



Chapter Assistance Program

In 1984, the Educational Foundation developed the *Chapter Assistance Program* to assist in providing educational facilities in major construction or reconstruction projects by alumni corporations for chapters. The program has been very successful for many AGR chapters through those years.

In the early '80s we were substantially in uncharted waters. With the help of Tom Lofton (an Indianapolis attorney making a practice in that arena), Touche Ross, our audit & tax firm at that time, and the body of knowledge coming from other fraternities and their IRS private letter rulings we put the program together with our first partner, Delta Chapter at Purdue. It has really worked quite well through the years.

Basically, the program works like this: 1) the Foundation opens a *fund* for the chapter into which earmarked gifts from alumni are deposited, 2) the Foundation provides fundraising and administrative support, 3) the *fund* is handled at no cost to the alumni corporation, then, when the project is completed, 4) the Foundation pays out funds to the alumni corporation consistent with the IRS tax exempt regulations in the form of a) 20% fundraising fee upon proper documentation, b) an educational grant for the portion of the overall project that is certified to be educational, c) annual operating grants to support the educational space, and d) the Board of Directors will consider an investment in the form of a loan for the remaining funds at market rates or establish an endowment.

The calculation of the fundraising fee is to multiply the total dollars raised and earmarked in the chapter fund by 20%. When the project is consummated, a check is issued for that amount to the alumni corporation.

The calculation of the educational grant is two-fold: a) multiply the total project cost by the percentage of the total square foot area that is certified to be for educational space and b) calculate the actual cost of constructing the educational space. A grant agreement is then executed between the Foundation and the Alumni Corporation secured by an unrecorded deed. The grant is funded by the total dollars raised up to the maximum of the grant.

For instructive purposes, consider this example: The alumni in response to the fundraising efforts of an alumni corporation give \$1,000,000 to their Foundation fund. The total project cost is \$1,800,000. The cost of educational facilities is \$630,000 or 35%, thus the Grant Agreement would be for a maximum of \$630,000. The initial pay-out would be as follows:

20% fundraising fee	\$200,000
Educational grant	\$630,000
Operating grants and/or a loan	\$170,000

Subsequent pay-outs will be made once each year from the additional funds donated after the completion of the project. The payments will be made on the same basis with the same percentages as the original payout. The alumni corporation could transfer any residual balance to a permanent chapter endowment fund with the investment income available for educational, scholarship and leadership activities. It is also suggested that alumni not needing a tax deduction be encouraged to direct their gifts directly to the alumni association.