

**INTER-OPERATIONAL POLICIES AND PROCEDURES**  
**Of**  
**THE RANCHO SANTA FE ROTARY CLUB**  
**And**  
**THE RANCHO SANTA FE ROTARY FOUNDATION, INC.**

**ARTICLE 1**  
**PURPOSE**

This Inter-Operational Policies and Procedures Agreement (“Agreement”) defines the roles and responsibilities of the Rancho Santa Fe Rotary Club (the “Club”) and the Rancho Santa Fe Rotary Foundation, Inc. (the “Foundation”), as they pertain to donations to the Foundation from the Club and others, Club/Foundation fundraising events, individual Club member donations, the investment income earned from the Foundation Endowment Fund (as defined below), and the distribution of funds for charitable purposes. In the event of any conflict between this Agreement and either the Constitution and Bylaws of the Club or the articles and Bylaws of the Foundation, the Constitution, articles, and Bylaws shall prevail.

**ARTICLE 2**  
**MEMBERSHIP**

Club members are also Foundation members.

**ARTICLE 3**  
**STRUCTURE AND OPERATIONS**

This article outlines the basic structure and operations for both the Club and the Foundation.

Section 3.1 CLUB STRUCTURE

- a. The organizational structure of the Club is set forth in its Constitution and Bylaws.
- b. The Club is an unincorporated nonprofit association under California Corporations Code Sections 18020, and 18035.
- c. The governing body of the Club consists of a Board of Directors, and Officers.
- d. The bylaws also recognize the following committees:
  - Membership
  - Programs
  - Website
  - Community Outreach
  - International Outreach

- Social
- Demotion Party
- Social Media
- Fundraising
  - *e.g.* Taste of Rancho Santa Fe
  - *e.g.* Spring Concert

### Section 3.2 FOUNDATION STRUCTURE

- a. The organizational structure of the Foundation is set forth in its articles of incorporation and bylaws.
- b. The Foundation is a nonprofit public benefit corporation. It is organized under the California Nonprofit Public Benefit Corporation Law for charitable purposes.
- c. It is a public charity not a private foundation.
- d. The governing body of the Foundation is a board of trustees, and officers. The trustees and officers must also be Club members.
- e. The Foundation irrevocably transferred to the Rancho Santa Fe Foundation, Inc. (an independent community foundation), a permanent endowment fund (“Endowment Fund”). The management and investment decisions regarding the Endowment Fund are controlled exclusively by the Rancho Santa Fe Foundation, Inc. The purpose of the Endowment Fund is to assist in the fulfillment of the charitable mission of not only the Foundation but also the Club. The Rancho Santa Fe Foundation, Inc. annually distributes five percent (5%) of the Endowment Fund to the Foundation to be used for charitable purposes. The Foundation, however, may decline the annual distribution in order to grow the principal amount of the Endowment Fund.
- f. The Foundation also maintains other funds for its operations and charitable endeavors.

## ARTICLE 4

### ROLES AND RESPONSIBILITIES

This article outlines the interrelated roles and responsibilities of the Club and the Foundation.

#### SECTION 4.1 CLUB ROLES AND RESPONSIBILITIES

- a. To bring together business and professional leaders in order to provide humanitarian services, encourage high ethical standards in all vocations, and to advance goodwill and peace around the world.
- b. To host weekly lunches and/or social events to foster fellowship of business, professional and community leaders.

c. To provide service to others through Club member participation in community, national, and international charitable projects.

d. To manage Club fundraisers on behalf of the both the Club and the Foundation.

e. *The Club is the "service arm" of the members.*

#### SECTION 4.2 FOUNDATION ROLES AND RESPONSIBILITIES

a. Receiving and administering funds for Rotary charitable endeavors.

b. Overseeing the prudent management of all Foundation funds which are not part of the Endowment Fund.

c. Accounting for all funds raised from fundraising events, including, but not limited to payments of related expenses, payments to Partner Charities (defined below), and payments to other charitable beneficiaries.

d. Providing the initial seeding of funds for the Taste of Rancho Santa Fe fundraising event.

e. Providing the initial seeding of funds for the Spring Concert fundraising event.

f. Providing the initial seeding for any other fundraising event.

g. In order of importance, funding the following projects to the extent funds are available:

1. Local community projects approved by the Club directors, which includes but is not limited to the Charitable Partners participating in the Taste of Rancho Santa Fe event.

2. Making an annual donation to the Rotary Paul Harris Fund on behalf of each member, to the extent funds are available. The goal will be to make the Club a Paul Harris Club, which at the present time requires an annual donation of \$100 on behalf of each member.

