



DELTA UPSILON

EDUCATIONAL FOUNDATION

Chapter Educational Account (CEA) Information & Policy

Restricted-use assets of the Delta Upsilon Educational Foundation

The Delta Upsilon Educational Foundation (DUEF) is an IRS certified 501(c)(3) charitable/educational entity founded in 1949 in order to advance the educational programs for undergraduate members of Delta Upsilon International Fraternity (DUIF). The Foundation's primary focus is providing annual grants to the Fraternity for programs such as member education, the summer Leadership Institute and Winter Educational Conference, The McQuaid Scholarship/Fellowship and others. The Foundation also provides the service of issuing grants directly to chapters through a Chapter Educational Account (CEA). The CEA offers a tax-deductible vehicle for individual chapter fundraising.

The CEA was created for potential donors who wanted to make a significant gift to the educational programs of a specific chapter but may have been reluctant to do so because the gift was not deductible for Federal income tax purposes. It offers chapters the opportunity to establish restricted funds within the endowment of the DUEF. Moreover, the CEA negates the need for individual chapters to engage in the costly and time-consuming process of establishing and maintaining their own 501(c)(3) entities, in order to offer tax deductibility to donors.

Donors can make gifts to these restricted funds and claim a deduction for the amount of the gift on Schedule A of their U.S. Federal Income Tax returns. Gifts to these funds can take the form of cash, securities, etc. and may even qualify for some employer matching gift programs. In addition, individuals may also realize significant tax advantages by including a provision for a CEA in a bequest or other estate plans. The DUEF reserves the right to change any of the provisions or conditions of the CEA policies.

The Chapter Educational Account (CEA) consists of four separate funds:

1. By way of definition, the primary characteristics of the **Educational Fund** are that it:
 - Is established to meet educational needs over a defined period.
 - Does not seek to build principal, but to offer liquidity.
2. The primary characteristics of the **Endowment Fund** are that it:
 - Is established to permanently meet educational needs of a chapter.
 - Produces interest that is used to fund educational needs.
3. The primary characteristics of the **Chapter Housing Fund** is that it:
 - Is established to meet housing needs over a defined period.
 - Does not seek to build principal, but to offer liquidity.



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4. The primary characteristic of the **Custodial Fund** is that it:
- Is established to seek management of significant existing financial assets.
 - Produces interest that is used to fund educational needs.

Gifts to the Chapter Educational Account program will continue to be restricted in their use to one particular chapter of the Fraternity. Gifts will be accepted and administered in accordance with the rules and regulations of the Internal Revenue Service.

Assets held in a CEA will continue to be managed and invested along with the other assets managed by the Foundation. Gifts restricted to a specific chapter will be used exclusively for charitable and educational purposes that benefit the members of the chapter unless the Trustees of the DUEF determine that such restricted use would jeopardize the Foundation's exempt status or would be inconsistent with the Foundation's charitable and educational purposes. The Trustees expect they will be able to use all donations for their designated purposes.

Each chapter may establish its own Chapter Educational Account within the DUEF. All gifts to a CEA will be held by the DUEF as a restricted gift for the following purposes:

Educational Fund

Information

When chapters seek to create scholarship funds or offer funding for educational uses, the Educational Fund may offer an appropriate option, as an example, for donors to support member's participation in educational programs offered or sponsored by the Fraternity.

- Grants to attend educational conferences, such as the Leadership Institute, Regional Leadership Academies, DUEL, GSI, etc.
- Scholarship grants to members of your chapter.

Policies

- 1) A one-time 5% administrative (overhead) fee on each contribution will be paid to the DUEF's general fund.
 - For example: A gift of \$1,000 will result in a \$950 deposit to the CEA and \$50 deposit to the DUEF general fund.
- 2) This fund does not seek to build principal, thus it pays no interest.
- 3) To allow for easy participation, no restrictions are placed on minimum size of gifts or number of gifts accepted.
- 4) Grant requests may be submitted and processed as funds are needed.



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- 5) The minimum payout considered for a grant is \$250.
- 6) Each CEA must have an alumni chapter in good standing designated with oversight responsibilities.
- 7) To cover the cost of maintaining Educational Funds, the DUEF will assess a 1% annualized service fee. The fee will be calculated and withdrawn monthly, based on the previous month-end Fund value.

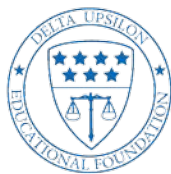
Endowment Fund

Information

When chapters seek to create permanent scholarship funds or offer perpetual funding for permanent educational use areas, the Endowment Fund may offer a more appropriate option than the Chapter House or Educational Funds. By its nature, the Endowment Fund is a permanent asset of the Educational Foundation, restricted for use by the named chapter. Each Endowment Fund provides funding via the Spending Rate.

Policies

- 1) A one-time 5%, administrative (overhead) fee on each contribution will be paid to the DUEF's general fund.
 - For example: A gift of \$1,000 will result in a \$950 deposit to the CEA and \$50 deposit to the DUEF general fund.
- 2) To cover the cost of maintaining the Fund, the DUEF will assess a 1% annualized service fee. The fee will be calculated and withdrawn monthly, based on the previous month-end Fund value.
- 3) A minimum of \$25,000 is required to establish an Endowment Fund.
- 4) Unlike the Chapter House/Educational Funds, the Endowment Fund is established to permanently meet educational needs of the chapter. This Fund will be adjusted monthly, corresponding to what the Foundation's investment portfolio achieves. This includes both income and capital appreciation.
- 5) To allow for easy participation, no restrictions are placed on minimum size of gifts or number of gifts accepted.
- 6) Grant requests may be submitted and processed four times a year—January 1, April 1, July 1 and October 1—to the DUEF for consideration. The DUEF Board of Trustees must approve the application before any grant funds are paid.



