

**RELATIONSHIP BETWEEN KIWANIS INTERNATIONAL
AND THE KIWANIS INTERNATIONAL FOUNDATION**

Date of Committee Meeting: April 1-2, 1989

Place of Committee Meeting: Seminar Room
International Office
Indianapolis, Indiana

Members of Special Committee: KIWANIS INTERNATIONAL:
Noris A. Lusche, (CHAIRMAN OF COMMITTEE)
International President-elect
W. Donald Goodfellow, Q.C.,
International Trustee
Kevin W. Krepinevich,
International Secretary

KIWANIS INTERNATIONAL FOUNDATION:
William A. Thacher, President
R. Tyler Bland, Jr., President-elect
L. A. "Larry" Hapgood, Trustee
James L. Sheets, Administrator

Agenda:

1. Review back-up materials and purpose of committee
2. Identify issues to resolve
3. Prepare relationship concepts
4. Clarify budget concerns
5. Define relationship of Foundation staff to International Office
6. Determine goals for next meeting

KIWANIS INTERNATIONAL
BOARD OF TRUSTEES
THINK TANK
January 25, 1989

The relationship between Kiwanis International and the Kiwanis International Foundation

No section of the Kiwanis International Constitution or section of the Kiwanis International Bylaws provide for the Kiwanis International Foundation.

Kiwanis International Policy C.5.- Kiwanis International Foundation- states:

Kiwanis International shall encourage support of the purposes and objectives of and contributions to the Kiwanis International Foundation. (5/10/83)

When the KIF was created in 1939, a set of bylaws was developed and approved by KI. For information purposes, the most recent copy of the KIF Bylaws are attached as attachment A.

The purpose of the KIF is listed under Article II of attachment A.

The KIF also has a set of procedures that guides its operation. This document is included as attachment B.

An issue that may need to be addressed is whether the KIF should be identified in the Constitution and Bylaws of KI?

The KIF staff has grown from a part-time initial employee to the current staff level of four (4) employees.

Currently, the KIF and its Board, though it acts independently, is under the supervision of the KI Board of Trustees. The KI Board approves appointments to the KIF Board.

For many years the KIF has supported specific programs or projects of KI. In recent history, grant request proposals have been developed by staff and reviewed by appropriate KI Board Committees. At the KI Board of Trustees Meeting in May, the KI Executive Committee has taken all of the grant request proposals and created a prioritized list. This list has been submitted to and approved by the KI Board.

In September, the KIF Board Committee on Grants reviews all proposals for grants, including those submitted by KI, and makes recommendations to the KIF Board for approval. When reviewing grant proposals, the KIF Board has reviewed the prioritized list supplied by the KI Board of Trustees and has granted a lump sum of money. The KI staff then utilizes the prioritized list to apply the lump sum to the individual proposals.

This has created some problems in the KI budgeting process. The KI budget and planned programs cannot be finalized until notification has been given as to the available funds from the KIF. This problem is created due to the fact that KI is dependent, or has chosen to be dependent, on the KIF for the funding of key programs. Because of this, if a program does not receive funding from the foundation, it is not likely to be implemented.

Of course, the KIF does not necessarily know until September how well the KIF will do in its fund-raising efforts for the fiscal year.

It is important to note that the funds are only set aside at that time. The funds are not actually dispersed until the program for which the grant proposal was written is completed and an accounting of the final cost of the project is submitted to the KIF.

An issue that may need to be resolved is how the process can be improved so that KI can have information earlier as to grant money that will be made available by the KIF to KI to accelerate the budget process.

The following is a history of the funding provided by the KIF for the last 6 years:

	83/84 actual	84/85 actual	85/86 actual	86/87 actual	87/88 actual	88/89 budget
KI	54,775	96,751	110,529	122,521	93,808	140,707
KEY CLUB	46,988	25,400	68,850	27,000	57,900	53,760
CIRCLE K	34,612	40,223	20,242	36,633	25,708	65,800
TOTAL	136,355	162,374	199,621	186,154	177,416	260,267

Please note that most of these grants are from the KIF unrestricted account. The KIF issues certain grants each year for specific programs or scholarships from restricted accounts.

