

# **THE MCHENRY AREA ROTARY CLUB CHARITABLE FOUNDATION, INC**

## **BYLAWS**

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***The McHenry Area Rotary Club Charitable Foundation Inc. has 501(c)(3) status and is recognized as a public charity by the IRS. Donations to The McHenry Area Rotary Club Charitable Foundation Inc. are thus treated by the IRS as donations and grants made to a public charity.***

# McHenry Area Rotary Club Charitable Foundation, Inc Bylaws

<b>Article</b>	<b>Subject</b>	<b>Page</b>
1	Name and Definitions.....	3
2	Membership, Dues, and Contributions.....	3
3	Board of Directors .....	4
4	Officers of the Board.....	6
5	Compensation.....	7
6	Meetings.....	7
7	Finances .....	9
8	Guidelines for Distribution of Funds .....	10
9	Dissolution.....	11
10	Amendments.....	12
11	Miscellaneous .....	12
12	Tax Exempt Status.....	13
13	Endowments .....	14

# **Bylaws of the McHenry Area Rotary Charitable Foundation, Inc**

## **Article 1 – Name and Definitions**

1. Name: The name of this organization is the McHenry Area Rotary Club Charitable Foundation, Inc., hereinafter referred to as the McHenry Area Rotary Club Charitable Foundation, Inc or “Foundation”. It is a voluntary, not for profit, Illinois corporation consisting of members of the McHenry Area Rotary Club who are interested in developing, improving, and maintaining the cultural, recreational, economic, educational, and social welfare of people in the greater McHenry area and throughout the world.
2. Bylaws The term “Bylaws” refers to this document unless when reference is made to “Club Bylaws” which refers to the McHenry Area Rotary Club Bylaws. These Bylaws supersede any previous versions of Foundation Bylaws, including previous Operating Agreements.
3. Club Board: The board of directors of the McHenry Area Rotary Club.
4. Foundation Board: The board of directors of the McHenry Area Rotary Charitable Foundation.
5. Member: A member, other than an honorary member, of this club and simultaneous member of the Foundation.
6. Quorum: The minimum number of participants who must be present when a vote is taken, specified in Article 6.
7. “In Writing”: Any mention in this document of the term “in writing” may include email communication.
8. Rotary Year: The 12-month period beginning 1 July and ending June 30.

## **Article 2 – Membership, Dues, and Contributions**

**Section 1 – Membership** – All members in good standing of the McHenry Area Rotary Club shall be members of McHenry Area Rotary Club Charitable Foundation,

Inc. No membership certificate shall be required.

**Section 2 – Dues** – No dues shall be required of members of the McHenry Area Rotary Club Charitable Foundation, Inc.

**Section 3 – Termination of Membership** – Any member, who fails to remain a member in good standing of the McHenry Area Rotary Club, as determined by the Board of the McHenry Area Rotary Club, shall automatically and simultaneously be dropped as a member of the McHenry Area Rotary Club Charitable Foundation, Inc. Any former member, who is reinstated to membership in the McHenry Area Rotary Club, shall automatically and simultaneously be reinstated as a member of the McHenry Area Rotary Club Charitable Foundation, Inc.

**Section 4 – Acceptance of Contributions by the Board** - All contributions to the McHenry Area Rotary Club Charitable Foundation, Inc. shall be subject to the approval of the Board of Directors. All funds of McHenry Area Rotary Club Charitable Foundation, Inc. shall be separated from and not commingled with the funds of the McHenry Area Rotary Club.

**Section 5 – Contributions Must Be Voluntary** – All contributions must be voluntary. No contributions shall be solicited or secured by undue force, job discrimination, or financial reprisal, or by the threat of same.

**Section 6 – No Personal Benefit to Members or Contributors, Segregation of Funds** – No part of the net earnings of the McHenry Area Rotary Club Charitable Foundation, Inc. shall inure to the benefit of, or be distributable to, its members, directors, officers or private persons, except that the McHenry Area Rotary Club Charitable Foundation, Inc. shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth above. No substantial part of the activities of McHenry Area Rotary Club Charitable Foundation, Inc. shall be the carrying on or propaganda, or otherwise attempting to influence legislation, and McHenry Area Rotary Club Charitable Foundation, Inc. shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office. Notwithstanding any other provisions of these activities, McHenry Area Rotary Club Charitable Foundation, Inc. shall not carry on any other activities not permitted to carried on (a) by a corporation exempt from Federal income tax under Section 501 (c) (3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue Law).

## **Article 3 – Board of Directors**

**Section 1 – Duties** – The Foundation Board of Directors shall manage the affairs of the McHenry Area Rotary Club Charitable Foundation, Inc.

