiary, then state law will control.

No gift annuity shall be accepted which names an income beneficiary who is under 60 years of age without the prior approval of the Committee.

Administrative fees shall be paid from the income earned on the charitable gift annuity.

AKL follows the American Council on Gift Annuities suggested rates.

### *Life Estate Gifts*

AKL will not encourage donors to make gifts of real property where they maintain a life interest in the property because such transfers are often not in the best interest of the donor involved, and problems for the donor and AKL can develop should the donor need to sell the property at a later date.

Such gifts may be accepted upon approval by the Committee in situations where the asset involved appears to be a minor portion of the donor's wealth, and the Committee is satisfied that there has been full disclosure to the donor of the possible future ramifications of the transaction.

### **Fee Payments**

Finder's Fees or Commissions. AKL will not pay any fee to any person as consideration for directing a gift to AKL. It is understood that such fees may or may not be legal and that in the case of irrevocable deferred gifts which involve management of assets, the payment of such fees may subject AKL and its management and governing boards to federal and state security regulation.

### *Professional Fees*

While AKL is happy to offer assistance to attorneys and other professional advisors by recommending specific language to be used in charitable giving instruments, prospective donors shall be responsible for their own legal, accounting, appraisal and other fees related to their gift.



AKL will pay reasonable fees for other professional services advising AKL in connection with the completion of a gift. Such fees will only be paid by implementing the following procedures:

- With prior approval of the Committee
- After discussing the fee with and approval by the donor
- In the case of "fee for service" financial planners, where the financial planner states in writing that they are compensated only through fees for services rendered and that they are not compensated for the sale of products to clients. This distinction is vital in avoiding the payment of commissions which could be construed as triggering securities regulation.

AKL shall attempt to ascertain the reasonableness of all professional fees prior to payment. An hourly breakdown of time should be requested. In cases which appear excessive, the summary of fees shall be submitted to the corporate counsel for AKL for review and approval prior to payment.

In the rare case where the persons receiving fees were initially employed by the donor and AKL is asked and agrees to pay fees involved, the donor shall be notified that the payment of such fees may result in taxable income to the donor in the amount of the fees paid.

In situations where advisors retained by AKL prepare documents or render advice in any form to AKL and/or a donor, it shall be disclosed to the donor that the professional involved is in the employ of AKL and is not acting on behalf of the donor and that any documents or other advice rendered in the course of the relationship between AKL and the donor should be reviewed by counsel for the donor prior to completing the gift.

## GIFT ACCEPTANCE POLICY SUMMARY

Before accepting any gift, and for complete information, consult the entire Gift Acceptance Policy

	Requires Approval of the Gift Acceptance Committee	Appraisal Required	Value to Donor
Cash, Check & Credit Card	No	No	Amount of gift
Publicly Traded Securities	No	No	Average of high and low value on the date gift received
Closely-Held / Non-Publicly Traded Securities	Yes	Maybe	Based on IRS regulations
Tangible Personal Property	Yes	Yes if value is \$5,000 or more	Determined by donor and IRS regulations
Intangible Personal Property	Yes	Maybe	Determined by donor and IRS regulations
Bequest	No	Maybe	Depends on gift bequeathed
Beneficiary of a Financial Institution/ Retirement Account	No	No	Amount of gift once gift is actually received
Life Insurance	No	No	Amount of gift

	Requires Approval of the Gift Acceptance Committee	Minimum Required Contribution	Appraisal Required	Value to Donor
Real Property	n/a - requires approval by full Board	\$25,000	Yes	Value of property
Charitable Trust	Depends on circumstances	\$50,000	Depends on gift	Based on IRS regulations
Charitable Gift Annuity	Yes	\$10,000	Depends on gift	Depends on gift

Alpha Kappa Lambda Education Foundation  
**BOARD MEMBER EXPECTATIONS**

---

*Revised by the Alpha Kappa Lambda Education Foundation on September 17, 2013*

---

To advance the mission of the Alpha Kappa Lambda Education Foundation and to support one another, every member of the Board of Directors agrees he/she will:

### **General Expectations**

1. Support the Foundation's mission, purposes, goals, policies, and programs, while knowing its strengths and needs.
2. Take the business of being a board member seriously. It is not a job for the faint-hearted or lazy. Board members are responsible for the Foundation's success or failure.
3. Attend activities and events sponsored by the Foundation whenever possible.
4. Suggest possible nominees to the board who are individuals of achievement who can make significant contributions to the work of the board and the progress of the Foundation.
5. Model ethical, honest, transparent and accountable behavior.
6. Share information about the Foundation to inspire confidence and foster affinity.
7. Obtain professional advice when necessary. Board members do not have to know all of the answers, but Board members must make sure to ask for them. Knowledgeable attorneys, accountants, tax advisors, consultants, fundraisers, investment advisors, insurance agents, bankers and the like can provide the information the Board needs to make sound decisions.
8. Resist the temptation to jump in and try to manage the day-to-day operational details of the Foundation and Fraternity, and resist the temptation to jump in and try to govern or set policy for the Alpha Kappa Lambda Fraternity. Accept and embrace the Board's role of planning, oversight and fundraising for the Foundation.

### **Fund Raising**

9. Make minimum annual gift of \$1,200 with the realization of the leadership role the board must play in fund development.
10. Assist the Foundation, and its staff, by implementing fundraising strategies through personal influence with others by identifying potential donors, contacting and encouraging potential donors, thanking donors and/or soliciting potential donors, where appropriate.
11. When appropriate, assist Foundation staff to secure appointments to meet with fundraising prospects. If asked, be willing to accompany staff on fundraising visits.

