

Sigma Tau Gamma Foundation, Inc.
Board of Trustees Policy

Title: CHAPTER FUND POLICY

Enacted: June 26, 2021

Number: 07.04

The following provisions apply to Chapter Funds:

1. A fund may be established for each collegiate chapter of the Fraternity. The name of each such fund shall be the name of the school at which the chapter is located, followed by the words "Chapter Fund." However, at the request of a recognized Alumni Association, the Foundation may agree upon a different name for that collegiate chapter's Chapter Fund. A Chapter Fund shall become active and entered onto the financial records of the Foundation upon an initial designated donation.
2. The purpose of each Chapter Fund shall be to support educational programs, including, but not necessarily limited to (a) academic scholarships to aid undergraduate or graduate students pursuing a degree at an accredited institution of higher education, (b) grants for participation and travel to, educational programs sponsored by the Fraternity, interfraternal organizations such as the North-American Interfraternity Conference, or an accredited institution of higher education, and (c) the purchase of library and study room materials, publications, furniture and equipment as permitted by applicable Internal Revenue Service regulations.
3. The Foundation will accept a donation to a specific Chapter Fund, provided that it is so designated at the time of the donation. No donation may be retroactively designated to a Chapter Fund. All donations become the property of the Foundation. Only cash or cash equivalent donations may be accepted for a Chapter Fund.
4. A Chapter Fund must achieve and maintain a positive net balance of twenty-five hundred dollars (\$2,500.00) or more through an entire fiscal year in order to be classified as a Qualified Fund and have the investment return applied for that fiscal year. Once classified as a Qualified Fund, no grants may be made from the fund that would reduce its balance below \$2,500.00.
5. Chapter Funds are Temporarily Restricted - Accumulating Funds. Chapter Funds that are not Qualified Funds are to be Board Designated Funds, although consideration of the intent of the donors and the Fund's progress toward reaching the level of a Qualified Fund must be

considered before taking any action that would divert the monies away from serving the designated Chapter.

6. Each Chapter Fund that is a Qualified Fund shall have an associated Temporarily Restricted – Available Fund established.
7. The fiscal year, for accounting purposes, of each Chapter Fund shall coincide with the fiscal year of the Foundation.
8. The Chief Executive Officer shall invest and administer the Chapter Fund monies according to the policies of the Foundation.
9. The investment return of Qualified Funds shall be the same as the net return of the Foundation's general investments. The gain or loss will be applied to each Qualified Fund by September 30 of the immediately following year. The return shall be based on the lower of the amounts in the Fund, using the two values of the Fund on the first and on the last days of the fiscal year. If the return results in a loss for the year, this loss shall be applied. If, as a result of the loss, a Qualified Fund's level drops below \$2,500, that fund shall lose its status as a Qualified Fund.
10. An account service fee will be calculated based on the fund balance and will equal the greater of one percent (1.0%) of the fund or twenty-five dollars (\$25.00). The account service fee will be charged on June 30 of each year to each Chapter Fund, after any funds in the associated Temporarily Restricted – Available Fund have been transferred to the respective Temporarily Restricted – Accumulating Fund, and based on the balance of that fund on the first or last day of the fiscal year, whichever is greater. The assessment of account service fees may reduce a fund's balance below \$2,500.00, at which point the fund would lose its status as a Qualified Fund. If, as a result of the application of the account service fee, a fund has been reduced to \$0.00, that fund shall be removed from the books of the Foundation.
11. Within 120 days of the beginning of each fiscal year, 7% of the value of the Chapter Fund shall be transferred into the associated Temporarily Restricted – Available Fund. Notwithstanding the above, no transfer shall be made to the Temporarily Restricted – Available Fund that would reduce the balance of the associated Temporarily Restricted – Accumulating Fund below \$2,500.00. All donations to a Chapter Fund shall be deposited into the named chapter's Temporarily Restricted – Available Fund. The 7% spend rate will change to 4% on 7/01/2022.

12. Disbursements of monies from Chapter Funds shall be made in accordance with the Foundation's Grant Making Policy. All disbursements made from a Chapter Fund shall come from a chapter's Temporarily Restricted – Available Fund.
13. At the end of each fiscal year, any monies remaining in a chapter's Temporarily Restricted – Available Fund shall be transferred to its associated Temporarily Restricted – Accumulating Fund.
14. Upon approval by the Board of Trustees, a Chapter Fund shall be transferred to the Foundation Chapter Fund when:
 - a. A chapter has been closed for ten consecutive years and has no reasonable prospect of reopening;
 - b. A school closes permanently;
 - c. A school eliminates the Greek system from its campus; or
 - d. There have been no donations made to the fund, or withdrawals from the fund, for ten consecutive years.

In these cases, the CEO shall make an effort to confer with large donors to the fund or Alumni Association officers from the affected chapter, to determine what actions to recommend to the Board as to the disposition of the affected fund. Any action taken shall be in accordance with applicable law and IRS regulations.

15. Foundation Chapter Fund – Chapter Funds that meet the criteria set forth in paragraph 14 above shall be transferred to the Foundation Chapter Fund. Grants from the Foundation Chapter Fund shall be governed by the provisions set forth in this Policy, except grants may be made to any member, chapter, or associate chapter. Any Chapter Funds that are not originally subject to this Policy but are repurposed in accordance with the procedures set forth in § 402.138 of the Missouri Revised Statutes shall also be transferred to the Foundation Chapter Fund. If a chapter whose Chapter Fund was transferred to the Foundation Chapter Fund is subsequently re-established, the Trustees may transfer the principal amount transferred, exclusive of any subsequently accrued interest, to the re-established chapter's Chapter Fund.
16. In the event of the dissolution of the Foundation, the Trustees shall direct the distribution of the remaining balance of any monies in any Chapter Funds. Priority will be given to the educational foundation associated with the college or university at which the collegiate

chapter associated with the Chapter Fund is or was located, and in the alternative, to one or more charities, educational institutions or foundations qualified to accept charitable donations under Section 501 (c) (3) of the Internal Revenue Code.