**Section 2 – Composition and terms** – The McHenry Area Rotary Club Charitable Foundation, Inc. Board of Directors shall consist of seven (7) members.

**Section 3 – Board Appointments Via Club Positions** – The McHenry Area Rotary Club Charitable Foundation, Inc. Board of Directors will have four (4) board positions that are appointed via club positions, as elected or appointed by the McHenry Area Rotary Club membership. These four (4) positions shall be comprised of the current Club President, the current Club Treasurer, the current Club Secretary, and the current club President-Elect.

**Section 4 – Board Directors At Large** – The remaining three (3) board-members-at-large shall be elected by the Club Membership during the annual Club Election and serve staggered 3-year terms, so that there is a newly appointed Board-Member-At-Large every year. In order to help identify but not prioritize these seats, they shall be known as the Peterson Seat, the Dean Seat, and the Buch seat.

- a) The Peterson Seat begins on July 1 2019 and ends on June 30, 2022; this board position continues with 3 year terms with the seat open for election at the December 2021 Club Election as outlined in the Club Bylaws.
- b) The Dean Seat begins on July 1 2020 and ends on June 30, 2023; this board position continues with 3 year terms with the seat open for election at the December 2022 Club Election as outlined in the Club Bylaws.
- c) The Buch Seat begins on July 1 2021 and ends on June 30, 2024; this board position continues with 3 year terms with the seat open for election at the December 2023 Club Election as outlined in the Club Bylaws.

**Section 5 – Terms and Term Limits** – All terms shall begin July 1 of any given year and end June 30 of any given year, in sync with the Rotary Year and fiscal year. No Foundation Board Member shall serve for more than 6 consecutive years. If a Foundation member is in violation of this section by serving a term greater than 6 consecutive years, the Club Board shall determine a resolution that is in the best interest of the Club and Foundation.

**Section 6 – Removal and Vacancies** – Any Foundation Director may be removed by an affirmative vote of the majority of the Foundation Board when in its judgment the best interests of the Foundation would be served thereby. Any Foundation member may step down from their position at any time by notifying the Foundation Board in writing (email is acceptable). Foundation Board Member vacancies shall be filled by the following process:

1. Any Foundation Board member may propose a Club Member to take the vacant Board position.
2. The Foundation Board shall vote on the proposed club member to become a board member within 7 days of proposal.
3. If the Foundation Board vote passes, the Foundation Board must then propose the Club member board nomination to the membership with a call for membership vote no less than 7 days and no more than 14 days after proposal.

4. Should a vote by the Board or Members fail to pass, the process shall start over from step 1.

Any Foundation Director elected due to removal or vacancy shall serve the remaining term of such foundation board vacancy they replaced. If a Foundation Board member that was appointed based on Club Board position vacates their position as a Club Board member, they will simultaneously vacate their Foundation Board position and their Foundation Board position shall be filled by the individual who fills the Club Board vacancy based upon the Club Bylaws.

**Section 7 – Duplication of Seats –** If a Foundation board member holds a duplicate seat within the Foundation Board or the Club, which would have them fulfilling more than one Foundation Board seat, the Foundation board shall fill the open seat as if it were vacant and in accordance with Article 3 Section 6 of these Bylaws.

## **Article 4 – Officers of the Board**

**Section 1 – General –** The officers of the Foundation shall include a Chairperson, a Vice-Chairperson, a Secretary, and Treasurer. Each Foundation Officer shall be elected by the Foundation Board from among the Foundation Directors, other than the Foundation's Treasurer position which will be filled by the Treasurer of the Club. They shall be elected at the start of each Fiscal Year, or as soon thereafter as convenient. They shall serve a term of one year or until their successors are elected and qualified. Any vacancy shall be filled by election by the Foundation Board of one of the remaining Foundation Directors, and the person so elected shall serve for the unexpired term remaining of the vacancy to be filled.

**Section 2 – Chairperson –** The Chair shall be the chief executive officer of the McHenry Area Rotary Club Charitable Foundation, Inc. and shall preside at meetings of the McHenry Area Rotary Club Charitable Foundation, Inc. He/she shall fulfill all duties incident to the office of Chairperson and such other duties as may be prescribed by the Board of Directors. The chairperson shall also perform such other duties as ordinarily pertained to the office of chief executive officer of a corporation exempt from Federal income tax under Section 501 (c) (3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue Law).