### **Meetings**

12. Prepare for and participate in board and committee meetings, including appropriate organizational activities.

13. Ask timely and substantive questions at board and committee meetings consistent with personal conscience and convictions, while supporting the majority decision on issues decided by the board.
14. Maintain confidentiality of the board's executive sessions, and speak for the board or the Foundation only when authorized to do so.
15. Suggest agenda items periodically for board and committee meetings to ensure that significant policy-related matters are addressed.

### **Avoiding Conflicts**

16. Adhere to all conditions outlined in the Foundation's *Conflict of Interest Policy* and annually sign the *Conflict of Interest Disclosure* form.

### **Fiduciary Responsibility**

17. Faithfully read and understand the Foundation's financial condition and financial statements.
18. Establish and maintain good financial controls to prevent fraud and other illegal activity from occurring.

---

Signature

Date

Alpha Kappa Lambda Education Foundation  
**PROGRAM GRANT POLICY**

---

*Adopted by the Alpha Kappa Lambda Education Foundation on January 18, 2014*

---

### I. Introduction

The Alpha Kappa Lambda Education Foundation is dedicated to benefiting the greater society through its support of the educational endeavors of the Alpha Kappa Lambda Fraternity and its members. The Foundation awards grants for educational programs and administrative services that support its mission. The following policy statement serves as the framework that the Foundation will use to consider, award, administer and review all of its grants. The Foundation will retain all grant requests, approvals, post grant reports and all supplemental documents pertaining to grants for a minimum of seven years.

### II. Selection Criteria

Priority will be given to those requests demonstrating their ability to make the greatest impact on the individual members of the Alpha Kappa Lambda Fraternity currently enrolled in undergraduate institutions.

### III. Standard Grant Cycle

October	Grant requests for the next fiscal year must be delivered in writing to the Foundation staff for distribution to the Directors prior to their regularly scheduled meeting.
October - December	Directors will review all grant requests and will formulate recommendations based on funds available, needs demonstrated and the fit of each request with the Foundation's mission.
January	The Directors will act upon the grant requests accordingly and convey a decision in writing to the grant applicants.
Ongoing	Following completion of the grant period, the recipient must present a written Program Review, as described below, to the Education Foundation staff for distribution to the Directors. Grants made for Fraternity staff require a mid-year and year-end report.
Exceptions	Exceptions to this schedule may be granted by the Foundation President.

### IV. Standard Grant Application Format

Grant applications must contain the following information:

- a. Applicant name and contact information

- b. Management, personnel and partnering organization involved
- c. Proposed budget
- d. Itemized estimate of qualified costs and total monies requested
- e. Timeline of program/service
- f. Brief description of the program curriculum or the service
- g. Brief history of the program and the implementation process
- h. Learning outcomes and objectives of program/service
- i. Measurable goals for the program/service
- j. Commentary/data from previous program participants
- k. Outline of post-grant follow-up in the event the grant is funded

## **V. Program Review and Post Grant Reports**

Grant recipients are required to present a full, written review of the grant upon completion of the grant period. Fraternity staff grants should have a report submitted at mid-year and year end. This review will include a summary of the program supported; a comparison of the projected budget vs. actual costs; a full accounting of all qualified costs; and quantitative and qualitative evidence of the program's impact and its support of the Foundation's mission. Grant recipients should include a certification that no funds were spent on items outside of the scope of the grant request or any items that would violate IRS regulations. No expenses will be reimbursed which exceed amount of the approved grant without additional review by the Foundation.

When applicable, post grant reports should include the following:

- a. A summary of implementation
- b. A list of students and Chapters in attendance
- c. Review of learning objectives of the program
- d. Commentary from program participants
- e. Possible future improvements for the program
- f. An explanation of any variances from the grant request
- g. Copies of any invoices or bills related to grants
- h. Measurable statistics demonstrating the educational or other impact of the program

## **VI. Fraternity Staff Grants and Expenses**

### **A. General Overview**

The Education Foundation is permitted by the IRS to make grants to the Fraternity for staff hours, services and costs directly related to qualified educational programs or initiatives hosted, sponsored, developed or staffed by Alpha Kappa Lambda Fraternity Staff. Costs which are directly related to qualified educational programs having a separate grant (i.e. UIFI scholarships, President's Academy, Book scholarships, etc.) are not included in this policy.

The Foundation is also permitted to pay for staff time and costs for administrative services for the Foundation and any expenses directly associated with fundraising for the Foundation. Both direct charges and payroll expenses are acceptable. Additionally, a portion

of actual travel expenses (based upon the actual percentage of qualifying educational time spent during the corresponding trip) are eligible for reimbursement.

Consider the following scenarios:

- A Chapter Services Consultant and the Coordinator of Education and events work twenty hours developing new leadership development curriculum for the President's Academy. A portion of this time spent on qualified educational content, as defined by the Internal Revenue Service, would be eligible for a staff grant because the hours were spent developing a qualified educational program.
- The Assistant Executive Director works ten hours creating and sending an electronic newsletter. Within the newsletter there is an announcement about the new curriculum for the President's Academy which consists of qualified educational content, a registration page for Regional Leadership Conferences and an update regarding a Foundation capital campaign. The Coordinator devoted three of his ten hours to writing and designing those three elements of the newsletter. Three of the ten hours are then eligible for a Foundation staff grant.
- A Chapter Services Consultant pays \$300 for a flight to visit Alpha Lambda Chapter. While visiting the Chapter, the Consultant spends 20 hours (66%) of the 30 hour visit training Chapter officers on topics such as budgeting, leadership skills and effective committee organization. He also makes a Foundation fundraising presentation and works with the new members to develop their leadership skills. Finally, he spends ten hours reviewing and teaching Alpha Kappa Lambda ritual events to the Chapter. The 20 hours the Consultant spent training, educating and fundraising are eligible for a staff grant, but the ten hours spent reviewing and teach ritual events is not eligible. Additionally, 66% of the flight cost or \$200 is eligible for Foundation reimbursement because 66% of the Field Executive's working hours were spent on qualified educational programs and Foundation fundraising efforts.