A legal opinion has been requested as to the propriety of the KIF providing grants for certain KI proposals. The opinion supports current practices, but it appears that it does not necessarily encourage a long-term continuance of the current practice. The opinion is attachment C.

At the same time, the KIF receives a subsidy from KI for administrative costs which reduces the KIF overall administrative costs. KIF pays its employees' salaries. Items subsidized include employee benefits, building occupancy, cost allocations for services from such departments as Finance, MIS and Magazine, telephone, office supplies, and photocopy.

The following is a history of the subsidy provided by KI to the KIF for the last 5 years:

	84/85	85/86	86/87	87/88	88/89
	actual	actual	actual	actual	budget
KIF COSTS	30,382	74,547	79,507	66,089	59,843

Another group of issues that may need to be resolved are:

- Should KI request or accept grants for programs that are not clearly educational?
- With the exception of grants that are restricted for specific programs, should KI request or accept grants for programs at all?
- Should KI pay for administrative costs of the KIF, especially if grants are not being requested by KI?
- Should the KIF make grants to Key Club International that are not restricted grants?
- Should the KIF make grants to Circle K International that are not restricted grants?

Apparently the relationship between KI and the KIF in the past has not been the best it could have been. It is believed that recently the relationship has improved. This seems to be due to better communication between the two organizations and their respective staffs.

Recently, KI accepted the KIF suggestion of placing the KI Vice-Presidents on the KIF Board. This move was warmly received by members of the KIF. Steps have also been taken to assure that the current personnel policies including employee compensation has been administered for KIF employees consistent with the procedures of administration for KI employees.

It is perceived that there has never been a clear document of commitment to cooperation or explanation of the relationship between the KIF and KI. This has been brought to light by the KIF board appointing a Long-Range Planning Committee composed of Larry Hapgood (KIF Trustee), Don Williams (KIF Trustee) and Tyler Bland (KIF President-Elect) to develop suggestions for this relationship.

The suggestions were briefly discussed with Aubrey Irby (KIF Executive Director) and Kevin Krepinevich (International Secretary) for input.

Not all input was included in the final document. The KIF board reviewed and approved this document and forwarded it to KI Executive Committee at the joint meeting at the Seattle Convention. Andy Waters (KIF President) shared the document with the entire KI Board in a letter sent after the Seattle Convention.

It is believed that the purpose of the document is to begin to stimulate discussion for the development of some definitive document cementing the relationship between the two organizations. A copy of the proposed concepts regarding the relationship between KI and the KIF is attachment D.

The KIF Board further reviewed the concepts document at their September meeting and conducted a revision. The revision, which has not been previously circulated, is attachment E.

Many of the items listed on the relationship document need to be very closely studied. Much detail work may need to be done to clearly define and make each concept practical.

Many other documents have been developed pertaining to this issue including a definition of a KIF and KI relationship with districts and clubs, which seems to expand on item 5 of attachment D. However, the only "official document" seems to be what has been distributed in attachment D.

In relation to this suggestion by the KIF Board, issues that may need to be resolved are:

- Is there a need for such a document or statement of policy and procedure?
- How is non-dues revenue fund-raising affected by the statement that KIF is the fund-raising arm of KI?
- How will KIF personnel be supervised, selected, and compensated if they are to be supervised by the International Secretary?
- Should a Board committee or an ad hoc committee be assigned developing this detailed plan of cooperation?
- When is it anticipated that this would be implemented?
- There may be more issues that are not clear at this time.

In the process of developing this paper a legal opinion was requested as to the propriety of the International Secretary supervising the KIF staff. The opinion is attachment F.

Research at the Service Club Leaders Conference also revealed that most of the chief administrative officers of the foundations of those organizations served as voting members of their respective foundations.

Many discussions have occurred as to how the KIF can create an improved interest by member clubs in providing funds to the KIF. Programs or the development of a specific service concern have been discussed.

Treasurer Wil Blechman also raises another issue which requires discussion and that is:

- What should be the relationship between KI and KIF in the development of a KI community service concern or MEP that would encourage financial support by member clubs through the KIF?

