

Important Guidelines for Kiwanis Club Foundations

Separation of the club and its foundation

Kiwanis clubs set up their own charitable trust or foundation so that they can have a separate, legitimate charitable entity be the beneficiary of their fundraising efforts. Having a 501(c)(3) in the United States allows donations to club fundraising efforts to be tax-deductible. Without a club foundation, such donations are not tax-deductible.

The Kiwanis club foundation must be maintained as a separate legal entity from the club. While club members typically provide the planning and manpower for running club fundraising events, it is the members of the club foundation board that legally make the final decisions about what charity or charities will ultimately receive the funds. How these decisions are made and the perceptions about who makes them are critical to the health and reputation of a Kiwanis club.

Grants and recipients

The foundation must determine whether it is going to accept grant proposals from groups in the community or determine its own charitable causes, or some combination of the two. The decision-making process for distributing fund grants should also be determined and should be consistent from year-to-year, aside from purposeful changes in the process. Any perception of arbitrary decisions or favoritism should be avoided by using consistent processes and proper documentation.

Funds distributed by the foundation must be used exclusively for charitable purpose and are subject to statutory expenditure responsibility, i.e.,

1. The establishment of adequate procedures to ensure that the grant is spent solely for the purpose for which it was made,
2. Obtaining full and complete reports on how the funds were spent, and
3. Being prepared to make full and detailed reports of same if requested to do so by the IRS.

If audited, the club foundation must be able to document that all funds distributed went to charitable organizations.

To meet the charitable proof requirement, if the foundation grants scholarships for education, the funds must be sent directly to the educational institution rather than presented to the recipient. This also ensures that the foundation funds are used for their intended educational purpose and nothing else. If desired, in lieu of presenting a check to a recipient, the foundation can send the scholarship awardee a commemorative letter or certificate.

Officers, directors, and board members

It is not recommended to have total overlap between the officers and directors of the club and the officers and directors of the foundation. Foundation election procedures should be clearly spelled out in the foundation's bylaws and policies. In many club foundations, the Immediate Past President of the club becomes the President of the foundation; this is acceptable though not necessary. Other foundation officers and board members should be nominated through the process identified in the bylaws. If the foundation wishes to have term limits for board members, they should be clearly defined.

Financial management

Financial transparency between the foundation and the club should be maintained. The club should receive reports from the foundation, and some means of input from the club to the foundation for club charitable priorities and projects should be established. The philanthropic goals of the foundation should be consistent with the club's desires to serve the community and the children of the world.

The foundation should have an investment policy governing the management of permanent funds. Even if the foundation does not currently have permanent funds, a policy is needed regarding asset allocation and any restrictions on investing so that if a bequest or large infusion of resources occurs, you do not have to create a policy in a hurry.

Legacy recognition

If the foundation wants to create a legacy society for those who wish to make estate commitments to the foundation, the Kiwanis Children's Fund can provide guidance.

Proper administration

Club foundation should adopt and follow not only the bylaws required by Kiwanis International, but the basic mandatory policies as well. Provisions in the bylaws and policies will keep the foundation operating properly in compliance with industry standards and applicable laws and regulations.

Note: There may be instances where these guidelines are in conflict with state tax law. In such cases, state laws apply.

**If your foundation needs more information or clarification on these guidelines, the articles of incorporation, the bylaws and policies, or any matters regarding club foundations, contact the Kiwanis Children's Fund: childrensfund@kiwanis.org or 317.875.8755, ext. 254 (or 317.217.6254 direct)
www.kiwanischildrensfund.org**