## **B. Eligible and Non-Eligible Staff and Expenses**

The IRS does not define all Fraternity work as qualified educational time and therefore all work is not eligible for a Foundation grant or reimbursement. Outlined below are a few items which the IRS would deem eligible and a few which are not eligible. This is not meant to be an exhaustive list, but to help provide general guidelines. Further guidance is provided with the staff time sheet matrices. Questions about appropriate time allocations should be addressed to the Executive Director of the Fraternity.

Eligible Staff Activities and Expenses	Non-Eligible Staff Activities and Expenses
Fundraising presentation where funds raised support Alpha Kappa Lambda Education Foundation	Participation in golf tournaments or other Chapter fundraising programs (unless funds are being directed to the Education Foundation via the Chapter Restricted Fund)
Educational program for IFC at a campus without a Alpha Kappa Lambda Chapter	Expansion presentation to an IFC
Providing a Leadership Training Program for Alpha Kappa Lambda alumni	Social tailgate with Alpha Kappa Lambda alumni
A portion of time spent updating contact information for alumni and students in Compass	Recruitment of new members
Writing thank you cards to Foundation donors	Writing Fraternity focused article for Logos
Time spent designing Educational Manuals for undergraduates	Postcards sent to alumni about upcoming social happy hour
Training Alumni Association or Corporate Board officers on best practices for assisting Chapter officers in leadership development programs	Teleconference costs for NEC meeting
Assistance with Foundation mailings	Compilation of time sheet information
Preparing payroll and employment records for Foundation Exclusive Employees	Preparing recruitment webinars

### C. Records and Timecards

Pursuant to IRS guidelines, the Fraternity staff time recording policies and the Alpha Kappa Lambda Education Foundation Business Records Retention Policy all Fraternity staff (regardless of hourly or salaried position status) must complete a time sheet which clearly and specifically documents his or her grant eligible work time. Record of time should be kept based on the quarter hour interval.

Alpha Kappa Lambda Fraternity will bill the Foundation for services rendered (depending upon the time taken for each task) at the appropriate billable rate (depending upon the staff member performing those duties). This includes charges for work performed by both salaried and hourly positions billed at the appropriate staff member's rate. For salaried employees, the hourly rate must be calculated using a 40-hour workweek (i.e. salary plus payroll costs divided by 2080 hours). For hourly employees the actual hourly rate and time



worked will be used. All time sheets should be completed and submitted by the 7th of the month following the month worked.

### Example of Billable Rate Calculation for Salaried Employee

\$49,500	Annual Salary
\$3,786.75	Annual FICA Tax
\$158.10	Annual Indiana Unemployment Tax
\$56.00	Annual Federal Unemployment Tax
<u>\$3,279.48</u>	Annual Insurance Cost (\$273.29/Month)
<b>\$56,780.33</b>	<b>Total Annual Cost</b>

**\$27.30**      **Total Employee-Specific Hourly Rate (based on 2,080 annual hours)**

### Examples of Foundation Chargeable Time Calculation

The following examples assume 85 qualified Foundation hours. Thus the following formula was used:

$(\text{qualified hours worked}/\text{actual total hours worked}) \times 173.33$  (to adjust for a 40 hour work week because salaried employees do not receive pay for "over-time" hours)

#### Example 1

Employee works 200 actual hours in a month with 85 qualifying Foundation hours. Because the employee has worked more than 40 hours per week the Foundation hours must be reduced in proportion to the Fraternity hours to comply with the 40 hours per week standard.

Step 1:             $(85 \text{ qualified hours worked}/200 \text{ actual hours}) \times 173.33 = 73.67$   
billable hours

Step 2:  $73.67 \text{ (billable hours)} \times \$27.30 \text{ (appropriate rate)} = \$2,011.19$  (billed to Foundation)

#### Example 2

Employee works 173.33 actual hours in a month with 85 qualifying Foundation hours.

Step 1:             $(85 \text{ qualified hours worked}/173.33 \text{ actual hours}) \times 173.33 = 85$   
billable hours

Step 2:             $85 \text{ (billable hours)} \times \$27.30 \text{ (the appropriate rate)} = \$2,320.50$  (billed to Foundation)

#### Example 3

Employee works less than 173.33 hours in a month with 85 qualifying Foundation hours. The Foundation may be billed for actual hours recorded without any re-calculation.

All grant applications should be submitted to:

Alpha Kappa Lambda Education Foundation  
354 Gradle Drive  
Carmel, IN 46032

Alpha Kappa Lambda Education Foundation  
**STEWARDSHIP PROCEDURE**

*Adopted by the Alpha Kappa Lambda Education Foundation on January 18, 2014*

The Alpha Kappa Lambda Education Foundation values those men who support the educational endeavors of the Alpha Kappa Lambda Fraternity by making gifts to the Foundation. The Foundation is committed to recognizing and thanking these donors appropriately.