Hopefully, this has touched on most of the issues before the KI Board of Trustees concerning the relationship between Kiwanis International and the Kiwanis International Foundation.

B Y L A W S

of the

KIWANIS INTERNATIONAL FOUNDATION, INC.

as amended July 1, 1988

ARTICLE 1 NAME

Section 1. The name of this organization is Kiwanis International Foundation, Inc.

ARTICLE II OBJECTS

Section 1. The objects for which the corporation is formed are:

1. To form, promote, sponsor, or assist charitable, benevolent, eleemosynary, educational, religious or scientific enterprises. The objects and purposes of the corporation are to be exclusively for charitable, benevolent, eleemosynary, educational, religious and/or scientific purposes and no part of the net earnings shall inure to the benefit of any private shareholder, individual or member;
2. To educate boys and girls in the history of and the philosophy underlying the way of life under a responsible and representative form of government;
3. To provide scholarships to needy or exceptional students;
4. To arrange for the exchange of students in educational institutions throughout the Kiwanis world, including the cost of maintenance and the transportation of the students involved in the exchange;
5. By grants to assist in the indoctrination and training of Kiwanians and members of Kiwanis sponsored affiliates to further community and eleemosynary programs and projects undertaken thereby, to the betterment of communities where these organizations exist and serve;

6. To subsidize in appropriate degrees recreational facilities for needy youth;
7. To provide financial aid in the care, treatment and rehabilitation of physically, emotionally, mentally, financially, or otherwise handicapped persons, particularly children;
8. To provide for care, treatment and rehabilitation of crippled or otherwise handicapped persons, particularly children; to furnish to such crippled or otherwise handicapped persons such aids or appliances as may be necessary or advisable to assist them in carrying on their activities;
9. To provide or assist in providing, rental housing and related facilities for elderly persons and families on a not for profit basis;
10. To assist in funding and promoting such programs sponsored by Kiwanis International, Kiwanis sponsored affiliates, and other groups which focus public attention on the needs of normal and handicapped youth;
11. To solicit and receive bequests, devises, gifts in money or property; and to administrator and expend the same, including increments therefrom for the purposes hereinabove defined.

ARTICLE III

MEMBERSHIP

Section 1. The membership of the Foundation shall be comprised of all members in good standing of chartered Kiwanis clubs of Kiwanis International, with no right to vote on any question.

ARTICLE IV

BOARD OF TRUSTEES

Section 1. The administration of the Foundation is and shall be entrusted to a Board of Trustees consisting of eleven (11) members, two of whom shall also be members of the Kiwanis International Board of Trustees, ex-officio, one of whom shall be the Immediate Past President of the Kiwanis International Foundation, and eight of whom shall be chosen and appointed by the Board of Trustees of Kiwanis International from candidates selected by it, or nominated by the Board of Trustees of the Foundation. Each trustee shall be entitled to one vote on each question to come before the Board of Trustees of this Foundation.

Section 2.(a) Each of the eight trustees so chosen may serve no more than two consecutive three-year terms. (b) After the expiration of one year, a former trustee may be nominated to return to the Board as herein prescribed.

Section 3. Meetings. (a) The annual meeting of the trustees shall be held in conjunction with the Kiwanis International Convention. (b) In addition to the annual meeting prescribed herein, the Board of Trustees may hold such additional meetings as may be announced by the President or upon written request of four (4) members of the Board. (c) No less than two meetings per year shall be held.

Section 4. Notice of Meetings. The Secretary-Treasurer shall mail to each member of the Board of Trustees not less than ten (10) days prior to any meeting a notice of the place, day, and hour of said meeting. Any member of the Board of Trustees may waive notice of any meeting; and attendance of such member at any meeting shall constitute a waiver of notice of such meeting.

Section 5. Business by Mail. The Board of Trustees may, without meeting together, transact business by mail by voting upon proposed resolutions mailed to them by the Secretary-Treasurer or his designate with the approval of the President. Such vote shall be executed in writing by each member of the Board of Trustees. If within twenty (20) days after the mailing of the proposed resolution or resolutions, said resolution or resolutions shall be deemed to have carried. Otherwise, they shall fail. No such new affirmative action shall go into effect for ten (10) days after the Secretary-Treasurer or his designate shall have sent to each Trustee a report of the Tabulated result of such vote.

