

THE ROTARY DISTRICT 7300 FOUNDATION: ITS PURPOSE AND HOW IT (OR A SIMILAR FOUNDATION) CAN BE UTILIZED BY ROTARY CLUBS, ROTARY DISTRICTS, OR OTHER ORGANIZATIONS and HOW AND WHY ITS PURPOSE DIFFERS FROM THE ROTARY FOUNDATION AND OTHER FOUNDATIONS

- A Foundation is a Corporation (in Pennsylvania it is a Non-Profit Corporation) that then obtains approval from the IRS to be designated as a Section 501 (c) (3) Charitable Organization. The benefit of utilizing a Foundation is much more than being Federal income tax exempt; entities that are Federal Income tax exempt are Section 501 (c) (4) organizations (like Rotary Clubs and Rotary International [although it is understood that currently some consideration is being undertaken by RI to be re-chartered as an approved 501 (c) (3) Foundation]). A Foundation that obtains a Section 501 (c) (3) approval from the IRS is not only Federal Income tax exempt but is an approved Charitable Organization. This means that donations to an approved Section 501 (c) (3) Charitable Organization are eligible to be deducted as Charitable Contributions by the donor on their Federal Income tax returns. Donations to Rotary Clubs, or to RI, are not charitable donations for purposes of Federal Income Tax. Additional benefits of Section 501 (c) (3) Charitable Organizations are many, including that very often grants by a various governmental entities to a community project or cause need to go through a 501 (c) (3) Charitable Organization and often various businesses, corporations, or other foundations will only donate to charitable events and causes by donating through a Section 501 (c) (3) Charitable Foundation.
- The Rotary Foundation of Rotary International (often referred to as “TRF”) is the foundation for which the goal is for each Rotarian to try to give at least \$100.00 per year for the Annual Fund. TRF is an IRS-approved Section 501 (c) (3) entity. TRF funds the Polio Plus/Polio Eradication Program as well as Global Grants and District Grants, which are funded by TRF by District Designated Fund monies (“DDF”) that come to each Rotary District annually based upon the amount of giving from that District three years previously. TRF also has an Endowment Fund which involves donors who have given significant donations and most often have designated a specific area of use by TRF. The earnings from those are also added into DDF monies albeit each Rotary District needing to abide by at least one of the six designated area of focus if they wish to utilize such funds in any given year if not for a purpose agreed upon by TRF with the endowed donor. Per TRF, each of these six areas has a common running theme of how a “single act of good” can pay dividends for our local and global communities. The six areas are **Basic Education, Maternal and Child Health, Community and Economic Development, Disease Prevention and Treatment, Peace Keeping and Conflict Resolution, and Providing Water, Sanitation, & Hygiene**. Rotary International (known as “RI”), founded in 1905 and to which every Rotary Club is a member organization, is overseen by its Board of Directors. TRF was founded in 1917 and is organized as a public charity operated exclusively for charitable purposes and governed by a Board of Trustees; the Chairman is most often a Past RI President. RI and TRF are technically separate organizations, even though they are inextricably related and often Rotarians

do not appreciate the distinctions and differences when they refer to these two organizations - and what these two organizations, albeit related - are doing to make the world a better place. The headquarters of both Rotary International and The Rotary Foundation are in Evanston, Illinois, USA located in an office tower known as One Rotary Center but they are separate corporations, they have separate corporate governance, and they serve technically separate purposes even though so inextricably linked at the hip.