**I. Written Gift Acknowledgements**

Donors who make a gift to the Foundation of any amount shall be sent a written acknowledgement via US mail within three business days of receiving it.

**II. Levels of Donor Recognition**

When appropriate, donors will be publically recognized for their annual and lifetime contributions to the Foundation according lifetime giving societies and annual giving circles outlined below.

**Lifetime Giving SOCIETIES**

AKL Patron Society_____	up to \$5,000
AKL Oak & Laurel Society_____	\$5,001 to \$9,999
AKL Lamp & Scroll Society_____	\$10,000 to \$24,999
AKL Silver Star Society_____	\$25,000 to \$49,999
AKL Purple & Gold Society_____	\$50,000 to \$99,999
AKL Benefactor Society_____	\$100,000 to \$249,999
AKL Ring of Honor Society_____	\$250,000 to \$499,999
AKL Legends Society_____	\$500,000 to \$999,999
AKL Living Legacy Society_____	\$1,000,000 and above

**Annual Giving CIRCLES**

Friend of the Foundation _____	up to \$119
Brotherhood Circle_____	\$120 to \$299
Loyalty Circle_____	\$300 to \$599
Leadership Circle_____	\$600 to \$1,199
President's Honor Circle_____	\$1,200 to \$2,499
Foundation Directors' Inner Circle_____	\$2,500 to \$4,999
Gail Cleland Fellow _____	\$5,000 and above



### III. Alpha Kappa Lambda Website

A current Honor Roll of Donors for annual contributions made by donors during the calendar year will be posted on [www.akl.org](http://www.akl.org) and updated during the first week of every month.

### IV. Tangible Recognition Pieces

**President's Honor Circle:** Donors who make an annual gift at the President's Honor Circle level will receive a recognition pin indicating their membership in this circle each year.

**Gail Cleland Fellows:** Donors who make an annual gift at the Gail Cleland Fellow level or higher will receive a recognition pin indicating their membership in this recognition circle each year.

Recognition Pins will be distributed to those donors who meet the aforementioned giving thresholds on a quarterly basis in March, June, September, and December.



### V. Stewardship Committee

The Stewardship Committee shall be comprised of the Foundation President and up to five volunteers (undergraduate or alumni) of his choosing.

The Stewardship Committee will be responsible for sending handwritten thank you notes to donors contributing \$500 or more at any given time. The committee will also be responsible for personally thanking all donors by telephone.

Foundation staff will supply the necessary donor reports, scripts and contact information to this committee so that it may do its important work.

Alpha Kappa Lambda Education Foundation

# PROHIBITION AGAINST PROVIDING LOANS TO FOUNDATION DIRECTORS

---

*Adopted by the Alpha Kappa Lambda Education Foundation on January 18, 2014*

---

The practice of providing loans to board members and executives, while infrequent, has created both real and perceived problems for public charities. While there may be circumstances in which a charitable organization finds it necessary to offer loans to staff members, there is no justification for making loans to board members. Federal laws prohibit private foundations, supporting organizations and donor-advised funds from making loans to substantial contributors, board members, organization managers and related parties. Many states also forbid such loans.

**Therefore**, the Alpha Kappa Lambda Education Foundation prohibits the loaning of funds to any Foundation Director or volunteer.

Alpha Kappa Lambda Education Foundation

# VOLUNTEER EXPENSE AND IN-KIND RECOGNITION POLICY

---

*Adopted by the Alpha Kappa Lambda Education Foundation on January 18, 2014*

---

1. **General Policy.** The Directors of the Alpha Kappa Lambda Education Foundation are committed to leading the organization in a fiscally prudent manner, but we recognize that we rely on the good work and generosity of volunteers to advance our mission. Our general policy is that we expect all Directors, committee members and authorized volunteer representatives of the Alpha Kappa Lambda Education Foundation (collectively referred to as "Volunteers") to bear all reasonable costs associated with attending and participating in Foundation meetings and activities.
2. **Reasonable Expenses.** The Foundation considers the following expenses as reasonable: the cost of round-trip coach-class travel (via plane, train or bus), mass transit/ taxi to and from the airport, automobile mileage reimbursed at the currently published IRS charitable contribution rate, lodging at the designated hotel for the designated period and meals up to a maximum of \$40.00 per day. Guest travel, housing, and meals are generally not considered reasonable.
3. **In-Kind Gift Credit.** We recognize that by bearing the above-listed reasonable costs, our Volunteers are saving the Foundation from incurring similar and necessary expenses. As a result, these Volunteers make a gift to the Foundation every time they bear reasonable costs to perform Foundation business. Pursuant to IRS regulations, the Foundation can only recognize gifts for work performing Foundation business. The Foundation cannot issue a charitable gift receipt for expenses incurred performing Fraternity business.
4. **Procedures to Request In-Kind Credit for Reasonable Expenses Incurred.** In order to properly recognize such gifts and prudently manage the Foundation, Volunteers are encouraged to submit receipts within 30 days of incurring the expense showing the Volunteer paid for an expense he incurred performing official Foundation business so the Foundation can recognize the Volunteer for his gift and in-kind donation to the Foundation.
  - a. If the Volunteer wants his in-kind gift allocated to the **unrestricted** fund, the Foundation can issue a charitable gift receipt to the Volunteer, subject to applicable IRS rules and regulations.
5. **Special Fundraising Situations.** The Foundation acknowledges that in certain, rare circumstances, a Volunteer may incur expenses engaging in cultivation or stewardship activities with a potential or actual major gifts donor that does not fall within the definition of reasonable listed above. In these rare cases, the Foundation will recognize these expenses as gifts and issue in-kind gift credit when the following conditions are present:
  - a. The individual that is the subject of the cultivation or stewardship activity is capable of contributing \$25,000 or more over a five-year period,
  - b. The Volunteer has notified the Foundation Chairman, Foundation Treasurer or Foundation staff in advance of the meeting and obtained prior authorization to engage in this activity, and
  - c. The Volunteer submits a Contact Report about the activity along with his receipts.