Section 6. Powers and Authority. The Board of Trustees shall define the policies and shall have full administrative authority in all matters. In addition to the powers and authority expressly conferred upon it by these Bylaws, it shall have the right, power and authority to exercise all such powers and do all such acts and things as may be exercised or done by corporations not for profit organized under applicable laws, but subject nevertheless to such statutes, the provisions of the Articles of Incorporation, and these Bylaws.

Section 7. Vacancies. If the office of any member or his designate of the Board of Trustees of the Foundation becomes vacant by reason of death, resignation, disqualification or inability or neglect to act, the Foundation Board shall fill such vacancy for the unexpired term, except in the case of a vacancy of an ex-officio member.

ARTICLE V

EXECUTIVE COMMITTEE

Section 1. There shall be created and maintained an Executive Committee of six (6) Board members which shall exercise such administrative authority as may be delegated to it by the Foundation Board.

This Committee shall consist of the President, the Immediate Past President, President-elect, Secretary-Treasurer of the Foundation and the two ex-officio members of the Kiwanis International Board.

In the event any designated Executive Committee member is unable to attend any meeting of the Executive Committee, the President of Kiwanis International Foundation shall appoint any other member of the Kiwanis International Foundation Board to serve as alternate for the meeting called.

Section 2. Meeting. The Executive Committee shall meet at the call of the President, or upon the written request of two (2) members of the Committee. Notice of such meeting shall be sent by the Secretary-Treasurer or his designate not later than ten (10) days prior to the date of the meeting and a copy of said notice shall be sent to each member of the Board of Trustees.

ARTICLE VI

OFFICERS

Section 1. Each officer shall be a member of the Board of Trustees of Kiwanis International Foundation.

Section 2. The officers shall be a President, Immediate Past President, President-elect and Secretary-Treasurer.

Section 3. All officers, except the Immediate Past President, shall be elected by the Board of Trustees at its annual meeting and shall serve for a term of one (1) year beginning on the first day of October next following.

Section 4. All officers except the Secretary-Treasurer shall serve without compensation. The Secretary-Treasurer shall be paid one dollar (\$1.00) per annum for his services.

Section 5. Any officer elected by the Board of Trustees may be removed at any time by the affirmative vote of a majority of the full Board of Trustees whenever in its judgement the best interests of the Foundation will be served thereby.

Section 6. There may be an Assistant Secretary-Treasurer and such other officers, assistants and employees as may be appointed or employed by the Board of Trustees. Such assistant officers and employees need not be members of the Kiwanis International Foundation.

Section 7. Vacancies. In the event of the death, resignation, removal, disqualification or otherwise of an officer-designate, the Board of Trustees of this Foundation shall elect his replacement.

ARTICLE VII

POWERS AND DUTIES OF OFFICERS

Section 1. The President. The President shall be the chief executive officer of the corporation. He shall preside at all meetings of the Board of Trustees. He shall have general supervision and direction and active management of the business and affairs of the corporation. He shall see that all orders or resolutions of the Board of Trustees are carried into effect. He shall execute all contracts, deeds, bonds or other instruments authorized by the Board of Trustees. He shall have the general power of supervision and management usually vested in the office of a president of a corporation not for profit under applicable laws.

Section 2. President-elect. In the absence or in case of the inability of the President to act, the President-elect shall have all of the powers and shall perform all of the duties of the President. The President-elect shall also perform such other duties and have such other powers as may be prescribed by the Board of Trustees.

Section 3. Secretary-Treasurer. The Secretary-Treasurer or his designate shall receive all funds paid to the Foundation and shall deposit same in the official depository or depositories designated by the Board of Trustees and shall disburse the same by order of said Trustees. His accounts and books shall at all times be open to the inspection of the President, the Board of Trustees, and any auditor named by the Board of Trustees. He shall make a report at the close of each fiscal year and at such other times as the President or the Board of Trustees, may require. He shall give bond for the faithful discharge of his duties in such sum and with such securities as are required by the Board of Trustees.