- Each Rotary District in the world is required to have a District Committee to promote and help effectuate the goals, objectives, and programs of The Rotary Foundation. Rotary District 7305 has such a Committee, with multiple subcommittees, and it needs to be appreciated such committees are NOT related to The Rotary District 7300 Foundation.
- While The Rotary Foundation (“TRF”) is often referenced in many “Rotary” contexts as merely ‘The Foundation’ (e.g., people talk about raising money for “the Foundation”, having a “Foundation” Brunch or Dinner, obtaining “Foundation” grants or having “Foundation” committees or activities through Rotary Districts, etc, etc) , this nomenclature often causes confusion since there are **often other foundations** with a relation to a Rotary organization and/or purpose; such nomenclature can therefore lack accuracy even by some of those who are chosen educators about TRF.
 - Not infrequently, Rotary Clubs have chosen to charter their own foundations by incorporating a Foundation with a separate Board of Directors, obtaining IRS approval as a Section 501 (c) (3) Charitable organization, filing annual IRS 990 Income Tax Returns as a Foundation, and operating a club foundation as a parallel organization to the Rotary Club itself (which would have its own Board of Directors or as they may otherwise provide for governance in their Club Bylaws) and filing IRS 990 Income Tax Returns for the club itself. This does require not- insignificant time, effort, and expense to maintain a separate foundation for the club’s charitable purposes as may be desired. Nevertheless, in Rotary District 7305 there exist any number of Rotary Club Foundations, almost all of which were chartered before the creation of The Rotary District 7300 Foundation.
 - In 1987 “The Rotary District 7300 Foundation” was incorporated at the urging of PDG Lou Piconi since he felt it was onerous to have each club consider creating their own foundation for local efforts and there needed to be a foundation able to be utilized locally for projects that did not meet the guidelines of The Rotary Foundation of Rotary International and available for the Rotary District and even non-Rotarians. Lou, who held positions as RI Vice-President and also a Trustee of TRF, realized his Rotary District having its own Foundation was not a competitor to donations to TRF but actually could work as an adjunct to benefitting TRF while at the same time benefitting many causes and organizations that could not utilize TRF for particular charitable and educational purposes. Many clubs in Rotary District 7300 (now part of Rotary District 7305) and the Rotary Districts themselves – and some non-Rotary

related entities - have utilized The Rotary District 7300 Foundation to obtain many benefits of a foundation including:

- Pennsylvania Sales Tax Exemption so Rotary Clubs could avoid paying PA Sales Tax on expenditures for their charitable fundraisers or educational or charitable projects. Consider if someone asked a club if they wanted an easy way to lessen the costs of fundraisers by 6% (or 7% if in Allegheny County, PA) and everyone would immediately respond affirmatively. That is how much is saved by a PA Sales Tax Exemption.
- The Rotary District 7300 Foundation – upon agreement with a donor entity – can act as a “conduit” for a Rotary Club, Rotary District, or even a non-Rotary-related donor where the monies raised or donated can go to a charitable or educational cause of their choosing by entering into a so-called “Donor-Advised Agreement” with The Rotary District 300 Foundation. While technically once monies are donated to the Foundation they are owned by the foundation and cannot ever go back to the club, district or other donor, the IRS permits a Donor-Advised Agreement to allow the club, District or donor to effectively be a “partner” with the foundation to be consulted by the foundation before the foundation would decide upon any distribution or usage of funds and requires the foundation to comply with the desires of the club, district, or other donor for the use of the funds if the usage falls within the required charitable or educational purposes dictated by the IRS. So, for example, clubs do their own fundraisers but any donor wishing to obtain an IRS charitable contribution to support the same would need to donate the funds to The Rotary District 7300 Foundation for the benefit of [insert name of the club fundraiser or project] and such donations would be credited to a Restricted line item accounting with the foundation. When checks are issued to pay the ultimate charitable entity, the foundation has to approve this but issues the checks and most often gives the checks to the clubs to distribute to the entities they wish to support. Examples of such fundraisers could involve golf outings, gala dinners, chicken BBQs, or any number of other fundraisers put on by clubs where they seek PA Sales Tax Exemptions or solicit charitable donations from sponsors. Any donor who receives a benefit from their donation lessens their contribution by the value of the benefit received such that such this situation best involves donors who wish to give things without strings attached.
- Often, corporations that are willing to support charitable or educational endeavors will only donate, per company policy, to an IRS approved Section 501 (c) (3) entity so this is where the use of a foundation is helpful as well. Often, grants coming from a governmental source (like the Commonwealth of PA or the Federal Government) cannot be paid to other than a municipality or an IRS approved Section 501 (c) (3)

entity. Rotary Clubs obtaining “WAM” grants (colloquially called Walking Around Money) from the Legislature such as for the purpose of buying and erecting a community clock or other such things could often need to funnel the funds through a foundation. Or a sporting goods store wants to donate a golf bag to a charitable golf outing but will only give the bag if it is through a Section 501 (c) (3) entity.