6. **Compensation.** Foundation Directors and Volunteers shall receive no compensation for their service to Alpha Kappa Lambda.
7. **Exceptions.** Exceptions to this policy may only be authorized by the Foundation Chairman and Treasurer.



Alpha Kappa Lambda Education Foundation

## PLANNED / DEFERRED GIVING RECOGNITION

---

*Adopted by the Alpha Kappa Lambda Education Foundation on September 17, 2013*

---

1. **Recognition Society & Minimum Requirements.** Donors who have provided for AKL in their ultimate estate plans at a minimum level of \$10,000 will be recognized by the Alpha Kappa Lambda Education Foundation as members of the **Second Century Society**.
2. **Gift Acceptance.** Planned / deferred gifts shall be accepted and recognized in accordance with the AKL Education Foundation's Gift Acceptance Policy adopted on June 8, 2013, and all subsequent amendments to it.
3. **Documentation Requested.** Although not required, as much as possible, planned gift donors are asked to:
  - a. Document their wishes by executing a Gift Agreement with the Foundation to memorialize their intent and provide instructions to future Foundation Directors and staff about how their gift should be used once it is realized.
  - b. Provide a copy of the planned giving instrument to the Foundation to substantiate the gift and comply with audit requirements. Such documentation may include:
    - i. A copy of the relevant portion of a donor's Last Will and Testament identifying the gift to the AKL Education Foundation
  - c. The beneficiary designation form for a life insurance policy, 401(k) plan or other retirement account naming the Foundation as a beneficiary. Provide an estimated value of the amount of the gift realizing that many circumstances over time can impact the value of any planned gift.
4. **Valuation.** It is the policy of the Foundation Board of Directors to recognize and value planned gifts as follows:
  - a. **As a Foundation Asset.** The Foundation will not recognize a planned gift as an asset of the Foundation until the actual cash or cash equivalent funds are received.
  - b. **Donor Stewardship.** Pursuant to the Gift Acceptance Policy and the documentation provided by the donor, the Foundation will count all planned gifts in appropriate campaign totals and recognize donors based upon the full value of the planned gift. Planned gifts will not be discounted for donor recognition purposes.



**ALPHA KAPPA LAMBDA EDUCATION FOUNDATION**  
**New Director Orientation Plan**

The following meetings shall be scheduled and conducted in-person or via conference call. New Directors should complete the three orientation sessions prior to their first regularly scheduled board meeting.

- I. Training Session One – Welcome – 45 - 60 minutes total**
  - a. Welcome/Overview – 15 minutes
    - i. Mission, Vision and Values Review
    - ii. Review Board and Staff Structure
    - iii. Review Annual Calendar
    - iv. Review Statement of Understanding
    - v. Review Contact Information for Board and Staff
    - vi. Give Handbook and suggest review of Glossary
  - b. State of the Fraternity – Fraternity Executive Director - 15 minutes
    - i. Structure of National Executive Committee and Headquarters Staff
    - ii. Active Chapters and Colonies
    - iii. Fees
    - iv. Strategic Plan
  - c. Expectations – Foundation President - 15 minutes
    - i. Board Member Expectations
    - ii. Strategic Plan Review/Top Priorities
  - d. Questions – 5 - 15 minutes
  
- II. Training Session Two – The Nuts and Bolts - 60 minutes total**
  - a. Fraternity and Foundation Relationship – 15 minutes
    - i. Legal
    - ii. Financial
  - b. Legal and Fiduciary Responsibilities - 15 minutes
    - i. Review legal responsibilities/boundaries in general sense
    - ii. Review fiduciary responsibilities in general sense
  - c. Handbook and Policies Overview – 15 minutes
    - i. Signatures on Statement of Understanding, Whistleblower, Conflict of Interest and Code of Ethics policies
    - ii. Review Reimbursement Policy and procedures
    - iii. Review Investment Policy
    - iv. Review Restricted Fund Policy
  - d. Foundation Budget and Finances – 10 minutes
    - i. Review current fiscal year budget

- ii. Review latest financial statements
  - e. Questions – 5minutes
  
- III. Training Session Three – Fundraising and Programs – 45 – 60 minutes total**
  - a. Fundraising - 20
    - i. Capital Campaign
    - ii. Annual Fund
    - iii. Working with alumni/peer-to-peer solicitations
  - b. Programs Funded by the Foundation – 20 minutes
    - i. Educational Programs
    - ii. Scholarships
    - iii. CRF Grants – housing, scholarships, programs and loans
  - c. Questions – 5 – 20 minutes

Alpha Kappa Lambda Education Foundation

## BUSINESS RECORDS RETENTION POLICY

*Adopted by the Alpha Kappa Lambda Education Foundation on 1/5/13*

The purpose of this policy is to ensure that necessary records and documents related to the business (financial and administrative operations) of the Alpha Kappa Lambda Education Foundation are adequately protected and maintained, and to ensure that records that are no longer needed, or of no value, are discarded at the appropriate time.