**Section 3 – Vice Chairperson –** The duties of the Vice-Chairperson include assuming the role of Chairperson in the absence of the Chairperson; presiding at meetings of the Foundation, the Foundation Board, and the Foundation Members, serving as a Foundation Director, performing such other duties as may be prescribed by the Chairperson or the Foundation Board, and performing such other duties as ordinarily pertained to the office of the vice-president of a corporation exempt from Federal income tax under Section 501 (c) (3) of the Internal Revenue Code of 1986 (or

the corresponding provision of any future United States Internal Revenue Law).

**Section 4 — Secretary** – The duties of the Secretary of the Foundation shall include performing such duties as are commonly ascribed to this office or as shall be prescribed by the Foundation Board, including: transcribing and maintaining the minutes of the meetings of the Foundation, the Foundation Board, and the Foundation Members; serving as custodian of the corporate seal and other corporate records; provided, however, that such custodianship may be fulfilled by uploading such records to “ClubRunner” or such other electronic means as is utilized by the Club and/or the Foundation and provided further, however, that, all other Foundation Officers and Foundation Directors shall ensure that such corporate records are promptly prepared, gathered and delivered to the Secretary to facilitate each Secretary’s fulfillment of the Secretary’s duties; and serving as a Foundation Director, Upon retirement from office, each retiring Secretary shall deliver and surrender to the incoming Secretary or to the Chairperson all such records as have been maintained by said retiring Secretary.

**Section 5 — Treasurer** – The duties of the Treasurer of the Foundation shall include having custody of all Foundation funds; collecting and disbursing all monies in accordance with the instructions of the Foundation Board; accounting for such Foundation funds to the Foundation Members no less than annually, and at any other time upon demand by the Foundation Board; serving as a Foundation Director; performing such other duties as may be prescribed by the Foundation Board; keeping full accurate accounts, preparing and presenting financial statements, and preparing and filing of all reports to governmental authorities required by law or directed to be filed by the Foundation Board; and performing such other duties as pertain to the office of Treasurer of a corporation exempt from Federal income tax under Section 501 (c) (3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue Law). Upon retirement from office, each retiring Treasurer shall deliver and surrender to the incoming Treasurer or to the Chairperson all funds, books of account(s), or any other Foundation property as have been within the control of said retiring Treasurer.

## **Article 5 – Compensation**

The Directors and officers shall serve without compensation and without expectation of reimbursement for any out-of-pocket expenses incurred.

## **Article 6 – Meetings**

**Section 1 — Annual Meeting** – The annual meeting of the members shall be held in the third quarter of the Rotary Year, during a regular meeting of the McHenry Area Rotary Club, with no less than one (1) week’s notice. The annual meeting of the

McHenry Area Rotary Club Charitable Foundation's Board of Directors shall be held without other notice than these By-Laws, immediately after, and at the same place as the annual meeting of the members.

**Section 2 — Regular and Special Meetings** – The McHenry Area Rotary Club Charitable Foundation, Inc. Board of Directors may provide by resolution the time and place for the holding of any regular meetings of the Board. Special meetings of the McHenry Area Rotary Club Charitable Foundation, Inc. Board of Directors and Special meetings of the members may be called by the McHenry Area Rotary Club Charitable Foundation, Inc. Foundation Chairman on his or her own initiative, or shall be called upon the written request of three (3) members of the McHenry Area Rotary Club Charitable Foundation, Inc. Board.

**Section 3 — Quorum and Votes at Meetings of Directors** – Four members of the McHenry Area Rotary Club Charitable Foundation, Inc. Board of Directors then in office shall constitute a quorum for the transaction of business at its meetings. Action by the McHenry Area Rotary Club Charitable Foundation, Inc. Board of Directors shall be taken by the affirmative vote of four (4) of the McHenry Area Rotary Club Charitable Foundation, Inc. Directors. A vote by email shall be considered a valid vote.

**Section 4 — Quorum and Votes at Meetings of Members** – A simple majority of the Foundation Members shall constitute a “Quorum” for the transaction of business at meetings of Foundation Members. Action by the Foundation Members shall be taken by the affirmative vote of a majority of the Foundation Members in attendance, so long as a Quorum is present; provided, however, that in any event not less than one third (1/3) of all Foundation Members voting in the affirmative is required for a Foundation Member motion to pass. At any Foundation Member meeting in which a Quorum is present and a vote is taken, the result of that vote is valid (and email voting is not required).

