

## Skaneateles Rotary Foundation, Inc.

### Background Information – updated as of July 10, 2020

*The following is a brief summary of when and why the Skaneateles Rotary Foundation, Inc. was established, and the current status of the Foundation's Permanent Endowment Fund.*

The Skaneateles Rotary Club ("Club") was established in 1927 and operates as a 501(c)(4) not-for-profit organization. *(According to IRS rules, civil leagues and local associations that further a social welfare objective but do not quite rise to a charitable organization may elect 501(c)(4) status.)*

In 2007, the Club's Board of Directors made the decision to also establish a 501(c)(3) not-for-profit corporation to manage the Club's donations and fund-raising activities going forward. *( Public charities, private foundations and organizations that promote a religious, scientific, charitable, or literary purpose pursue a tax exempt classification known as 501(c)(3).)*

There were three primary reasons for the Club's decision to establish a 501(c)(3) not-for-profit corporation: 1) it would make certain that the Club was in compliance with current IRS regulations regarding donations and eliminate the possibility of having to pay future taxes on any money raised; 2) it would allow any donations given to the Club to be tax deductible for the donor since donations to a 501(c)(3) are entirely deductible as a charitable contribution on a donor's tax return while, in contrast, donations made to a 501(c)(4) are generally not deductible; and, 3) it would allow the Club the opportunity to create a Permanent Endowment Fund sometime in the future that would invest tax-deductible gifts and bequests from Club members and other individuals with the goal of using the investment income from the Permanent Endowment Fund to increase the amount of money available to support the ever growing needs of the community, while also growing the principal balance of the Fund over time.

Thus, in 2007, the Club established the 501(c)(3) not-for-profit corporation, the Skaneateles Rotary Foundation, Inc. ("Foundation"), opened a Foundation bank checking account and took over from the Club all financial responsibilities involved with handling the Club's Worthy Cause Fund. As stated in the by-laws of the Foundation, the Foundation operates exclusively for the benefit of charitable, educational, health, welfare and recreation needs of the community.

The Worthy Cause Fund is funded primarily from monies raised at three annual Club fundraising events: the Women's Day Fundraising Dinner held in March, the Father's Day Pancake Breakfast held in June, and the Holiday Dinner held at the Skaneateles Country Club in December. Proceeds from these events are dispersed in the form of grants by the Foundation to worthy causes and organizations in the community.

IN 2013, the Foundation's by-laws were further revised to allow for the establishment of the Permanent Endowment Fund. A Permanent Endowment Fund is an investment fund whereby the principal balance (donated monies) remains primarily intact, with the investment income earned from the Fund used to support worthy causes and to increase the principal balance of the Permanent Endowment Fund over time. The Permanent Endowment Fund shall be funded from donations and bequests from Club members, their families and other individuals who believe in the good works of the Skaneateles Rotary

Club, and from a portion of the Club's annual fundraising event proceeds, as determined by the Club's Board of Directors.

In 2015, the Permanent Endowment Fund investment account was formally established at the Central New York Community Foundation, Inc. with the required initial investment of \$10,000, an amount raised through the generosity of Club Rotarians. Some of the rationale for establishing the Permanent Endowment Fund with the Central New York Community Foundation was as follows: 1) it avoids the Club having to hire an independent investment advisor, form an investment committee, and make investment policy and allocation decisions; 2) it eliminates risk of possible embezzlement; 3) guarantees the continuance of the Permanent Endowment Fund for the benefit of the community should the Skaneateles Rotary Foundation no longer exist and; 4) there is no accounting of the investment activity required, since the Central New York Community Foundation and its outside auditors prepare all of the required accounting and tax statements related to the investment activity.

In 2015, the Foundation's Board of Trustees set an initial fundraising goal of \$500,000 for the Permanent Endowment Fund to support the growing needs of the many worthy causes and organizations in the community. If the Foundation is successful in achieving its fund raising goal, it would allow the worthy cause disbursements to increase by \$20,000 annually (4% disbursement rate), while also allowing the fund to grow in value over time based on historical investment rates of return (7% annual return rate). The current balance of the Permanent Endowment Fund as of 6/30/2020 is \$30,170.63. In addition, known pledges from Club Rotarians in the form of bequests currently total \$80,000.

The Club asks that Rotarians consider a gift today in the form of a cash donation, a pledge, or a bequest in their will to the Skaneateles Rotary Foundation, Inc. The legacy of your gift will benefit present and future generations within our community. What Rotary will be tomorrow depends on what we Rotarians do today.