In the event of a governmental audit, investigation or any pending litigation, record disposal may be suspended at the direction of the Foundation President. This policy is intended to mirror the Business Records Retention Policy of Alpha Kappa Lambda Fraternity. Business Records Retention Schedule:

<u>Document Type</u>	<u>Retention Period</u>
Legal Records	Permanent
Employment (personnel)	7 years after the last day of employment (employee name, Social Security number, dates of employment, job title, and last salary amount should be kept permanently)
Signed settlement agreements, releases and severance agreements	Permanent, or until the President determines it is no longer necessary
Employment Applications	1 year after the position is filled
Payroll (time, earnings and checks)	7 years
Federal Tax	Permanent
State and Local Tax	7 years
Revenue	7 years
Accounts Payable and Expense Reports	7 years
Bank (statements)	7 years
Gift (donations)	Permanent
Capital Investments and Schedules	Permanent
Financial Ledgers (general, cash and accounts receivable)	Permanent
Audit Reports and Work Papers	Permanent
Budgets	7 years
Facilities	Permanent
Litigation	10 years unless otherwise determined by the President
Insurance	10 years
Property and Casualty (policies and claims)	Permanent
Liability (policies and claims)	Permanent
Purchasing and Sales	7 years

Alpha Kappa Lambda Education Foundation  
**IRS FORM 990 REVIEW POLICY**

---

*Adopted by the Alpha Kappa Lambda Education Foundation on 1/5/13*

---

The Alpha Kappa Lambda Education Foundation. (The Foundation) is required to file Form 990 each year with the Internal Revenue Service.

The Treasurer of Foundation shall work with the Foundation Administrator and ensure that tax payments and other government-ordered payments or filings are filed in a timely and accurate manner.

The Treasurer may work with outside auditors and accountants to help prepare the IRS Form 990 each year.

The Treasurer and President of the Foundation shall ensure that all Foundation Directors have an opportunity to review and comment on a draft version of their Form 990 before it is filed with the IRS.

The Foundation President shall sign and certify that the IRS Form 990 for the Foundation is accurate and complete. In the absence or unavailability of the President, the Vice President may sign.

Consistent with applicable law, the Foundation will make copies of its Form 990 available, upon request, in a timely manner, subject to the charges permitted by law to any individual who requests it.

Alpha Kappa Lambda Education Foundation

# INVESTMENT POLICY

---

*Adopted by the Alpha Kappa Lambda Education Foundation on 7/30/16*

---

## EXECUTIVE SUMMARY

Type of Organization:	Tax Exempt Foundation
Tax ID#	31-1114431
Fiduciary Standard:	Uniform Prudent Management of Institutional Funds Act (UPMIFA)
Custodian:	TD Ameritrade
Time Horizon:	Perpetuity
Modeled Return:	Annualized real (adjusted for inflation) return of 5%

---

## PURPOSE AND SCOPE

This Investment Policy Statement (IPS) is issued by the Board of Directors of the Alpha Kappa Lambda Education Foundation, Inc., and sets forth the objectives and guidelines to be used in the management of the monetary and real estate assets of the Alpha Kappa Lambda Education Foundation. Furthermore, the scope of this IPS includes all assets, including real estate that is entrusted to the Foundation.

## OBJECTIVES & GOALS

1. The primary investment objective of the Foundation's investments is long term growth. Being a perpetual pool of assets, it is appropriate to establish a policy by which these investments can maintain their real value – the value after inflation and spending.
2. The secondary goal is the generation of current income through a total return approach which includes dividends, interest and appreciation. The Board of Directors (the Board) understands the need for cash flow from the Foundation's investments to fund educational programs and leadership training. Furthermore, the Board recognizes that withdrawals may create a reduction in capital some years and it must be vigilant to ensure that no more than 20% of its temporary restricted funds are withdrawn in a single year in accordance with the Foundation's Restricted & Endowed Fund Policy.
3. The Board recognizes that quarterly fluctuations in the prices of securities may cause the Portfolio to underperform against its benchmark in shorter time frames – especially periods under five years. One goal of the Portfolio is to attain a total *real* rate of return of at least 5% per annum over the long term within acceptable levels of risk and volatility.

## DEFINITION OF DUTIES

1. Board of Directors. The Board has the ultimate fiduciary responsibility for the Foundation's investment portfolio. Specific responsibilities include, but are not limited to:
  - a. Ensuring that appropriate policies governing the management of the portfolio are in place, and that they are implemented.
  - b. Setting and approving the IPS and delegating responsibilities to the Investment Committee for implementation and ongoing monitoring.
  - c. Approving the investment strategy and hiring an Investment Advisor.
  
2. Investment Committee. The Investment Committee is responsible for:
  - a. Determining and reporting to the Board of Directors appropriate investments and management of Foundation funds and assets.
  - b. Preparing and maintaining the Investment Policy Statement (IPS).
  - c. Prudently diversifying assets
  - d. Controlling and accounting for all investment, recordkeeping and administrative expenses associated with Portfolio
  - e. Monitoring and supervising all service vendors
  - f. Avoiding prohibited transactions
  - g. Monitoring portfolio performance on a regular basis (not less than quarterly), changing funds, as needed, and informing the Board of Directors of the rationale for the change.
  
