

## **ROTARY CLUB OF McLEAN FOUNDATION HISTORY**

The Rotary Club of McLean Foundation (Foundation) was initially incorporated on October 14, 1970 and later founded on March 2, 1971 for the purpose of raising and distributing funds for charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. The founding fathers under the leadership of Dan Nastoff envisioned the Foundation as a separate entity that would be clearly distinct from the Rotary Club of McLean and had a hope that the Foundation could amass a large enough corpus (an endowment) to permit the operating of the Foundation on the earnings of that corpus. The Foundation should also be McLean focused in its giving- activities. The Foundation board would consist of five (5) directors, totally separate and independent from the Club's board of directors.

On October 30, 1974 the Foundation received a letter from the Internal Revenue Service recognizing it as a bonafide Virginia corporation and granting the Foundation federal income tax exemption status under Internal Revenue Code section 501(c)(3). The Foundation was now officially legit.

Tax law required the Foundation board to be independent from the Rotary Club board, however, at the same time the Foundation board was deemed to be accountable to the Members of the Rotary Club of McLean. Though created with good intentions, conflict quickly set in. Oral Club historians estimate early contributions to the Foundation created a corpus of approximately \$5,000.00 (financial records do not support that amount). A fundraising campaign designed to attract more contributions was derailed by an attempt by the Rotary Club of McLean's board to channel a substantial portion of the Foundation's corpus to a Club project: "to establish a group foster home in McLean for boys of Fairfax County who could not live at home". Rotary Club Members considered this Club project to be a "raid on the Foundation", causing the Foundation to lose Member support and to go dormant for a period of 8 to 10 years.

The road was bumpy during the ensuing years with the Foundation being mostly ignored, with little thought being given to the purpose or relevance of the Foundation except for the efforts of Emory Moore, who kept the Foundation alive by filing annual reports and tax returns during those dormant years. Contributions were still being received by the Foundation in the form of Happy Talk, 50/50 tickets, birthday fines, etc., allowing the Foundation to serve as a conduit for contributions to other community service fund raisers.

In 1980 after an extended leave of absence due to professional reasons, Dan Nastoff, the founding father of the Rotary Club of McLean, returned to the Club and resurrected interest in the Foundation. This process continued over the next 5 years. Finally, in 1985 a new Foundation board consisting of Bill Burke (President), Bob Rosenbaum (Vice President), Ted Gray (Treasurer), Bud Harper (Secretary), and Bill Foley (Director) breathed new life into the Foundation, drafting a new set of by-laws and stressing the need for Accountability and Reconciliation by the Board. By means of a memo drafted by President Bill Burke dated July 10, 1985 and addressed to Club officers, directors and Members, this energized Board laid out the essence of the Foundation's history as described above through that date in 1985. This Board stated that Board Accountability would be met with regular status reports to the Club Members and Board Reconciliation would be met by exercising a fiduciary responsibility to carry out the basic intentions of the Foundation's founding fathers.

Furthermore, realizing that the Foundation would always be recognized as a work in progress, adjustments were deemed necessary, highlighting the challenges of how to implement the age-old "letter of the law" versus the "spirit of the law" regarding the interpretation of the basic intentions of the Foundation's founding fathers. This 1985 Board decided that after 15 years of failing to accumulate a large enough corpus the time had arrived for the Foundation to adjust its focus and satisfy current needs. Moreover, they felt it was time to initiate activity versus being a conduit for the activities of another organization (a threat to the Foundation's tax exempt status).

Accordingly, on June 18, 1985 the Foundation Board drafted and passed a resolution regarding the administration and distribution of Foundation funds as follows:

1. Maintain a reserve of \$1,000.00.
2. All funds are to be held in highly liquid, interest bearing accounts.
3. Expenditure of funds (contributions) to beneficiaries are to be made in the following order of priority:
  - a) Directly related to the McLean community
  - b) Indirectly related to the McLean community
  - c) Where beneficiaries are national or international, but only where the Foundation's participation (the amount of contribution) will attract involvement of a **recognized benefactor(s)** whose level of contribution would **exceed 1,500%** of the Foundation's contribution.

Additional conditions to this resolution also included:

1. Foundation grants are not for continuing needs. The Foundation's help will be for the purpose of fostering the establishment of responsible, third parties to perform any continuing needs program (namely, non-Foundation; non-Rotary parties).
2. Scholarships (or other school, training oriented awards) are to be made in specific amounts and require an accounting that the funds are used as intended when they were awarded.
3. Foundation grants made in areas of emergency or "one-time" needs are to be made in specific amounts and only under circumstances that when aggregated with other third party funds can reasonably be expected to satisfy the instant need of the emergency (not for ongoing needs).