- Individual donors have often utilized The Rotary District 7300 Foundation to donate monies ultimately going to TRF. They wanted immediate income tax charitable deductibility but needed to build up over time the amount of a significant contribution ultimately going to TRF so the monies were “parked” with The Rotary District 7300 Foundation until they reached the amount desired to be sent to TRF in the name of the donor.
- There are clubs that wish to use The Rotary District 7300 Foundation to enhance their own fiscal discipline. For example, upon agreeing on raising a certain sum of monies to benefit a specific charitable purpose, clubs have created an account with The Rotary District 7300 Foundation to hold the monies to be utilized for a specific purpose and in this fashion the clubs want to “protect themselves” from utilizing the monies for other purposes. Often, such situations could involve Global Grants where a not-insignificant contribution/commitment was being made by one or more donor clubs. Of course, contingent beneficiaries are always included in any Project Application utilized by The Rotary District 7300 Foundation in the event the originally intended use becomes unworkable, such as if TRF would not approve a Global Grant Application. And often such situations involve clubs creating Community Enrichment Funds with The Rotary District 7300 Foundation to which they and others donate money to go into such a fund to benefit local community needs. So the use of The Rotary District 7300 Foundation is able to be utilized as an adjunct to each club’s projects in many ways.
- The Rotary District 7300 Foundation has, and is, being utilized by individual donors – some of whom have never been Rotarians – to establish Community funds to benefit their communities such as where the donor’s employer will match their contributions but only if a foundation is involved or where individuals wish to establish a family trust to benefit, for example, students by providing scholarships. The Rotary District 7300 Foundation holds, and administers, significant funds for the Bob Williams Memorial Rotary Scholarship where in recent years eight scholarships of \$5,000 each are awarded annually. Bob & Theresa Williams and Lou & Barb Piconi have been the major sources of donations for this scholarship fund but others, encouraged by the generosity of these individuals in the estate plans of Bob and Lou, have pledged other contributions in their estate plans. The Rotary

District 7300 Foundation has a Great Friends Charities Restricted Fund which was organized and is operated by graduates of a certain high school to benefit fellow graduates that have run into hard times for them or their family.

- The Rotary District 7300 Foundation has been utilized by Rotary District 7300 to fund Disaster Relief efforts both locally and far away. For many years monies raised for Hurricane Katrina relief (Rotary District 7300 raised over \$150,000 for Hurricane Katrina relief) funded trips by Rotary District 7300 Rotarians and friends to go to the Gulf Coast and rebuild houses, all administered through the volunteers that comprise the Board of Directors of The Rotary District 7300 Foundation.
- The Rotary District 7300 Foundation assists Rotary Districts in their charitable programs and goals. In addition to being a partner with various District projects (one such recent project being the building and donation of all terrain-capable electronic Track Chairs to permit disabled veterans to fish, hunt, or go places like the beach or parks they could not navigate with a regular wheel chair). The Rotary District 7300 Foundation has been utilized for educational and other charitable purposes including The Rotary District 7300 Foundation providing a PA Sales Tax Exemption to avoid having anyone pay for Sales Tax to attend PETS or for the District Conference charges for food and the rooms where educational seminars and such are held (individuals contracting for their own lodging do not qualify for this savings of sales tax). Saving Sales tax on fundraisers for TRF (like a TRF Dinner or Brunch) is also commonly utilized as well as for efforts to have a get-together to obtain new members or such. Clubs can apply for such usage for specific needs and projects provided the same meet the legal requirements to not pay PA Sales Tax. The Rotary District 7300 Foundation holds a Pennsylvania Sales Tax Exemption Certificate that is renewed by the Commonwealth only after detailed review of detailed uses and activities of the same by The Rotary District 7300 Foundation.
- The Rotary District 7300 Foundation holds many Restricted Funds where clubs have given the foundation tens of thousands of dollars annually that they raised from their annual fundraisers. When they wish to distribute the funds for charitable or educational purposes – often near the end of each Rotary year – they make a request to The Rotary District 7300 Foundation and if the requests are appropriate and meet the provisions of the IRS Code, the requests are approved, the checks issued, and distributed to the club to hand to each recipient organization.
- With the above said, the most recent Income Tax Code amendments that went into effect in 2019 do limit the benefit of Charitable Deductions from individuals more than previously. Often now companies will provide support to Rotary Club events under the guise