The Secretary-Treasurer or his designate shall keep the records of the Foundation under the supervision of the President and the Board of Trustees, including the permanent record of all minutes of meetings of the Board of Trustees and of the Executive Committee which minutes shall be signed by him as Secretary-Treasurer. He shall have charge of the corporate seal and such additional books and papers as the Board of Trustees may direct. He shall, in general, perform all such duties as are incident to the office of a Secretary-Treasurer of a corporation not for profit under applicable laws.

Section 4. Assistant Officers, Agents and Employees. The Board of Trustees shall appoint such assistant officers, agents and employees as it shall deem necessary and shall determine the compensation and conditions of employment of any and all such assistant officers, agents and employees.

ARTICLE VIII

COMMITTEES

Section 1. Committee of Finance. The President, by and with the consent of the Board of Trustees, shall appoint a Committee on Finance of the Board of Trustees, and shall designate the chairman thereof. The Committee on Finance shall perform such administrative duties as may be defined by the Board of Trustees.

Section 2. Special Committees. Special committees may be appointed by the President, by and with the consent of the Board of Trustees, whenever authorized by the Board of Trustees, which shall perform such duties as may be authorized by the Board of Trustees in the creation.

ARTICLE IX

INVESTMENT OF FUNDS

Section 1. The Board of Trustees shall invest or direct the investment of the funds of the Foundation in any investment form authorized by the State which has issued a corporate charter or authorization to do business therein to the Foundation for the investment or trust funds with power to vary and transpose the same or any part thereof from time to time within the legally prescribed limits; provided, however, that the Board of Trustees may retain any investments in the form received thereby for whichever period of time deemed advisable.

ARTICLE X

FISCAL YEAR

Section 1. The fiscal and business year of the corporation shall commence on the first day of October of each year and terminate on the following thirtieth day of September.

ARTICLE XI

RULES OF ORDER

Except where specifically covered herein, Roberts Rules of Order shall be the authority for parliamentary questions raised.

ARTICLE XII

AMENDMENTS

Section 1. Any amendment to these Bylaws may be adopted by a majority vote of the members of the Board of Trustees present at any meeting thereof, provided, written notice of the proposed amendment shall have been given at least ten (10) days prior to the meeting.

ARTICLE XIII

EFFECTIVE DATE

These Bylaws shall be in effect from and after the 1st day of July, 1988.

KIWANIS INTERNATIONAL FOUNDATION

BOARD POLICIES

as amended September 27, 1988

PREFACE

The activities of the Kiwanis International Foundation should be governed by the provisions of its Bylaws duly adopted and as amended from time to time in compliance with and pursuant to the provisions of Article XII, Section 1 of said Bylaws.

These Board Policies are not intended to nor do they supplant or diminish basic authority as set forth by the Bylaws.

It is the purpose of these Board Policies to provide functional guidelines and definitions of policies used to implement the Bylaws on a basis more readily adaptable to current needs and demands.

EXECUTIVE COMMITTEE

As provided, the Executive Committee shall be comprised of the President, Immediate Past President, President-elect and Secretary-Treasurer, of the Foundation, and the two ex-officio members of the Kiwanis International Board.

The Executive Committee shall be and is empowered to meet as a body or by telephone to transact such business as has been previously approved by the Board of the Foundation, inter alia but not limited to the authorization to make Board approved and continuing grants to Board named organizations. Business transacted by telephone shall be properly documented and ratified at the next meeting of the Board. Such review shall become a part of the official Minutes.

Emergency grants may be made by the Executive Committee in amounts not exceeding \$2,000.00 without prior Board approval. Grants requested in excess of \$2,000.00 may be honored only upon approval of seven (7) members of the Board, either by written ballot or by telephone.

Grants which provide for the full production and duplication cost of training, promotional or educational material shall be made on a non-income producing basis. No product so produced may be sold, nor may any contribution be solicited (except to cover reasonable postage and handling costs) in exchange for such material.