The Foundation pursued this philosophy for the next 7 years with the Foundation corpus growing respectfully from approximately \$21,000 to \$29,500 until the 1992 Foundation Board deemed it time for a little more tweaking. The 1992 Board under the leadership of Will Fairbanks and joined by Cork Grandy, Ted Gray, Dan McCarthy and Tom Toth adopted a more progressive investment policy for the Foundation's corpus deciding that "the Foundation should try to increase its capital funds, defer donations to outside organizations (except for the Rotary Club of McLean) and seek more lucrative investments". The Board then implemented a program in which 60% of the Foundation's portfolio would be kept in equities. The 1992 Board also increased the size of the Foundation's Board of Directors from five to not to exceed six directors. Effective September 1, 1992 the Board would have a sixth non-voting member for the office of Financial and Investment Advisor.

In 1995 under the leadership of John Tharrington, the Foundation by-laws were further modified providing the Foundation Board the authority to "determine the propriety of accepting or rejecting all contributions to the Foundation" (apparently contributions were being made with strings attached that could compromise the independence of the Board), and further defining the office of Financial and Investment Advisor. Namely, "The Financial and Investment Advisor must be a member of The Rotary Club of McLean and will be appointed annually by the Board of Directors of the Rotary Club of McLean. Such appointment will be based upon the recommendation of The McLean Rotary Club Foundation Board, and must be acceptable by the Foundation Board."

Over the years the Foundation has wrestled with the conflicting philosophies of Rotary Club of McLean Members regarding the use of monies raised by the Foundation. One school of thought advocates the distribution of all Foundation monies collected to those in need now; whereas, the other school of thought advocates building a corpus (an endowment) that allows charitable giving to be covered by interest/earnings from the endowment corpus. During the 90's an unwritten compromise policy regarding how much to distribute on an annual basis evolved, and in 1999 that Foundation Board drafted a policy in the meeting minutes that states: "Minimum required distributions to other organizations per year are 50% of income from portfolio, which would be defined as dividends, and 50% of cash receipts.

- Donations to go to "local" groups;
- to organizations, not individuals;
- Foundation's interest is in initiating a project, then leave....not in the business of maintaining a project."

As recently as calendar year 2000, the Foundation Board established a Statement of Investment Policy, Objectives, and Guidelines for the administration and management of the Foundation Fund (portfolio). In a nutshell the objectives of the Fund are to achieve an annualized investment growth rate of 10% over a time horizon of fifty (50) years. The creation of a significant endowment fund continues to be one of the main objectives of recent Foundation Boards.

It should also be pointed out that the Foundation has made significant distributions over the life of its existence. A compilation of donations going back to May of 1995 shows that the Foundation has supported 30 different charities with a collective \$67,751.00 (see attached Exhibit A). Obviously, much more has been given since the Foundation's inception. Unfortunately, poor recordkeeping does not reflect how much more that amount is.

A list of Foundation Past Presidents has also been compiled (Exhibit B). Again, spotty recordkeeping does not allow the list to be recorded in its entirety. We have also included an Exhibit C showing the ending fiscal years (June 30<sup>th</sup>) balance of the Foundation portfolio. Over the year's the Club's Foundation has found many creative ways to raise funds for the Foundation to include: auctions, yard sales, formal galas, art exhibits, happy talk, 50/50 tickets sales, the British Embassy Players Variety Show, Oldies Dancing, and the very productive Bill Stell Challenge. In 2000 the portfolio peaked at \$206,000, but then suffered a sharp decline as most funds did due to the stock market's return to earth to a balance of \$97,734.00 as of June 30, 2002. Based on this setback, the case is now being debated to implement a strategy of greater balance and to invest a larger portion of the portfolio in interest bearing funds versus individual equities and rebuild the portfolio at a more conservative pace. Again, spotty recordkeeping does not allow a complete snapshot of the Fund's annual balance for each year of its existence.

