

Chi Phi Educational Trust Chapter Excellence Funds

Wouldn't it be great if our Alumni Association had an endowment that would provide an academic scholarship to every member of our Chapter? Or a funding source we could use to send every undergraduate officer to the College of Excellence? Or funds to help underwrite leadership retreats for the entire Chapter? Imagine endowing a scholarship in honor of the Chapter's founders or as a tribute to those members who have passed into the Chapter Eternal.

Since 1930, the Chi Phi Educational Trust has worked with Alumni Associations, housing corporations and individual donors to enrich the educational programs and services of the Fraternity.

Chi Phi recognizes that to build better men, we must build better Chapters. Chapter strength has a direct impact on the quality of one's undergraduate experience. Chapter Excellence Funds provide a mechanism for Alumni to make tax-deductible contributions to a restricted account that can only be spent on funding scholarships and educational grants for members of a particular Chapter.

What Are Chapter Excellence Funds?

A Chapter Excellence Fund ("CEF") is a separate account held within the umbrella of the Chi Phi Educational Trust that is restricted for the exclusive benefit of an individual Chapter and its members. IRS regulations and Trust policies govern all restricted accounts and CEFs. Every active and select inactive Chi Phi Chapters have an open CEF with the Trust.

Contributing to a CEF

Actives, Alumni, parents and friends can support their CEF at the Chi Phi Educational Trust (Tax ID: 58-6035103) using a variety of outright, pledged and planned giving methods. Some of the more popular giving methods include making a gift with cash, check, money order, stock or other appreciated securities. Donors can also contribute through a variety of planned giving methods using bequests, life insurance, retirement plans, 401(k) plans and charitable trusts.

Donors can contribute any amount to a CEF. Donors can permanently endow a separate fund that is restricted for use by members of a particular Chapter beginning with gifts of \$20,000 (for a Regional Leadership Alliance sponsorship), \$25,000 (for an academic scholarship), \$40,000 (for an Alpha Academy sponsorship) and higher.

To make a gift to a CEF or learn more, visit www.chiphicampaign.com or call 800.849.1824.

Key Features of a Chapter Excellence Fund

\$5,000
minimum balance to begin
spending

501(c)(3)
IRS section governing the
CEF
AND
tax deductible advantages
provided to CEF donors

5.0%
annual fund balance
available for spending

3.0%
annual administrative fee

5.0%
per donation administrative
fee

May 31
deadline to make spending
recommendations to the
Trust

To make a gift
800.849.1824 or
www.chiphicampaign.com

For more information:
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Permissible Uses of a CEF

A Chapter Excellence Fund can be used in three primary ways: (1) by awarding scholarships and grants for any educational purpose consistent with IRS regulations, (2) by investing the funds in a special loan to your House Corporation for housing improvements or (3) for fundraising purposes to support your CEF. Use of the Chapter Excellence Fund is subject to the same IRS guidelines and restrictions that govern 501(c)(3) organizations.

Educational Purposes

Consistent with IRS regulations, funds within a Chapter Excellence Fund can be used to fund a variety of educational programs including:

- Academic scholarships to undergraduates or Alumni
- Scholarships to attend UIFI or other outside leadership programs and educational conferences
- Academic recognition and awards
- College of Excellence tuition and travel expenses
- Regional Leadership Alliance tuition and travel expenses
- Grants for house construction and renovation that qualifies as "exclusively educational" (study rooms, internet wiring, libraries, etc.) that are equivalent to what the university provides in its dormitories
- Educational planning retreats for the entire Chapter, Chapter officers and/or Alumni advisors

The possibilities are almost limitless. One year, the Chapter Excellence Fund could be used to provide scholarships to members achieving a certain grade point average and send the top Chapter officers to the College of Excellence. The next year, it could be used to fund academic scholarships for all members meeting a defined minimum expectations program. The following year, it could strengthen the Chapter's recruitment efforts by providing scholarships for the qualified new members.

Housing Loans

In addition to scholarships and educational grants, Alumni Associations may ask the Trust to make a special investment of their CEF in a **mortgage or loan** for capital improvements, construction of a new house or the purchase of an existing one.

The process of loaning funds from a Chapter Excellence Funds can vary depending on the project. However, each loan must contain the following features:

- A prudent businessman must view the loan as a reasonable investment.
- The recipient organization / house corporation must be a legal entity.
- The recipient of the loan must agree to repay the loan according to commercial loan standards at a fair market interest rate.

Other requirements are found in the official policies of the Chi Phi Educational Trust.

After paying all fees and administrative costs, principal and interest is repaid back into the particular Chapter Excellence Fund for future educational use.

From time to time, the Trust will consider proposals from alumni organizations with a Chapter Excellence Fund requesting such a mortgage or loan. Each proposal will be carefully considered. Only those deemed to have merit and to fit within the investment strategy of the Trust will be approved.