**Section 5 — Notice** – Prior notice of any Foundation Board Regular Meeting or any Foundation Board Special Meeting shall be given at least five (5) days by the Chairperson (or the Secretary if called by Foundation Directors) by announcement at a Regular Meeting of the Club or by email to the Foundation Board Members. Prior notice of any Foundation Member Special Meetings shall be given at least one (1) week prior to such meeting by announcement at a Regular Meeting of the Club or by email to the Foundation Members. Reasonable efforts shall be made to provide advanced notice of the date, time, location and agenda of all Foundation Annual Meetings, Foundation Board Annual Meetings, Foundation Board Regular Meetings, Foundation Board Special Meetings, and Foundation Member Special Meetings so as to afford each Foundation Member an opportunity to attend such meetings.

**Section 6 — First Meeting of Each Fiscal Year** – The McHenry Area Rotary Club Charitable Foundation, Inc. Board of Directors shall have a meeting in July of every year which shall constitute the first meeting of the newly elected Foundation Board. This meeting shall have the purpose of making sure all Foundation Board members are familiar with the Bylaws, purpose, and operation of the Foundation.



## Article 7 – Finances

**Section 1 – Fiscal Year** – The fiscal year of the Foundation shall begin on July 1 and end on June 30.

**Section 2 – Annual Review** – The Foundations books of account shall be reviewed at least once each year by a firm of certified public accountants selected by the McHenry Area Rotary Club Charitable Foundation, Inc. Board of Directors. Foundation Members will receive an annual financial statement of the Foundation in such form as is authorized by the Foundation Board.

**Section 3 – Classification of Funds** – Donations (or other funding) to the Foundation which come from or otherwise derive from (1) Club transfers of funds or (2) benefits or other fundraisers organized by the Members are herein referred to as “**Club Funding**”. To the extent that donations (or other funding) come to the Foundation from the public with Restrictions, such funds (including the earnings thereon) shall be considered “**Restricted Funds**”. To the extent that donations (or other funding) come to the Foundation from the public without Restrictions, represent earnings on investments which are likewise without Restrictions, or they are funds over which the donor did not expressly request that the Foundation determine their charitable use or distribution, such donations and earnings thereon shall be considered “**Unrestricted Funds**”.

**Section 4 – Public Contributions** – Contributions from the public are welcomed. Such donations to the Foundation may take any permitted form, including without limitation, larger gifts that ordinarily are made by way of estate planning strategies, but may also include (without limitation): (i) cash donations; (ii) securities which have appreciated in value such that donation to the Foundation may give rise to tax advantages for the donor; (iii) life insurance policies which name the Foundation as a beneficiary; (iv) retirement account(s) which name the Foundation as beneficiary of the donor's retirement account(s); (v) any and all such gifts as may be so named to give honor or recognition to a special person, donor, organization, or business entity in perpetuity (e.g., donor acknowledgements, memorial and other such donations); as well as (vi) donations which designate potential grant or similar recipients. The income from gifts will be used in keeping with desires as indicated at the time of the gift, subject to the purpose, governance, and objectives of the Foundation. In the case of Memorial Donations, both donor and family of the person memorialized will be acknowledged. In the case of all other donations, the donor will be acknowledged.

**Section 5 – Earnings on Investments** – Earnings on investments shall be classified according to the classification of the underlying investment and the associated Restrictions (if applicable), unless expressly otherwise provided by the applicable

donation or bequest.

**Section 6 – Budgeting** – During the First Meeting of the Fiscal year, as outlined in Article 6 Section 6 of these Bylaws, the Foundation Board will review and determine funds that are available for annual giving and administrative obligations, over the next twelve months. At that time, it shall make a general budget divided into categories including but not limited to Administrative Obligations, Restricted Funds Obligations, Unrestricted Funds Available, and Club Funding Available. Administrative Obligations and Restricted Fund Obligations to be paid shall be discussed and determined by the Foundation Board. Available Unrestricted Funds and available Club Funding shall be presented to the Club Board for club level budgeting purposes. The Foundation board shall provide an updated status of each classification of funds no less than quarterly.

**Section 7 – Deposits and Payment of Bills** – The Treasurer of the Foundation shall deposit all Foundation funds in one or more financial institutions designated by the Foundation Board. All bills that have been either (a) approved by at least two (2) Foundation Board Members or (b) is included in the Foundation Annual Budget as to amount and payee shall be paid by the Treasurer of the Foundation or another authorized Foundation Board Member.

## **Article 8 – Guidelines for Distribution of Funds**

**Section 1 – General** – The Guidelines for Distributions from the McHenry Area Rotary Club Charitable Foundation, Inc. are to provide direction to the McHenry Area Rotary Club Charitable Foundation, Inc. Board of Directors toward achieving consistency in the spending of Fund monies. The McHenry Area Rotary Club Charitable Foundation, Inc. Board of Directors shall not be absolutely bound by these spending guidelines when, upon due consideration, a simple majority of the General Membership by written vote determines that action apart from these guidelines is appropriate. Email voting will be allowed.