EXPENSES

For attendance at Board meetings or other authorized assignments, the members of the Board of Trustees of the Kiwanis International Foundation and its salaried personnel shall be entitled to a per diem allowance of \$35.00 per day, air travel at tourist rate, which includes wife at International Convention only, or automobile travel at \$.20 per mile (not to exceed the cost of air coach transportation between the same points), parking, taxi, bus fare, and tips. The cost of a hotel room, including tax, will be reimbursed, which includes wife at International Convention only, as well as laundry, telephone charges, and tips.

Trustees-select will be invited to attend the annual Board meeting of the Kiwanis International Foundation at the International Convention as an observer without reimbursement of expenses.

When meals are provided by the Foundation, alcoholic beverages shall not be included as a Foundation expense.

FINANCE

Money received by the Kiwanis International Foundation shall be deposited in specifically designated financial institutions in Indianapolis or environs and in foreign countries if necessary. The designation shall be made by the Board by appropriate resolution and implemented by the Executive Committee with the duly designed signatures as required.

A change of depository previously named may be made by the Executive Committee when conditions indicate a change is necessary in order to fully protect the assets of the Foundation or to more economically and efficiently serve the purposes of the Foundation.

Further, the Director of Finance of Kiwanis International is an authorized signatory of this Foundation for the purpose of making investments. Such investments shall be approved at each meeting of the Board.

OPERATIONS POLICIES

The Kiwanis International Foundation shall function as follows:

- a. Through meetings of the Board as a whole;
- b. Through authorized and delegated authority to its Executive Committee;
- c. Through Board Committees, standing and special;
- d. Through members of the Board acting as counselors or liaison with Kiwanis districts and Kiwanis International Foundation District Chairmen;
- e. Through Kiwanis International Foundation District Chairmen.

KIWANIS INTERNATIONAL FOUNDATION DISTRICT CHAIRMEN

The Kiwanis District Governor-designate shall appoint at least one Kiwanis International Foundation coordinator for his district and said coordinator shall be a District Committee Chairman.

It shall be the duty and responsibility of each chairman to stimulate interest in and the support the services rendered by Kiwanis International Foundation in his district; to keep all Kiwanians in his district informed of the programs, projects and undertakings of the Kiwanis International Foundation; and to promote the financial support required; to assist the Kiwanis International Foundation Board in the promotion and development of sources of additional gifts, grants and devises to the Foundation through tax counselors and estate planners; to foster healthy competition between Kiwanis districts in providing the necessary financial support to the Foundation and its programs.

APPROVAL OF FOUNDATION GRANTS

1. Grants made by Kiwanis International Foundation must conform to the Objects and Purposes prescribed in its Bylaws in Article II, Section 1.
2. Service projects which relate to the ideals and objectives of Kiwanis International or Kiwanis sponsored affiliates will be accorded top priority.
3. Other projects of national or international scope, deemed applicable to all Kiwanis clubs and districts, may be considered for support. Local or regional projects are primarily regarded as the prerogative of club or district foundations.
4. The deadline for receipt of grant requests for the fiscal year (October 1st to September 30th) must be no later than August 15th in the previous fiscal year. The Executive Committee is empowered to approve the submission of late grant requests to the Board for their consideration.
5. Non-profit organizations must be qualified by the U.S. Internal Revenue Service for tax exemption and have proper liability insurance to indemnify the Kiwanis International Foundation.
6. The name of the Kiwanis International Foundation should be clearly identified on all projects approved for a grant.
7. Commitments of more than one year can only be made subject to annual review by the Board of Trustees.
8. Notification of the decision of the Foundation Board will be mailed no later than November 30th. Please do not contact the Foundation.
9. The recipient organization of an approved grant may spend up to and including the specified amount, for the sole purpose of the project for which the amount was requested and will receive up to the approved amount after submitting copies of paid invoices to the Administrator of the Foundation, or may request that the Foundation pay the vendor invoices directly.
10. Grant recipients must submit to the Foundation a six-month and one year report on the project.
11. The decision of the Foundation Board of Trustees is final.