3. Investment Advisor. The Investment Advisor is a fiduciary and performs a wide range of duties including, but not limited to:
  - a. Developing the asset allocation framework.
  - b. Developing and monitoring the IPS with the Investment Committee
  - c. Recommending the selection and monitoring of specific funds in which to invest based upon the IPS and reporting on their performance to the Investment Committee not less than quarterly.
  - d. Effect trade(s) with the Custodian as approved by the Investment Committee
  - e. Recommending trading and rebalancing of investments based on the IPS and effecting the same with the Custodian of the funds once approved.
  - f. Provide quarterly fund reports and analyses to the Investment Committee.
  - g. Provide minutes of the quarterly reviews to the Investment Committee.
  - h. Provide investment analysis and reports to the Foundation on an annual basis and to the Fraternity on a biannual basis (e.g., 2016, 2018).
  - i. Monitor and recommend changes, as needed, to the IPS.
  
4. Custodian
  - a. Custodians are responsible for the safekeeping of the portfolio's assets. The specific duties and responsibilities of the custodian are:
    - i. Value the holdings.
    - ii. Collect all income and dividends owed to the portfolio.
    - iii. Settle all transactions (buy-sell orders).

- iv. Provide monthly statements that detail transactions, cash flows, securities held and their current value, and change in value of each security and the overall portfolio since the previous report.

### STRATEGIC ASSET ALLOCATION FRAMEWORK

Strategic asset allocation is the principal method by which the Foundation's Portfolio is designed and its assets invested to achieve the stated objectives over a predetermined time horizon, normally ten years or longer. Accordingly, the following guidelines should be considered when making investments and/or rebalancing investments. The allocation of assets below excludes the Foundation's Real Estate Investment in the Fraternity's Headquarters.

Asset Class	Minimum	Target	Maximum
<b>Growth / Global Equity</b>	<b>42%</b>	<b>52%</b>	<b>62%</b>
<i>US Stocks</i>	20%	26%	32%
<i>Int'l Developed Markets Stock</i>	12%	16%	20%
<i>Emerging Markets</i>	7%	10%	13%
<b>Income / Bonds</b>	<b>24%</b>	<b>30%</b>	<b>36%</b>
<i>Domestic/Global Bonds</i>	24%	30%	36%
<b>Real Assets/Commodities</b>	<b>14%</b>	<b>18%</b>	<b>22%</b>
<i>Commodities</i>	6%	9%	12%
<i>Real Estate</i>	6%	9%	12%
<b>Cash / Cash Equivalents</b>	<b>0%</b>	<b>0%</b>	<b>10%</b>
<i>Cash/Short-term bonds</i>	0%	0%	10%

Investments within each asset class will be made on a prudent basis given the goals and risk tolerances of the Fund and should be well diversified. To achieve the risk/return objectives for the long-term strategic asset allocation above, the strategic target for each specific portfolio investment product will be continuously evaluated and will fluctuate from time to time within the above stated ranges between a generally moderate to high risk tolerance. It is recognized that the asset classes will fluctuate from time to time within the above stated ranges as approved by Board of Directors.

Investments within each asset class should be well diversified between styles, sectors and maturities as recommended by the Investment Advisor and approved by the Investment Committee.

#### TARGET BENCHMARK

Weight	Index	Asset Categories
70%	MSCI ACWI TR USD	Equity / Real Assets
30%	Barclays Aggregate TR USD	Fixed Income

#### Secondary Benchmark

Peer Group Mean

#### RETURN OBJECTIVE

The Foundation's Portfolio objective is to be invested in perpetuity and to preserve its real value (adjusted for inflation), including spending requirements. Therefore, the Portfolio seeks out a long-term (10 year+) real (adjusted for inflation) return of 5%. The Investment Committee and Board of Directors realize that the investment objectives will not be attained



in each year and recognizes that over various time periods, the portfolio may produce significant over or under performance relative to broad markets.

### **RISK CONSIDERATIONS AND STANDARDS FOR PRUDENT INVESTING**

The Foundation recognizes and acknowledges that a moderate to high level of risk must be assumed in order to achieve the long-term investment objectives of the Portfolio.

The Committee will follow the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in determining prudence for management of the Portfolio. Such “prudence” is demonstrated, but not necessarily limited to, consideration of the following items:

1. General economic conditions
2. Possible effect of inflation or deflation
3. Expected tax consequences, if any, of investment allocations or decisions
4. The role of each individual investment as part of the Foundation’s overall Portfolio
5. Total return expectations
6. Downside loss expectations
7. Fees

### **REBALANCING AND SPENDING POLICY**

1. Over time, an asset class allocation in any given account will move away from its long term strategic target. It is understood that rebalancing to move back in line with stated targets will need to occur due to market movements and cash flows into or out of the Portfolio.
2. It is understood that it is inefficient to rebalance to the strategic target until the estimated added value more than pays for the transaction costs incurred in the rebalancing.
3. The Investment Advisor will monitor and advise the committee when the Portfolio needs to be rebalanced. Based on the advice of the Investment Advisor, the Committee will determine when rebalancing will occur and direct the Investment Advisor to rebalance those funds at the earliest possible date.

### **RESTRICTIONS**

1. No direct investments shall be made in commodities, such as direct investments in futures, future contracts, mineral leases, mineral rights or royalty contracts. However, use of mutual funds and ETFs with commodity investments, including futures and futures contracts, are permitted (see Permitted Securities).
2. No direct transactions in short sales, options, puts, calls, straddles and/or spreads shall be used. Covered call options strategies on equities can be pursued on a limited basis.
3. No investment shall knowingly be made in which any officer or director of the Foundation’s Board of Directors has a known significant financial interest. For the purpose of this IPS, a significant financial interest is a Director’s investment of 10% or greater.
4. Investments shall not be made in the securities of an issuer which, together with any predecessor, has been in operation for less than three years, and/or in equity securities of issuers for which market quotations are not readily available. In its discretion, the Foundation’s Board may retain any investment it received as a gift regardless of whether the investment meets the above criteria.