**Section 2 – Endowments** – Distribution of Restricted Funds is based upon the guidelines specifically laid out by each individual endowment. These endowments are listed in detail in Article 13 of these Bylaws.

**Section 3 – Grants** – The McHenry Area Rotary Club Charitable Foundation, Inc. shall abide by the following process before distributing funds to any program not explicitly laid out in the Budget.

1. Any Club Member can propose a Grant Request, requesting funding for a project, organization, or individual. Grant requests need to be submitted to the Club Service Committee in writing with the approved Grant Proposal Form – attached to these bylaws as Appendix A.

2. The Grant Candidate should be recognized as a 501(c)(3) tax exempt entity by the IRS unless the Club Service Committee has a majority vote approving the recipient without this designation.
3. The Club Service Committee shall verify that the intended use of the Proposed Grant shall fulfill at least one of the Rotary International Five Avenues of Service (Club Service, Vocational Service, Community Service, International Service, and Youth Service) or Rotary International Seven Areas of Focus (Peace and Conflict Resolution, Disease prevention and treatment, water and sanitation, Maternal and child health, education and literacy, economic and community development, conservation and protection of the environment).
4. The Grant Candidate or Club Member proposing the grant must present the grant proposal to the Club Members at a scheduled Club Meeting, where they share a summary of the program or project as well as the amount of money requested.
5. The Club Board must make sure that adequate funding is available within the appropriate Classification of Funds to cover the Grant Request, and that the Grant Request adheres to all requirements set forth in Article 7 Section 3 of the Foundation Bylaws. The Club Board may decline funding or offer an amount of funding different from that which was requested, based on budget and available funds. Any change to the amount of funding from the requested amount must be provided to the entire membership in writing.
6. Any Proposed Grant of One Thousand Dollars (\$1,000) or more shall be classified as a “Major Grant” and such Major Grant must be approved by a majority vote of Club Members constituting a Quorum, as defined in the Club Bylaws. Any Proposed Grant of less than One Thousand Dollars (\$1,000) shall be classified as a “Minor Grant” which does not require a club vote.
7. The entirety of the Grant process should take place within 30 days of proposal by a Club Member. The results of the grant process shall be presented during a club meeting as well as emailed to the entire Club Membership.

## **Article 9 – Dissolution**

**Section 1** – Upon the dissolution of the Foundation and after paying or making provision for the payment of all of the liabilities of the Foundation (including without limitation disposition of Restricted Funds (excluding the Foundation Endowment Account) in accordance with their respective Restrictions), the Foundation Board shall dispose of all of the assets of the Foundation exclusively for the purposes of the Foundation in such manner, or to such organization or organizations organized and operated exclusively for charitable, educational, religious, or scientific purposes as shall at the time qualify as an exempt organization or organizations under Section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue Law) as the Foundation Board shall determine.

After funding sufficient resources to fulfill all grant, scholarship and other Foundation commitments that exist or are projected to exist at the time of dissolution, all remaining assets of the Foundation shall be donated to the Rotary Foundation.

## **Article 10 – Amendments**

**Section 1 – Foundation Members** – The power to alter, amend, or repeal the By-Laws or adopt new By-Laws shall be vested in the membership. Such action may be taken at any meeting for which two (2) weeks' written notice of the purpose shall be given. The By-Laws may contain any provisions for the regulation and management of the affairs of the corporation not inconsistent with law or the articles of incorporation. A written affirmative vote of two-thirds of the total membership is required to affect any changes. Voting may be accomplished by email. Immediately following the meeting, the Secretary of the McHenry Area Rotary Club Charitable Foundation, Inc. Board of Directors will contact those members not present at the meeting by email, stating the issue being voted on, and absent members shall have three days in which to vote by email directed to the Secretary.

**Section 2 – Ongoing Bylaws Review** – These By-Laws shall be reviewed by the McHenry Area Rotary Club Board of Directors every three years, and a written record shall be kept of any recommended changes. They shall be reviewed by report to the general membership by November 15<sup>th</sup> of each review year regarding their recommendations.

## **Article 11 – Miscellaneous**

**Section 1 – Waiver of Notice** – Whenever any notice is required to be given under the provisions of the General Not-For-Profit Corporation Act of Illinois or under the provisions of the articles of incorporation or the By-Laws of the Fund, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

**Section 2 – Gender** – All gender references, including but not limited to he, she, his, her, him, her, are to include both sexes and are not meant to be gender specific.