of being “advertising” or “marketing” monies rather than needing a charitable deduction. Individuals who, under these Tax Code provisions, are able to take advantage of an increased Standard Deduction on their income tax returns in lieu of itemizing deductions (which would include charitable deductions) may also lose the income tax benefit that previously existed in making charitable donations that could then result in charitable deductions. But this is not always the case and if the contributions are coming from another foundation, it is almost always necessary for the funds a Rotary Club is seeking to get donated to go to another foundation like The Rotary District 7300 Foundation unless the other foundation would make the donation directly to a charitable recipient. However, in March, 2020 Congress passed the CARES Act, which was signed into law, providing for up to a \$300 charitable deduction “above the line” on one’s personal income tax return for the year 2020 where they would take a Standard Deduction so this provision is noteworthy and it remains to be seen if in future legislation for COVID-19 relief if such a provision would be extended to any future year(s). A Restricted Fund we administer involves a local Rotary Club providing beds and bedding to children who have never had their own beds and often donations coming to that Rotary District 7305 Rotary Club to assist in this project come from another foundation which requires the monies be paid to The Rotary District 7300 Foundation, who would then actually pay the bills for the suppliers of the beds and bedding.

- The Rotary District 7300 Foundation provides oversight that can assist a club or District or individual in proper handling of funds for worthy causes. A local Rotarian family holds an annual fundraiser (Comedy for a Cure) to benefit pancreatic cancer research and support provided by a California entity known as the Pancreatic Cancer Network; while all monies paid for tickets and such are paid directly to “PANCAN”(which is a California foundation”), The Rotary District 7300 Foundation is able to provide a PA Sales Tax Exemption for the event that PANCAN could not provide as an out of state foundation.
- While The Rotary District 7300 Foundation is permitted under our Bylaws to charge a handling fee up to 5% on all monies, the foundation has most often (frankly almost every time) waived the fee upon request (which we educate the donor to request of us) but if this is done it would be expected that out of pocket expenses incurred by The Rotary District 7300 Foundation to administer the funds for the designated charitable/educational reason could be reimbursed from the funds being held.
- The benefits of utilizing The Rotary District 7300 Foundation or creating a similar entity for other Rotary Districts is limited only by the IRS regulations, PA Sales Tax regulations, other laws, and one’s

imagination. Upon the merger of Rotary District 7300 with Rotary District 7330 to become Rotary District 7305, it was decided to not change the name of The Rotary District 7300 Foundation for multiple reasons not only including the time, effort, and expense to go through all the necessary governmental entities for approval but to also lessen the confusion that always existed where folks thought The Rotary District 7300 Foundation was the Rotary District 7300 Committee for The Rotary Foundation. Such confusion still exists at times but it is hoped this outline will help more folks understand how/why reference should always be made to the full and proper name of any foundation and to not use terminology referencing merely “the Foundation” without the context being made clear by the full name of the foundation being referenced immediately prior in words written or spoken.

- The Rotary District 7300 Foundation is operated by a Board of Directors. The Chair, Vice-Chair, Secretary, and Treasurer are elected by the other Directors as are any Legal Advisor and Advisors. The immediate prior PDG, the DG, and the DGN and DGND serve as Directors and with the advice and consent of the other Directors, they nominate representatives from each of the geographic Areas of the Rotary District. There were four Areas in Rotary District 7300 so there was one Area Representative from each of these four Areas also serving as a Director. The Rotary District 7300 Foundation is in the process of drafting Amended Bylaws to include all eight areas of Rotary District 7305 having an Area Representative on the Board of Directors and it is anticipated such Amended Bylaws will occur in mid-2020. This will further help educate those in clubs from the old Rotary District 7330 about The Rotary District 7300 Foundation and how it can be of assistance for charitable and educational endeavors.
- A copy of this outline is hopefully going to be placed on the website of Rotary District 7305 to be available for any future reference desired.
- Should anyone have any questions, or desire to explore the usage of The Rotary District 7300 Foundation, or discuss the creation of their own foundation in another club or Rotary District, please feel free to contact Stu Benson of The Rotary District 7300 Foundation: stubenson3@gmail.com or 412-491-1586

Prepared by STUART W. BENSON III on December 29, 2019 and Amended on May 29, 2020