3. Funding national and international projects approved by the Club directors

4. Funding the annual Grants (as defined below) to the extent determined by the Foundation board.

5. Funding emergency relief projects that arise from time to time.

h. Verifying that the funds used for Club projects is in accordance with the rules and regulations of the Internal Revenue Service governing the operation of a nonprofit corporation.

i. Determining on an annual basis, whether or not to take a five percent (5%) distribution from the Endowment Fund.

j. *The Foundation is the "funding arm" of the members.*

**ARTICLE 5**  
**CLUB AND FOUNDATION BUDGETS**

\Section 5.1 FISCAL YEAR END

- a. The Club has a fiscal year end of June 30<sup>th</sup>.
- b. The Foundation also has a fiscal year end of June 30<sup>th</sup>.
- c. Rotary International has a fiscal year end of June 30<sup>th</sup>.

Section 5.2 OVERLAPPING BUDGET

- a. Notwithstanding the June fiscal year end, both the Club and Foundation shall develop a calendar year budget (begins in January 1<sup>st</sup> and ends December 31<sup>st</sup>).
- b. This “Overlapping” budget ensures the financial continuity of the Club and Foundation during Club board member and officer transitions and Foundation trustee and officer transitions which may occur at the end of the fiscal year.
- c. The Club president and president-elect along with the Club treasurer shall work together to create the Overlapping budget for presentation to the Club board for approval no later than January 31<sup>st</sup> of each year. The newly approved budget shall cover the last six months of the current president’s term, and the first six months of the president elect’s upcoming term.
- d. The Foundation chairman and treasurer shall also establish their own “Overlapping” budget on a calendar year basis which is coordinated with the Club’s Overlapping budget.

Section 5.3 CLUB’S OVERLAPPING BUDGET

- a. The Club’s Overlapping budget shall ensure that the Club dues and other operating income provide sufficient funds to meet the Club’s operating budgeted expenses.
- b. The Club’s operating expenses shall be met through membership quarterly dues, business/happy dollars, guest lunch fees, new member initiation dues, guest fees from socials (including the annual Christmas Party and President Demotion Party), and special assessments, if any, that may to be levied by the Club’s board of directors.
- c. The Club’s operating account shall have a cash cushion target of \$25,000, in order to cushion the quarterly nature of the membership dues, and to insure that operating expenses can be paid on a monthly basis.

Section 5.4 FOUNDATION’S OVERLAPPING BUDGET

- a. The Foundation’s Overlapping budget shall provide sufficient funds to meet the Foundation’s basic operating expenses.

b. The Foundation's Overlapping budget shall address the amount available for charitable endeavors as follows:

1. Set the amount of funds available for community projects approved or to be approved by the Club directors.

2. Set the amount of funds available to be distributed to the Rotary Paul Harris Fund on behalf of each member.

3. Set the amount of funds available for funding national and international projects approved by the Club directors.

4. Set the amount of funds available for annual Grants.

5. Set the amount of funds available for emergency disaster relief.

6. The funds available for charitable endeavors as set forth above shall be shared with the president and president-elect of the Club who in turn will have the right to share with the Club members.

c. The Foundation shall meet its operational expenses and charitable endeavors through the following:

1. Fundraising by the Club.

2. Investment returns, *i.e. annual disbursements from the Endowment Fund.*

3. Contributions from members and others

d. *Please note: A public charity does not have minimum distribution requirements, but the Internal Revenue Service does require that at least 10 percent of the organization's expenses be collected from the public to maintain tax-exempt status. The Foundation is typically classified a public charity not a private foundation.*

## ARTICLE 6

### PROCEDURE TO REQUEST FUNDS

#### FOR CHARITABLE ENDEAVORS

##### Section 6.1 CLUB BOARD APPROVAL; BUDGET

The Club board must approve any Club fundraiser, community outreach project, international project, or emergency request for relief funds (e.g. a hurricane disaster relief). A budget shall be prepared if necessary to identify and control costs. Club board approval of a third party request for an annual Grant is not required.

## Section 6.2 FOUNDATION FUNDING REQUEST FORM

- a. After Club board approval and completion of a budget (if necessary), the Club will then complete a Foundation Funding Request Form (see **Attachment A**), in a format approved by the Club president, the appropriate service chair, and one additional Club officer.
- b. The Foundation Funding Request Form ("Request") will include information regarding either the proposed fundraiser or the amount of seed money needed for the fundraiser, or the nature of the project/donation. The Request form shall also indicate whether or not it is a board approved budgeted item, and a reference to the date that the Club board approved the fundraiser, project and/or donation.
- c. The Request along with the budget (if necessary) will then be forwarded to the Foundation's board of trustees for approval and disbursement of funds. The disbursement of funds may be denied if insufficient funds are available or if the project or donation does not meet the legally required charitable definitions as determined by Foundation board.