**Section 3 – Compliance with the Law** – If any of the provisions of these Foundation By-Laws is found to be unconstitutional, or otherwise invalid, the others will continue to remain in full force and effect. To the extent that these Foundation By-Laws are found to be unconstitutional, or otherwise invalid, a majority vote by the Foundation Board has the authority to amend these Bylaws without the need for Foundation Member vote, or any other action, but only to the extent needed to avoid such unconstitutionality or invalidity. Any changes made to the Bylaws must be presented to the entire Foundation Membership in writing upon them taking place.

## Article 12 – Tax Exempt Status

**Section 1 – Federal Tax Treatment** – The Foundation has applied for and received Section 501(c)(3) "charitable tax exemption". In the IRS Favorable Ruling in that certain Internal Revenue Service determination letter number 308350004 dated January 7, 2009, the IRS determined in respect of the Foundation that: (1) it has the status of a public charity pursuant to Section 170(b)(1)(A)(vi); (2) it is required to file an IRS Form 990; (3) it's accounting period ends December 31 ; (4) the Effective Date of Exemption is December 13, 2007 (the date on which it was incorporated in Illinois); (5) contributions to it are deductible; (6) no addendum to such IRS Favorable Ruling applies; and (7) as follows:

We are pleased to inform you that upon review of your application for tax exempt status we have determined that you are exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code. Contributions to you are deductible under section 170 of the Code. You are also qualified to receive tax deductible bequests, devises, transfers or gifts under section 2055, 2106 or 2522 of the Code. Because this letter could help resolve any questions regarding your exempt status, you should keep it in your permanent records.

Organizations exempt under section 501(c)(3) of the Code are further classified as either public charities or private foundations. We determined that you are a public charity under the Code section(s) listed in the heading of this letter.

Please see enclosed Publication 4221-PC, Compliance Guide for 501(c) (3) Public Charities, for some helpful information about your responsibilities as an exempt organization

This designation allows exemption from Federal income taxes for most types of revenue. Moreover, it is recognized as a public charity by the IRS. Donations to The McHenry Area Rotary Club Charitable Foundation, Inc. are thus treated by the IRS as donations and grants made to a public charity.

**Section 2 – Illinois Treatment** – The Foundation applied for, and on February 7, 2017 was issued, Illinois Sales Tax Exemption Certificate (the "Foundation Illinois Sales Tax Exemption"), which Foundation Illinois Sales Tax Exemption is numbered E99001571 issued for a Charitable organization with an Issue Date of 02/07/2017 and an Expiration Date of 03/01/2022, and which states "This entity is authorized under the Retailers' Occupation Tax Act to purchase tangible personal property for use or consumption tax-free."

**Section 3 – Maintenance of Tax Exempt Status** – The Foundation Directors and the Foundation Members shall use their reasonable efforts to maintain and preserve the tax exempt statuses described in Article 12 Section 1 and Article 12 Section 2;

provided, however, that such reasonable efforts to maintain and preserve the tax exempt statuses shall be the Foundation's responsibility and shall be limited to the resources and funds of the Foundation.

## Article 13 – Endowments

**Section 1 – Foundation Endowment Account** – The term “Foundation Endowment Account” means the account currently known as the McHenry Area Rotary Club Charitable Foundation Endowment (Morgan Stanley investment account number 628-148629-550), and shall also mean any successor account. These funds are also referred to as the Foundation Corpus. The Corpus of the Foundation is the portion of Foundation funds that shall not be withdrawn; it exists to perpetuate the investment potential and ongoing charitable giving of the Foundation. It is recommended that the Club support the growth of the Foundation Corpus by transferring or depositing at least ten percent (10%) of the net earnings from club fundraising events.

**Section 2 – Harry Dean Endowment** – The term “*Harry Dean Endowment Account*” means the account currently known as the *McHenry Area Rotary Club Charitable Foundation Harry Dean Endowment* (Morgan Stanley investment account number 628-043917-550), and shall also mean any successor account. This account was established by the Harry Dean Family for business related scholarships. The endowed amount was originally Eleven Thousand Dollars (\$11,000.00); it has remained so since its creation. It is not anticipated that any additional deposits would be made to this account. Upon direction from the Scholarship Committee funds are internally transferred to the Main Foundation Account and disbursed to the scholarship recipient via check. Based upon a motion passed on October 23, 2006, here are the attributes of the Harry Dean Memorial Scholarship Endowment, now known as the McHenry Area Rotary Club Charitable Foundation Harry Dean Endowment:

- A. The original corpus was Ten Thousand Dollars (\$10,000) but as of the end of calendar year 2016 such corpus totaled Eleven Thousand Dollars (\$11,000) (together with such additional funds as are added to such corpus, the “Harry Dean Memorial Scholarship Corpus”), which is subject to these restrictions (the “Harry Dean Memorial Scholarship Restrictions”):
  1. the Harry Dean Memorial Scholarship Corpus is to be kept in a separate account and cannot be disbursed;
  2. only earnings (e.g., interest, dividends and etc.) on such Harry Dean Memorial Scholarship Corpus (and other assets in such endowment) (herein referred to as the “Harry Dean Memorial Scholarship Earnings”) can be used to fund the scholarships which are funded in whole or in part with such Harry Dean Memorial Scholarship Earnings;
  3. the Harry Dean Memorial Scholarship Corpus and undisbursed Harry Dean Memorial Scholarship Earnings shall be invested in the same

- manner as other Foundation assets;
4. scholarships which are funded by the Foundation can be funded in whole or in part with such Harry Dean Memorial Scholarship Earnings; provided, however, that the recipients of scholarships funded in whole or in part with such Harry Dean Memorial Scholarship Earnings should be enrolled in a business or management related course, a vocation based program or such other program(s) as are approved from time to time by the Scholarship Committee;
  5. grants are referred to as "The McHenry Area Rotary Harry Dean Memorial Scholarship";
  6. upon a favorable vote of the Foundation Board, all or a portion of the Harry Dean Memorial Scholarship Earnings in any particular Fiscal Year can be added to the Harry Dean Memorial Scholarship Corpus, whereupon such designated Harry Dean Memorial Scholarship Earnings shall permanently become part of the Harry Dean Memorial Scholarship Corpus;
  7. Recipients of The McHenry Area Rotary Harry Dean Memorial Scholarship shall be selected by the Scholarship Committee;
  8. the minimum amount of The McHenry Area Rotary Harry Dean Memorial Scholarship is Five Hundred Dollars (\$500);
  9. in any given Fiscal Year, if the Harry Dean Memorial Scholarship Earnings do not total at least Five Hundred Dollars (\$500), then additional funding shall be allocated from other available Foundation scholarship funds so as to achieve the minimum amount of The McHenry Area Rotary Harry Dean Memorial Scholarship of Five Hundred Dollars (\$500); and
  10. in any given Fiscal Year the Harry Dean Memorial Scholarship Earnings are in excess of Five Hundred Dollars (\$500), the excess over Five Hundred Dollars (\$500) can be (i) converted to Harry Dean Memorial Scholarship Corpus, (ii) held as "retained" Harry Dean Memorial Scholarship Earnings for distribution at a later date, or (iii) utilized in such Fiscal Year as additional scholarship funding for The McHenry Area Rotary Harry Dean Memorial Scholarship(s).

**Section 3 – Chuck & Lois Peterson Endowment Account** – The term “Chuck & Lois Peterson Endowment Account” means the account currently known as the McHenry Area Rotary Charitable Foundation Chuck & Lois Peterson Endowment (Morgan Stanley investment account number 628-033273), and shall also mean any successor account. This account was established by Chuck & Lois Peterson as an endowment in the amount of Twenty-Five Thousand Dollars (\$25,000.00). Only earnings can be distributed and such distribution of earnings is restricted to: The Home of the Sparrow, Inc. (McHenry, IL) (herein referred to as “Home of the Sparrow”), FISH of McHenry, Inc. (herein referred to as “FISH”) and the McHenry Area Rotary Charitable Foundation (that is, this Foundation) in the percentages

designated in their formation document. This Chuck & Lois Peterson Endowment Account has its own checkbook and disbursements are made via check based upon Foundation Board direction. Based upon a written cash donation dated July 5, 2012, here are the attributes of the “Chuck & Lois Peterson Charitable Endowment of the McHenry Area Rotary Charitable Foundation” (herein, the “McHenry Area Rotary Charitable Foundation Chuck & Lois Peterson Endowment”):