## EXHIBIT A

McLean Rotary Foundation

Date: June 20, 2001

Date	Charity	Purpose	Amount
June 2001	Young Life	Teens	\$ 225
June 2001	Hospice N. Va.	Patient Care	\$ 735
June 2001	Lewinsville Adult Day Care Center	Patient Care	\$ 100
Mar 2001	Rotary Youth/Senior	Service Awards	\$ 300
Feb 2001	McLean High School	Ethics Day	\$ 500
Nov 2000	McLean High School	Ethics Day	\$ 500
June 2000	McLean Orchestra	Orchestra	\$ 250
May 2000	Hospice N. Va.	Patient Care	\$ 7,274
May 2000	McLean Falls Church Childrens Ctr.	Low Income Day Care	\$ 1,000
May 2000	Young Life	Teens	\$ 450
May 1999	Franklin Sherman Elem. School	PTA	\$ 250
Dec 1999	N. Va. Partnership for Children	Childrens Shelter	\$ 20,000
Nov 1999	McLean High School	Ethics Day	\$ 1,000
Nov 1999	Rotary Youth/Senior	Service Awards	\$ 1,000
Nov 1999	Guatamala Relief	Medicine	\$ 1,475
Nov 1999	Capital Area Foods	Food Bank	\$ 1,000
Aug 1999	Gift of Life	Children's Surgery	\$ 616
May 1999	Children's Project	N. Ireland	\$ 1,475
May 1999	Literacy Council	Dictonaries	\$ 250
May 1999	Pimmit Hills School	Landscaping Mem.	\$ 150
June 1999	Safe Community Coalition	Teen Safety	\$ 8,000
June 1998	Women in Military Service	Memorial	\$ 200
June 1998	SHARE Food Pantry	Food & Medicine	\$ 1,067
June 1998	Langley Non-Profit Housing	Mentally Handicapped	\$ 400
June 1998	Food & Friends	AIDS Patient Care	\$ 1,067
June 1998	Family Respite Center	Alzhiemers Care	\$ 1,067
June 1998	Claude Moore Colonial Farm	Farm Museum	\$ 1,000
June 1998	Children's Project	N. Ireland	\$ 1,400
May 1998	McLean Falls Church Childrens Ctr.	Low Income Day Care	\$ 1,000
Feb 1997	SHARE Food Pantry	Food & Medicine	\$ 200
June 1996	Youth for Tomorrow	Gibb's Home for Kids	\$ 500
June 1996	House of Ruth	Abused Women's Shelter	\$ 500
June 1996	Fairfax Releaf	Tree Planting in McLean	\$ 800
June 1996	Claude Moore Colonial Farm	Farm Museum	\$ 1,000
May 1996	McLean Falls Church Childrens Ctr.	Low Income Day Care	\$ 1,000
May 1996	Alternative House	Children's Shelter	\$ 1,000
May 1996	Family Respite Center	Alzhiemers Care	\$ 1,000
May 1996	SHARE Food Pantry	Food & Medicine	\$ 1,000
May 1996	Bethany House	Abused Family Shelter	\$ 1,000
May 1996	SHARE Food Pantry	Food & Medicine	\$ 1,000
May 1995	Special Olympics	Mentally Handicapped	\$ 1,000
May 1995	McLean Falls Church Childrens Ctr.	Low Income Day Care	\$ 1,000
May 1995	N. Va. Hotline	Suicide Prevention	\$ 1,000
May 1995	County Homefind	Homeless Familites	\$ 1,000
May 1995	Hospice of N. Va,	Patient Care	\$ 1,000

30 Charities in 7 years

\$ 67,751

## **EXHIBIT B**

### **Foundation Presidents**

1971 ?	Dan Nastoff
1974	Emory Moore
1984	Al Molter
1985	Bill Burke
1992	Will Fairbanks
1993	Will Fairbanks
1994	Charles Grandy
1995	John Tharrington
1996	Tom O'Bryon
1997	Tom O'Bryon
1998	Doug Megill
1999	Doug Megill
2000	John Tharrington
2001	John Tharrington
2002	Marianne Voight

EXHIBIT C

FOUNDATION FUNDING HISTORY

<u>YEAR</u>	<u>CLUB ACTIVITY/ AMOUNT RAISED</u>	<u>H-TALK/ FINES</u>	<u>50/50</u>	<u>BILL STELL CHALLENGE</u>	<u>GIFTS</u>	<u>INTEREST EARNED</u>	<u>YEAR END BALANCE</u>
1974	Auctions/\$1,910					\$300	\$2,210
1981	Fundraiser/\$1,769					\$866	\$8,351
1982	Fundraiser/\$59					\$900	\$9,310
1983	Fundraiser/\$2,323					\$819	\$12,452
1984	Fundraiser/\$7,394					\$941	\$15,071
1985	Fundraiser/\$3,802					\$869	\$20,832
1991	Youth Awards/\$125 (net)					\$1,263	\$27,866
1992	Youth Awards/\$414 (net)					\$697	\$29,554
1993	Youth Awards/\$240 (net)					\$1,039	\$30,628
1994						\$1,530	\$32,597
1995	Yard Sale/\$2,860		\$176	\$2,860		\$1,530	\$40,974
1996	Youth Awards/\$405 (net)		\$362	\$3,200		\$1,054	\$54,230
1997		\$65			\$705	\$164	\$70,329
1998	Youth Awards/\$158 (net) British Embassy Players/\$2,475	\$278				\$138	\$86,286
1999		\$673					\$132,373
2000	Kelly Art Reception/\$7,274	\$1,342		\$4,430	\$3,520		\$206,229
2001							\$141,514
2002							\$97,734