## Section 6.3 FOUNDATION REVIEW OF REQUEST FORM

- a. As soon as practicable, the Foundation board shall review the Foundation Funding Request Form ("Request"). The Request can be reviewed during an actual meeting of the trustees, or electronically.
- b. The Request will be reviewed to ensure that adequate funding is available and that it meets all laws and IRS regulations governing the operation of the Foundation. If the Request meets all requirements, the Foundation board shall approve the Request, and the Foundation chairman and secretary will sign the Foundation Funding Request Form acknowledging approval by the Foundation board. A copy of the signed approved Request form will be forwarded to the Club secretary.
- c. If for some reason other than lack of available funds, or non-compliance with laws or IRS regulations, the Foundation board does not approve the Request, a full explanation of the reason for rejection will be given on the Request form and a copy of the rejected Request form including the explanation for rejection will be forwarded to the Club secretary.

## Section 6.4 APPEAL PROCESS FOR REJECTED FUNDING REQUESTS

- a. The Club board may appeal to the members of the Club and Foundation a rejection of a Request denied for any reason other than a lack of funds or failure to comply with governmental laws and regulations.
- b. In order to initiate the appeal process, the Club board shall inform the members of the appeal in writing (e-mail constitutes in writing) ("Notice of Appeal"). The Notice of Appeal shall include the nature of the funding Request, the Foundation board reason for denying the Request, and the reason why the Club board wants the Request funded.

c. The Notice of Appeal shall be provided to each member at least one week in advance of the Club meeting either electronically or in person.

d. At the Club meeting, the Club board shall appoint one spokesperson to present the Club's position why the Request should be approved. And, the Foundation board shall also appoint one spokesperson supporting the denial of the Request. After a presentation by each side, a majority of the members present by voice vote shall either approve or disapprove of the Request. The member's vote shall be binding upon both the Club and Foundation.

#### Section 6.5. ANNUAL GRANTS

a. On an annual basis, the Foundation may approve a donation to third party charity ("Grant").

b. A Grant is not to be confused with a Club board request to seed a fundraising project, to fund a community outreach project, to fund an international project, a payment to a beneficiary partner under the terms of their beneficiary partnership revenue sharing agreement or to fund an emergency request for relief funds.

c. The Foundation board shall set forth the procedure for requesting a Grant.

d. Either a member or a third party may request a Grant.

e. Whether or not to approve a Grant shall be in the sole discretion of the Foundation board.

f. The Grants shall only be awarded once a year.

### **ARTICLE 7 FUNDRAISING**

#### Section 7.1 CLUB MANAGES FUNDRAISERS

The Club shall be responsible for the planning and execution of all fundraisers. The chairperson for any particular fundraiser will be responsible for tracking expenditures and income.

#### Section 7.2 FUNDRAISING MANAGEMENT AGREEMENT

For larger fundraising events, the Foundation and the Club shall execute a Fundraising Management Agreement that sets forth the management responsibility of the Club including the specific insurance requirements to protect the Club, the Foundation and others participating in the event.

#### Section 7.3 PERMITS FOR FUNDRAISERS

Any required permits for fundraising events may be taken out in the name of the Foundation. In

the event that a permit is required, then a Fundraising Management Agreement must also be executed.

#### Section 7.4 BANK ACCOUNTS

a. The fundraising income and expenditures shall be handled through one or more Foundation checking accounts set up specifically for fundraising activities.

b. All monies and proceeds collected from the fundraiser will be deposited into the separate Foundation bank account designated for that fundraiser and all expenses will be paid from that account.

c. At the conclusion of the fundraiser, the chair of the fundraising event along with the fundraising treasurer will provide a report setting forth all the income and expenses for the event including the names of each person or entity that is to receive a charitable receipt for their donation.

d. In the event that one or more charities are involved in the fundraising event (each a "Partner Charity"), the report shall include the name and the amount of the proceeds due each Partner Charity.

e. Once the net proceeds are determined after all expense disbursements and disbursements to each Partner Charity, or to a designated charitable recipient, the amount remaining in the account minus any seed money approved by the Foundation board for the next scheduled charitable fundraising event shall be transferred to the general Foundation account and added to the proceeds available for charitable distribution.

f. The Foundation is responsible to ensure that each donor receives the appropriate charitable receipt.

### ARTICLE 8

#### APPROVAL AND AMENDMENT

This Agreement has been approved by the Club board, and the Foundation board. This document has also been approved by a majority of the members of the Club, who are also members of the Foundation.

Any Club member may submit requested changes to this Agreement to both the Club board, and the Foundation board. Once submitted, these two boards shall have 30 days to either accept or reject the requested changes. In the event of an approved amendment, the approved amendment shall be submitted to the Club members for final approval.

Any amendment to this Agreement must be approved by the Club board, Foundation board, and then by a majority of the members present at a regular Club meeting.