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- 7) The spending rate for each restricted fund will be 4% of the average ending balance of the 12-quarters of the prior three fiscal years.
- 8) Each CEA must have an alumni chapter in good standing designated with oversight responsibilities.
- 9) A written plan must be submitted at the time a CEA is established that outlines the educational objectives/purposes.

Chapter House Fund

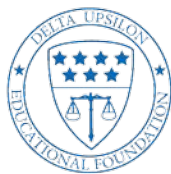
Information

The IRS has acknowledged that fraternity houses may have areas, which are designated for strictly educational purposes. Therefore, the cost to purchase, construct, refurbish, maintain and furnish such areas is qualified to receive tax-deductible funding. As they relate to fraternity chapters, some examples of IRS-qualified purposes are:

- Construction, renovation and refurbishment of educational areas of the chapter house i.e. computer room, library, study rooms, etc.
- Desks, books, bookcases, lighting, etc. in the educational areas.
- Computer hardware and software for use by general membership of the chapter.
- Installment of high-speed capacity modem wiring to the chapter house and wireless access within the chapter house.

Policies

- 1) A one-time 5%, administrative (overhead) fee on each contribution will be paid to the DUEF's general fund.
 - For example: A gift of \$1,000 will result in a \$950 deposit to the CEA and \$50 deposit to the DUEF general fund.
- 2) This fund does not seek to build principal, thus it pays no interest.
- 3) To allow for easy participation, no restrictions are placed on minimum size of gifts or number of gifts accepted.
- 4) Grant requests may be submitted and processed as funds are needed.
- 5) Each CEA must have an alumni chapter in good standing designated with oversight responsibilities.
- 6) To cover the cost of maintaining Chapter Housing Funds, the DUEF will assess a 1% annualized service fee. The fee will be calculated and withdrawn monthly, based on the previous month-end Fund value.
- 7) A written plan must be submitted at the time a CEA is established that outlines the educational objectives/purposes as well as for each proposed project. This plan should explain how contributions will be used, the anticipated fundraising goal of the project, the time period for a campaign and a budget.



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Custodial Fund

Information

In some cases, chapters may seek management of significant existing financial assets. One example might be if the chapter sold their existing physical property and sought management of those assets for maximum return and efficiency until an appropriate time to withdraw those funds. This may benefit the chapter by eliminating certain tax obligations i.e. realized capital gains, etc.

Policies

- 1) A one-time 5%, administrative (overhead) fee on each contribution will be paid to the DUEF's general fund.
 - For example: A gift of \$1,000 will result in a \$950 deposit to the CEA and \$50 deposit to the DUEF general fund.
- 2) To cover the cost of maintaining the Fund, the DUEF will assess a 1% annualized service fee. The fee will be calculated and withdrawn monthly, based on the previous month-end Fund value.
- 3) This Fund will be adjusted monthly, corresponding to what the Foundation's investment portfolio achieves. This includes both income and capital appreciation.
- 4) As a general rule, a significant existing financial asset is defined at \$50,000 or greater.
- 5) To allow for easy participation, no restrictions are placed on minimum size of individual gifts or number of gifts accepted.
- 6) Grant requests may be submitted and processed four times a year—January 1, April 1, July 1, and October 1—to the DUEF for consideration.
- 7) Each CEA must have an alumni chapter in good standing designated with oversight responsibilities.
- 8) The spending rate for each restricted fund will be 4% of the average ending balance of the 12-quarters of the prior three fiscal years.
- 9) A written plan must outline the educational objectives/purposes at the time a CEA is established. This plan should include the anticipated short and long-range needs of the Fund.

Responsibilities of the Delta Upsilon Educational Foundation

- 1) Receive and invest all designated funds in a timely and professional manner.
- 2) Send written acknowledgment upon receipt of a gift.
- 3) Provide regular reports to the appropriate alumni chapter representative detailing contributors, deposits, withdrawals, administrative fees, balance and income.
- 4) Charge the appropriate one-time administrative (overhead) fee and annual service fee.



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- 5) Funds within the CEA will be accounted for separately but held and invested with the DUEF general funds. In the event a chapter with an active CEA is declared inactive by action of the Board of Directors of the DUIF and that status remains in effect for a period of at least eight (8) consecutive years, the assets in each such inactive chapter's CEA fund will revert to the endowment of the DUEF.
- 6) When capital projects are undertaken, the Foundation staff may be asked to provide assistance and counsel in making certain the campaign is properly developed, managed and executed. Staff will not assume responsibility for the project; however, depending on the scope of the project and time required, it may be appropriate for the Foundation to charge an administrative fee or consulting fee. This arrangement would be negotiated separately and not tied to a projects goal. Any fees collected would be deposited into the Foundation's general fund.
- 7) Following distributions of any CEA grant funds for any educational purpose, the Foundation will require written substantiation that funds were, in fact, used for their intended educational purpose.
- 8) Ensure the ongoing use of educational areas for educational purposes.

If you are interested in creating a Chapter Educational Account (CEA) for the benefit of your chapter, please contact:

Justin Kirk, Executive Director
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Indianapolis, IN 46268
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This exciting program provides opportunities to fund the educational purposes of your chapter and the educational and leadership needs of its undergraduate brothers. The Foundation Trustees and staff look forward to hearing from you.