



KIWANIS CLUB OF BERKELEY FOUNDATION

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The Foundation was formed to provide a “parking place” for funds left to the Club in the wills of 3 members (Marcelli, Kirby Throckmorton and Ed Herrnstein). The total (\$193,000) sitting in the bank was a cause of concern because the IRS frowns on clubs such as ours maintaining large fund balance. Large seems to mean more than one year’s operation. We were “pushing” that, but in addition another member (Gordon Whitehead) had left a sizeable gift (\$312,760) to the C-N-H District Foundation with the stipulation that it be used for scholarships to assist graduating seniors attending high schools in Berkeley, Albany and El Cerrito and that the Berkeley Kiwanis Club select the winners of those scholarships.

Handling the Whitehead scholarships was quite a chore. We had to do the selection and then be the go-between with C-N-H to get the checks written for the students. It was some problem knowing when the checks had been issued and to whom. When we discussed the idea of forming our own Foundation the District Foundation Secretary, Treasurer, President and VP all agreed that they would support transfer to us, and they did.

So, we formed our Foundation in 1998 with the purpose “to assist persons, particularly young people, through the expenditure of funds directly or by the furnishing of funds to other non-profit organizations all within the purview of Section 501c(3) of the Internal Revenue Code ...”.

The Articles of Incorporation were signed January 6, 1998 by Frisbie, Iodice, Rosano, Piercy and Leonard (the original Directors) and accepted by the Secretary of State on Mar 24 1998. The By-Laws were signed by Kiwanis Club of Berkeley President Bill Hearn and Secretary Jack Rosano. Of course, we also had those documents approved by Kiwanis International and filed them with the State of California, the IRS, etc. The original Directors served until 2004 and the officers (elected by the Directors) were President – Leonard; VP – Rosano; Sec/Treas. – Piercy. At the end of the 5 year trial period the IRS issued a final determination that the Foundation qualified as a 501(c)(3) public charity.

The Foundation has only minor expenses – copies, postage, paper and envelopes plus some annual State fees and insurance (Officer and Director which also covers the Club officers). Officers and Directors serve without pay and only receive reimbursement should they incur expenses. The Secretary/Treasurer maintains a “petty cash” fund of \$100 maximum and prepares the annual Federal and State reports.

Back when the funds were with the Kiwanis Club, the following policies were established regarding fund use:

1. The funds known as “Marcelli” would be used to promote music in the schools.
2. Our Memorial Fund (Throckmorton, miscellaneous donations, and – later – Herrnstein) would be used for academic scholarships for graduates of Berkeley high schools going on to post-secondary education/training within California.
3. We would award \$2000 individual academic scholarships.

Upon formation of the Foundation, the Directors continued the policies of the Club but added the high schools in Albany and El Cerrito to abide by the intent of the Whitehead bequest. An investment committee was formed (Davenport, Skrak, Wilson) and Club member John Asher was selected to chair the committee and serve as our broker at Morgan Stanley which also provided a checking account. The Board of Directors worked with John Asher to develop criteria for our investments and the Investment Committee attempted to follow those criteria in selecting investments. Two signatures are required on all checks, but the buy/sell instructions originated with the Investment Committee and the Foundation Directors did not enter into those decisions. The Treasurer “sat in” with the committee on occasion and provided information on cash flow.

After the negative market excursion in 2004, the Investment Committee members recommended that the Foundation change to a mutual fund base with a target mix of fund types. John Asher was able to get us accepted by Vanguard investments at a favorable fee structure (no fees) but recommended Dodge and Cox funds in addition to those of Vanguard. Vanguard Group acts as our broker and provides a no-fee checking account, but with a minimum \$250 per check; therefore a small checking account was established at the Berkeley branch of Union Bank of California.

There is no longer an active investment committee. When the Treasurer requests sales of funds to provide cash for Foundation activities (all fund dividends and interest are re-invested), or when John Asher recommends some “re-balancing”, a review of our holdings is parsed by John Asher and recommendations made for a group of sales and purchases to provide cash and balance the investments. The Treasurer brings the information to the Board which approves or disapproves the recommended actions. John Asher receives no remuneration for sales/purchases and Vanguard charges no fees. It is all accomplished by the Treasurer over the internet.

When the Whitehead scholarships came under Foundation control, it was decided to spend, more or less, the growth/income (they are not necessarily the same) with the idea of keeping the principal intact. It was also decided to add a \$10,000 scholarship, but the prior restriction that recipients had to go to a California school was not adopted. It was also specified that we would not support “overseas study”. Subsequently, The Board approved the concept that the selection committee would have latitude to vary scholarship amounts (between \$2,000 and \$12,000), not to exceed the total to be funded for award. In 2006 under Board direction, the Marcelli Fund was combined with the Memorial Fund and minimum annual support of music scholarships was set at \$1,500. Academic Scholarships are still restricted to graduates of high schools within the Cities of Berkeley, Albany, and El Cerrito. Starting with the 2012 year the Memorial Fund and Whitehead Fund were combined into the current single fund (The Fund) with the funds from the Whitehead bequest noted as restricted (to scholarships).

With the Whitehead funds came a mortgage on commercial property which carries a \$1275 monthly payment for 30 years (8% interest). At the request of the property owner we

evaluated the loan in 2002 and elected not to change the terms but did agree that we would not call the loan for another 10 years (we had the right to call the loan in 2002).

The original By-Laws specified 5 Directors, each serving 6 year terms. The Board realized that staggered director terms would be more appropriate to maintain a balance of “memory” and “new ideas” and called for an election in 2004 to change the By-Laws to stagger terms. The membership approved the change and elected 3 Directors for 4 year terms and 2 Directors for 2 year terms. In 2006, 2 Directors were elected for 4 year terms; in 2008, 3 were elected for 4 year terms; and from then on as terms expire election will be to 4 year terms.

Since inception and through 2012 the Foundation has awarded \$462,500 of scholarships and actually distributed \$383,282 in scholarships and \$78,345 in “other” grants. During 2007 two \$2,000 scholarships were unclaimed and declared forfeited as were \$461 of three other scholarships. At the end of 2012 there were \$83,486 of scholarship grants awarded but not yet paid.

The following tabulation represents the mission activity and financial balances of the Foundation by Fiscal (Calendar) Year.

FY	End of Year Mkt. Value	Scholarships & Grants	End of Year Investment Cost Basis
1998	\$329,745	\$ 225	\$237,524
1999	\$631,961	\$ 22,900	\$615,450
2000	\$627,262	\$ 29,570	\$642,624
2001	\$596,075	\$ 38,675	\$612,877
2002	\$558,285	\$ 24,459	\$602,669
2003	\$604,672	\$ 16,485	\$612,427
2004	\$645,736	\$ 17,657	\$618,692
2005	\$655,376	\$ 28,487	\$621,313
2006	\$693,792	\$ 35,392	\$622,463
2007	\$688,773	\$ 51,258	\$647,406
2008	\$547,185	\$ 33,590	\$515,988
2009	\$599,186	\$ 38,076	\$506,626
2010	\$620,022	\$ 36,563	\$622,146
2011	\$584,665	\$ 49,985	\$603,576
2012	\$617,457	\$ 38,305	\$587,483
2013		\$ 60,000 (Budgeted)	
2014		\$ 60,000 (Budgeted)	

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Current Officers and Directors, and the end of their terms are:

Duane Leonard, President	2016
Jack Rosano, Vice President	2018
John Piercy, Secy/Treas	2018
Tamara Paradis, Director	2016
Jeff Egeberg, Director	2016