- A. Lois Peterson provided a cash contribution to The McHenry Area Rotary Charitable Foundation in memory of her husband Chuck Peterson, which was endowed and named as follows;
- B. The “Chuck & Lois Peterson Charitable Endowment of McHenry Area Rotary Charitable Foundation”;
- C. "To provide for the granting of funds as indicated for local charitable purposes consistent with the philosophy and guidelines of the McHenry Area Rotary”;
- D. The original corpus was Twenty-Five Thousand Dollars (\$25,000.00) and as of the end of calendar year 2016 such corpus remained Twenty-Five Thousand Dollars (\$25,000.00) (the “Chuck & Lois Peterson Charitable Endowment Corpus”), which is subject to these restrictions(the “Chuck & Lois Peterson Charitable Endowment Restrictions”):
  1. the Chuck & Lois Peterson Charitable Endowment Corpus is to be held in a perpetual endowment account entitled “Chuck & Lois Peterson Charitable Endowment” as a sub-account of the McHenry Area Rotary Charitable Foundation;
  2. only the allocated income/earnings (e.g., interest, dividends, etc.) on such Chuck & Lois Peterson Charitable Endowment Corpus (and other assets in such endowment) (herein referred to as the “Chuck & Lois Peterson Charitable Endowment Earnings”) from such account are to be utilized as donations for charitable purposes in the greater McHenry, Illinois area;
  3. the Chuck & Lois Peterson Charitable Endowment Corpus shall remain in perpetuity with only the Chuck & Lois Peterson Charitable Endowment Earnings being available for contributions, donations, contributions, grants and etc. in any Fiscal Year (or at whatever interval the Foundation Board deems appropriate) in accordance with the following:
    - i. Thirty Percent (30%) of the Chuck & Lois Peterson Charitable Endowment Earnings to FISH (formerly known as the McHenry area Friends in Service Here);
    - ii. Twenty Percent (20%) of the Chuck & Lois Peterson Charitable Endowment Earnings the Home of the Sparrow; and
    - iii. Fifty Percent (50%) of the Chuck & Lois Peterson Charitable Endowment Earnings to the McHenry Area Rotary Charitable Foundation to be distributed to local community charitable entities within the scope of the philosophy, guidelines and mission of the McHenry Area Rotary Charitable Foundation;
  4. in perpetuity in accordance with the original intent for establishing the Chuck & Lois Peterson Charitable Endowment, the Foundation shall have the sole authority with respect to all distributions, contributions or grants of Chuck & Lois Peterson Charitable Endowment Earnings; and



5. the Foundation may adopt whatever additional by-laws it deems necessary to accept and administer such donation.

**Section 4 – Jerome & Ethel Buch Charitable Endowment Account**– The term “*Jerome & Ethel Buch Charitable Endowment Account*” means the account currently known as the *McHenry Area Rotary Charitable Foundation Jerome & Ethel Buch Charitable Endowment* (Morgan Stanley investment account number 628-077821-550), and shall also mean any successor account. This account was established by Denis Buch for charitable purposes in the greater McHenry, Illinois area. The endowed amount was originally Ten Thousand Dollars (\$10,000.00); it has remained so since its creation. Here are the attributes of the Jerome & Ethel Buch Endowment based on the Donor Bequest submitted by Denis Buch on June 29, 2017:

- A. Our intent is that the Jerome & Ethel Buch Charitable Endowment Account retain the principle in perpetuity as the Jerome & Ethel Buch Charitable Endowment Corpus with only the Jerome & Ethel Buch Charitable Endowment Earnings being available for grants, donations, contributions, or similar charitable giving. Donations, contributions, grants and etc. shall be made on an annual basis or at whatever interval the Board of Directors of the Foundation deems appropriate in accordance with the following:
  1. One Hundred Percent (100%) of Jerome & Ethel Buch Charitable Endowment Earnings are to be granted at the discretion of the Board of Directors of the Foundation to local community charitable entities within the scope of the philosophy, guidelines and mission of the Foundation and the McHenry Area Rotary Club (the “Club”).
- B. The Board of Directors of the Foundation shall have complete authority and discretion with respect to the investment and the reinvestment of the Jerome & Ethel Buch Charitable Endowment Corpus (and may delegate authority to make investment decisions to a competent third party), as well as complete authority and discretion with respect to any and all distributions, contributions or grants of or from Jerome & Ethel Buch Charitable Endowment Earnings.
- C. The Jerome & Ethel Buch Charitable Endowment Account individual endowment accounts shall be reviewed no less than annually with respect to implementing one or more of the following:
  1. Distributing all undistributed Jerome & Ethel Buch Charitable Endowment earnings;
  2. Distributing a portion of the undistributed Jerome & Ethel Buch Charitable Endowment earnings and retaining the balance to be utilized in the future as undistributed Jerome & Ethel Buch Charitable Endowment earnings (and not constituting Jerome & Ethel Buch Charitable Endowment Corpus); or
  3. Reclassifying all or any portion of the then undistributed Jerome & Ethel Buch Charitable Endowment earnings as constituting an increase to the Jerome & Ethel Buch Charitable Endowment Corpus.