

**MEMORANDUM OF UNDERSTANDING
BY AND BETWEEN
DISTRICT 5170 FOUNDATION
AND
THE ROTARY CLUB OF _____**

1. **Purpose.** This Memorandum of Understanding (MOU) is entered into as of _____, 20____, between the **District 5170 Foundation** (Foundation) and the **Rotary Club of _____** (Club)¹. This MOU outlines the respective responsibilities of the Foundation and the Club with regard to charitable funds and donations received, held and disbursed by the Foundation for Club's account.

2. **Term.** This MOU is effective as of the date listed above (the "Effective Date") and shall remain in effect until terminated as herein provided.

3. **The Foundation and the Club.** The Foundation operates in California as a tax-exempt non-profit corporation approved under section 501(c)(3) of the Internal Revenue Code. The Club operates in California as an unincorporated association under section 501(c)(4) of the Internal Revenue Code. Both organizations have a fiscal year beginning July 1 of the calendar year and ending June 30 of the next calendar year. The Foundation is managed by its elected "Officers" and "Directors". The Club is managed by its "Officers" and "Directors" of its Board, including the elected President of the Club. The Foundation encourages the charitable activities of its participating clubs by providing a vehicle for the administration and distribution of charitable contributions. The Foundation manages the funds entrusted to it by clubs in a lawful manner, following all rules and regulations required to maintain its tax-exempt status, to facilitate the clubs' fundraising efforts and to make charitable distributions as directed by each club.

4. **Deposit of Funds.** Funds may be deposited into the Foundation account for the benefit of the Club that are either **Restricted Funds** or **Unrestricted Funds**.

a) Monies deposited to the **Unrestricted Fund** for the benefit of the Club are designated as funds for use by the Club. With the exception of any minor Foundation expenses, the Unrestricted Fund expenditures will be directed by the Club for use on local and international service projects approved by the Club.

¹ As used in this Memorandum of Understanding, "Club" shall also refer to any entity or group affiliated with Rotary, Rotary District 5170, or a Rotary club, which is authorized to engage in transactions with the Foundation.

b) Monies deposited to the **Restricted Fund** for the benefit of the Club are designated for a particular purpose by the donor. The Restricted Fund expenditures will be directed by the Club in accordance with the wishes of the donor.

5. Foundation Responsibilities. The Foundation shall be responsible for the management of the contributed funds, including but not limited to the following:

a) Maintaining accounts for the Unrestricted Fund and the Restricted Fund.

b) Adopting prudent investment policies for the Unrestricted Fund and the Restricted Fund.

c) Complying with applicable state and federal laws, including the acknowledgement and reporting of contributions and gifts made to the Foundation.

d) Reporting to the Club all disbursement transactions directed by the Club.

6. Club Responsibilities. The Club shall be responsible for the following:

a) Preparing and sending donation acknowledgment letters to donors. A courtesy copy of the letters shall be sent to the Foundation.

b) Tracking expenditures associated with Restricted Funds and responding to any donor inquiries and reporting requirements.

7. Fund-Raising Responsibilities. The Foundation shall not be responsible for establishing or implementing fund raising programs, the responsibility for which rests solely with the Club. All checks should be made payable to the **District 5170 Foundation**. All funds shall be deposited into the general operating account of the Unrestricted Fund, unless restricted by the donor.

8. Distribution of Funds. The Club, acting through its Board of Directors, shall approve all charitable contributions from the Foundation, or it may authorize one or more of its committees to do so. Specific authorization for expenditures to charities or to reimburse the Club for expenses associated with a service project shall be made to the Treasurer of the Foundation by either the Club President, the Club Treasurer, or a Chair of any committee designated to make charitable allocations. The Foundation Treasurer shall make no expenditure to any charity for \$2,000 or more without approval of the Club's Board. The Foundation and the Club are jointly responsible for insuring

that all beneficiaries have met the minimum donee requirements consistent with the Foundation's tax exempt status under IRS Section 501(c)(3).

9. Termination. a) Unless terminated for cause, this MOU shall remain in effect until June 30th next following the Effective Date, and shall thereupon automatically be renewed for the succeeding 12-month period unless either the Foundation for the Club provides written notice to the other of its intention not to renew not later than thirty (30) days prior to the expiration date.

b) This MOU may be terminated by the Foundation upon not less than thirty (30) days' notice to the Club upon the determination of misfeasance or malfeasance by the Club that presents a material risk to the tax exempt status of the Foundation.

c) Upon termination of the MOU, funds held by the Foundation on behalf of the Club shall be disbursed at the direction of the Club consistent with Section 8, above. Should the Club fail or refuse to provide complying disbursement directions, the Foundation reserves the right to retain such funds in a suspense account and thereafter to take such action with respect to such funds as the Foundation shall determine.

10. Reference Material. All Club and Foundation participants, including officers, Board members and trustees, A) are encouraged to read IRS Form 1023, *Application for Recognition of Exemption under Section 501(c)(3) of the Internal Revenue Code*, EXHIBIT B attached hereto, for guidance as to what constitutes an acceptable beneficiary of the funds managed by the Foundation; and, B) shall be responsible for determining what constitutes an acceptable beneficiary of the funds managed by the Foundation under the Internal Revenue Code.

SIGNATURES ON FOLLOWING PAGE.

ROTARY CLUB OF _____

DISTRICT 5170 FOUNDATION

_____, **President**

_____, **President**

_____, **Treasurer**

_____, **Treasurer**