5. Investments shall not be made in securities for the purpose of exercising control or management.
6. The Foundation may invest in mutual funds and/or ETFs which are quoted daily by any major stock exchange, for example the National Association of Securities Dealers (NASD).
7. The Foundation retains the right to proscribe any stock or bond from the portfolio if it feels that the issuing body or company sells products or services not in harmony with the Foundation's goals.

### **PERMITTED SECURITIES**

To implement the recommended asset allocation, the Portfolio will invest in different types of securities that focus on specific segments of each asset class. Permitted security types include:

1. Individual stocks
2. Mutual funds – stocks, bonds, money market funds
3. Exchange Traded Funds (ETFs)
4. Separately managed accounts – stocks or bonds
5. Individual bonds – as long as they are traded on a major US exchange
6. Closed end funds
7. Unit investment trusts
8. Mutual funds of alternative assets such as real estate, commodities and trading strategies

### **LIQUIDITY POLICY**

Excepting the Foundation's real estate asset, the Fraternity Headquarters property, the Foundation adopts a moderate liquidity profile. That is, funds are available anywhere from daily to a period less than two years. To further support this position, the Foundation will maintain a cash position that will provide for not less than 25% of its annual budget as approved by the Directors.

### **SPENDING POLICY**

The annual spending rate of the Foundation's investments are governed by the Foundation's *Restricted & Endowed Fund Policy*.

### **MONITORING AND REVIEW POLICY**

1. The Board of Directors recognizes that there are periods when objectives may not be attained, and that during various time periods, certain strategies may result in significant under or over performance relative to overall market performance.
2. The overall health of the portfolio will be monitored by comparing the value of the Foundation's assets against the expected spending rate plus inflation and fees, and by tracking the changes of each to determine whether the spending rate requires adjustment. This exercise will be performed by the Investment Committee and Investment Advisor and reported to the Board of Directors no less than annually.
3. Portfolio objectives will be monitored quarterly by the Investment Committee and Investment Advisor to assist in the evaluation of the investment strategies effectiveness.

4. Asset role guidelines will be reviewed by the Investment Committee annually as stated in each asset role strategy statement.
5. The Board of Directors will conduct detailed reviews and assessments of the investment program's overall strategy, governance structure and investment policy at least every three years. Any changes to the policy will be communicated in writing to all appropriate parties.

**ACKNOWLEDGMENT**

We recognize the importance of adhering to the mission and strategies detailed in this policy and agree to work to fulfill the objectives stated herein, within the guidelines and restrictions, to the best of our ability.

---

Signature

Date

## Appendix A – Asset Role Strategy Statements

1. **Global Equity Investments** – Intended to be the primary source of long-term growth for the portfolio, as equities historically have produced high real rates of return. While having higher expected returns, they also have higher volatilities. Common and preferred stocks held in the portfolio should be reasonably diversified across geographical locations and industrial sectors.
2. **Fixed Income Investments** – Intended to offset the volatility of equities, particularly during market downturns, as well as provide deflation protection and can be further categorized as interest rate sensitive and credit sensitive. Fixed income securities are defined as contractual obligations of the United States Government, its Agencies or U.S. domiciled corporations. International fixed income securities of governments, agencies or corporations may also be considered. Generally, holdings should be Investment Grade, or better, as rated by an SEC registered Nationally Recognized Statistical Rating Organization.
3. **Real Assets** – Intended to help insulate the portfolio from inflation shocks and to provide a source of non-correlating returns with other asset categories (diversification). Includes real estate investment trusts (REITs) and commodities.
4. **Cash and Cash Equivalent Investments** – Cash investments are defined as U.S. dollar denominated fixed income securities that mature in 13 months or less and includes money market funds. Acceptable vehicles would include but not be limited to:
  - a. United States Treasury and Agency securities;
  - b. Prime Bankers Acceptances of major U.S. Banks;
  - c. Certificates of Deposit of major U.S. Banks;
  - d. Commercial Paper of U.S. Corporations rated A-1 or P-1 by Moody's and Standard and Poors, respectively; and
  - e. Repurchase Agreements with major U.S. Banks

Money market funds of recognized brokerage firms or banks might also be used. These may invest in a combination of U.S. Treasury or corporate securities and generally will have a constant Net Asset Value (NAV) of \$1.00.

## Appendix B – Procedures for Tracking Investments and Allocating Investment Gains and Losses

The purpose of these procedures is to ensure that all gains and losses, including fees and expenses, resulting from investment activities are accounted for in a proportionate manner, thus ensuring the fair distribution of net gains and losses among all funds invested by fraternity chapters and/or the Foundation.

Chapter and Foundation funds invested will be tracked internally on a monthly and annual basis using spreadsheets to account for all transactions occurring each month and summarized annually. These spreadsheets will be maintained by the Investment Committee and provided to the accountant at year's end to make the necessary adjustments to each Chapter and Foundation account as appropriate. Arrangements may also be made to have

the accountant track gains and losses for the Foundation with oversight provided for by the Investment Committee.

Gains and losses will be recorded at month's end proportionately to each fund regardless of the date during the month when the funds were deposited or distributed to the accounts. The gains and losses will be derived from the month end reports produced by the Custodian and/or the Investment Advisor each month. Additionally, gains and losses will be reconciled at year-end with the trustee's reports to ensure the totals at year's end equal the sum of the monthly totals.