Fundraising

A third permitted use of Chapter Excellence Funds is to pay for reasonable costs associated with any fundraising effort for the CEF. Fundraising costs shall be those costs incurred in acquiring contributions specifically for the CEF including but not limited to (1) feasibility studies and professional

fundraising fees when performed by pre-approved outside third parties (2) printing, (3) postage and mailing expenses, (4) long distance, conference call and other telephone solicitation costs, (5) donor recognition purchases (plaques, etc.), (6) approved travel and (7) events.

Uses Not Permitted

The IRS places many restrictions on the way any 501(c)(3) organization can spend funds for a fraternity. Among other things, this means, you cannot spend funds from your CEF on rush or recruitment activities, Ritual programs or education, or non-educational housing construction (kitchens, bathrooms, social rooms, etc.).

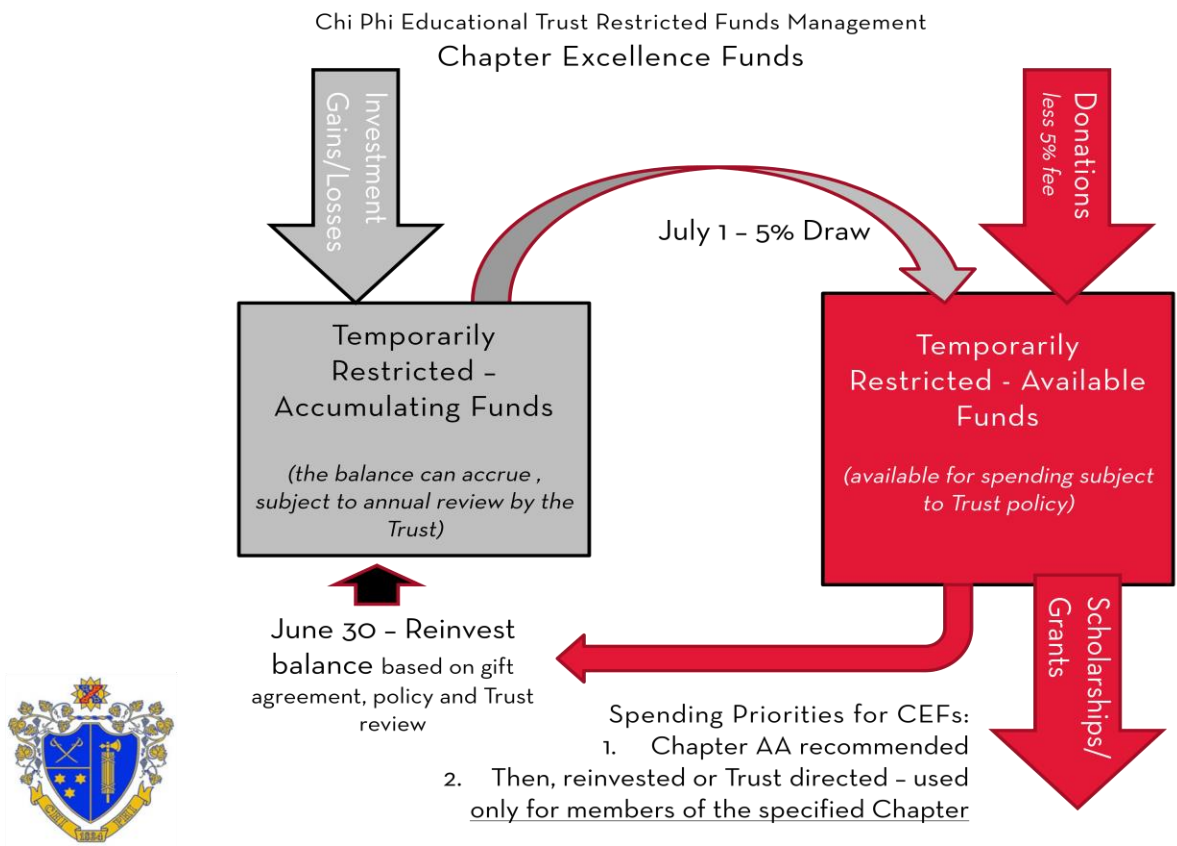
Spending from a CEF

Once the fund has achieved a minimum principal balance of \$5,000, five percent (5.0%) of the fund balance is made available for spending on an annual basis.

For example, a CEF with a \$10,000 principal balance makes \$500 available for spending each year. Chapter Excellence Funds with balances of \$100,000 provide \$5,000 in yearly educational support.

Limiting spending to 5.0% each year ensures that the CEF continues to grow with the rate of inflation and that it maintains its "purchasing power" from one year to the next. In most cases, Alumni Associations can ask the Trust for a special exception to spend more than 5.0% in a particular year.

Using a simple form, the Alumni Association must make a request and recommendation to the Educational Trust by May 31 each year to spend funds on a pre-defined purpose or roll the available balance back into principal. The IRS requires that the Educational Trust make the final decision for every spending decision. However, the Trust recognizes that the Alumni Association has much greater familiarity with the needs of the Chapter and will weigh its recommendation accordingly. If an Alumni Association has not made a request or recommendation to the Trust by May 31, the Trust reserves the right to award a scholarship or educational grant from the funds available for spending to a member of your Chapter. To learn more about the Trust's policy governing CEFs, see the Restricted Fund Policy of the Chi Phi Educational Trust.



Managing and Investing a CEF

Utilizing the CEF program relieves local Alumni volunteers of the time, pressure, costs and complexity of trying to manage and administer a tax deductible fund. Working with the Chi Phi Educational Trust is one of many benefits that come from membership in the Fraternity.

The Trust administers each Chapter Excellence Fund with diligence and care. Regular reports detailing fund balances, new gifts received, income available for qualified purposes and a full accounting of all activities are provided to the designated fund administrator(s) and contact(s) for each CEF.

The Trust's Investment Committee uses professional investment advisors to manage more than \$5 million in total Chi Phi assets. Funds in your CEF are invested along with the funds from every other CEF and all other Trust programs to ensure stability, minimize costs and provide the greatest rate of return possible.

The Trust's current investment advisor is AllianceBernstein. For specific information about the Trust's investment strategy, please review the Investment Policy of the Chi Phi Educational Trust.

Investment gains and losses are allocated to each CEF on a pro-rata basis. Any growth remaining after covering all costs (see below) and the 5.0% draw made available for spending each year, are reinvested along with new gifts into the principal of the Chapter Excellence Fund thereby providing increased income for future years.

Advantages of Using a CEF

A Chapter Excellence Fund is an exciting way for Alumni to strengthen their Chapter and promote excellence at many levels. Among the advantages of contributing and utilizing a CEF:

- The CEF provides Alumni with the opportunity to leverage the Trust's size and expertise relieving local Alumni volunteers of the time, pressure, costs and complexity of trying to manage and administer a tax deductible fund
- Gifts to CEFs are handled by responsible trustees to ensure that the money is used for its intended purpose and is invested wisely.
- A CEF establishes a long-term reserve for a Chapter to draw upon for educational purposes and future house construction and renovation loans. This effectively minimizes the need for frequent appeals to Alumni.
- Gifts to CEFs are tax deductible. Gifts to a Chapter house corporation or Alumni Association do not enjoy similar tax benefits.
- Donors can contribute online and via credit card, check or bank draft.
- There is no need for a Chapter or Alumni Association to open a brokerage account to accept stock gifts. The Trust already has one open and ready to accept stock for your CEF.
- Donors can create complex planned gifts that come to fruition after their death but that need a qualified 501(c)(3) foundation to accept the gift.
- The Trust complies with IRS regulations saving each alumni organization that time and expense.
- The Trust provides accounting services for each CEF.
- The Trust pools the funds in each CEF to obtain a lower cost than if funds were invested individually.
- Your CEF benefits from the services provided by professional investment advisors.
- Your Chapter will achieve a sustainable competitive advantage for recruitment by enhancing the benefits it is able to offer to quality members.
- Individual members have the opportunity to receive scholarships, attend the College of Excellence, or benefit from other qualified educational programs.
- The Trust will help you raise money for your CEF through fundraising workshops, targeted mail solicitations and face-to-face fundraising efforts. In some cases, direct costs associated with such specialized efforts may be deducted from the respective fund or billed to the appropriate Alumni organizations.
- Your CEF provides a loan source allowing you to pay back your CEF with interest instead of a private bank.

CEF Costs

Annually, 2.50% of the fund balance is assessed to cover investment fees (1.0%) and administrative costs (1.5%). In addition, a one-time charge of 5.0% of any donation is assessed on every gift to cover fundraising assistance and administrative costs. These fees are subject to change.

Direct costs associated with (1) complex or unique gifts, (2) loans, mortgages or special investments and (3) specialized fundraising efforts (printing, postage, travel, events, etc.) may be deducted from your CEF if agreed upon by the respective Alumni Association.

For More Information, Contact:

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or visit www.ChiPhiCampaign.com

If your CEF balance was . . .	Your CEF could provide the following, forever...
\$5,000	<ul style="list-style-type: none">• One \$250 scholarship.
\$15,000	<ul style="list-style-type: none">• One \$500 scholarship every year for the top GPA in the Chapter.• One \$250 scholarship to send 1 – 3 students to the Regional Leadership Alliance
\$25,000	<ul style="list-style-type: none">• One \$750 scholarship every year for the top GPA in the Chapter.• One \$500 scholarship to send your Chapter president to the Alphas Academy
\$50,000	<ul style="list-style-type: none">• One \$750 scholarship every year for the top GPA in the Chapter.• One \$500 scholarship for the second highest GPA in the Chapter• One \$500 scholarship for the highest New Member (Pledge) GPA• One \$500 scholarship to send your Chapter president to the Alphas Academy• \$250 in costs for an annual Chapter leadership retreat.
\$120,000	<ul style="list-style-type: none">• One \$1,000 scholarship every year for the top GPA in the Chapter.• Four \$500 scholarships for the next four highest GPAs in the Chapter.• One \$500 scholarship for the Chapter Leader of the year.• One \$500 scholarship for the Chapter Athlete of the Year.• One \$500 scholarship for the highest New Member (Pledge) GPA• One \$500 scholarship for the member who most demonstrates outstanding community service.• \$1,000 in costs for an annual Chapter leadership retreat