DIVISIONS: KIWANIS DISTRICT

OF

AUSTRIA-GERMANY

with Lt. Governors and Clubs of each District

AUS-EAST Lt. Gov: Ernst Trybus

K07846 Baden

K10469 Moedling-Wienerwald

K12242 Triestingal

K07859 Wien (Vienna)

K11677 Wien Central

K08706 Wien-Schonbrunn

K07857 Wachau

AUS-NORTH Lt. Governor: Rudolf Moser

K12600 Eferding

K11678 Grieskirchen-Hausruckkreis

K10682 Leonding

K07852 Linz

K11153 Linz-Kepler

K12400 Muhlviertel

K12601 Ried Im Innkreis

K11654 Steyr

K07856 Voecklabruck

K07858 Wels

K11930 Wels-Maximilian

AUS-SALZBURG Lt. Governor: Dr. Hans Wabnig

K07849 Hallein

K10837 Lungau

K11972 Mattighofen

K07854 Salzburg

K07855 Salzburg-Paracelsus

K10958 Salzburg-Rupertus

K09405 St. Johann Im Pongau

K08329 Zell Am See

GER-RHEIN-NECKAR Lt. Governor: Dieter Kalbhenn

K11606 Frankenthal

K07961 Mannheim-Ludwigshafen

K10124 Gruenstadt-Leiningerland

K10909 Regensburg, Deutschland

K09577 Heidelberg

K12486 Stuttgart

K11770 Kronach-Frankenwald

K09032 Weinstrasse

K07959 Mannheim-Kurpfalz

*Please note: Germany South is divided into two divisions, with two numbers, two names, & two Lt. Governors.

*GER-SOUTH

DIVISION #27 "Bayern Sud" or Bavaria South Lt. Governor: Klaus Gfroereis

K07945 Augsburg

K07963 Muenchen (Munich)

K10097 Augsburg-Fuggerstadt

K10035 Murnau-Pfaffenwinkel

K12453 Bad Aibling

K12404 Ries Nordlingen

K07954 Garnish-Partenkirchen

K10884 Southofen-Illertal

DIVISION #2.10 (not 30) "Bayern Nord" or Bavaria North Lt. Governor: Reiner Witzgall

K12249 Bamberg

K11977 Nuernberg

K12450 Coburg

K10909 Regensburg, Deutschland

K11770 Kronach-Frankenwald

GER-SAAR-PFALZ Lt. Governor: Alfons Markenstein

K11482 Saarbrucken

K09820 Saar-Pfalz-Homburg

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317-484-8000

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WASHINGTON, D.C. 20036
202-785-1564

THOMAS M. LOFTON

Copy
For Your Information

November 22, 1988

Mr. James L. Sheets
Administrator
Kiwanis International Foundation
3636 Woodview Trace
Indianapolis, Indiana 46268

Re: Funding of Kiwanis International's
Reference Guide

Dear Mr. Sheets:

You recently asked for our opinion whether Kiwanis International Foundation ("Foundation") may pay for the publication of a Reference Guide ("Guide") for the district governors and secretaries of Kiwanis International ("Kiwanis"). The Guide is a comprehensive manual explaining the programs, rules, and procedures to be followed by the governor and secretary of each of Kiwanis' 45 districts here and abroad.

The Guide includes eighteen principal sections:

1. District Governor - presenting a general review of a district governor's responsibilities as a Kiwanis official;
2. The District and International - describing Kiwanis' administrative structure and procedures;

3. Awards Programs - describing the awards available to Kiwanis' governors, lieutenant governors, club officers, and others; and the criteria for receiving such awards;
4. Education and Training - discussing the responsibility for teaching various Kiwanis officials their duties within the organization;
5. Growth and Retention - providing statistics regarding the number of Kiwanis clubs and members;
6. New Club Building - describing ways to attract and form new Kiwanis clubs;
7. Public Relations - outlining public relations activities to promote Kiwanis;
8. Service Programs - defining the responsibilities of each district governor and other Kiwanis officials with respect to several important service programs, including the Kiwanis Friendship Program, Farm-City Week, Worldwide Kiwanis Week, Canada-US Goodwill Week, Kiwanis Prayer Week, Family Day, and Kiwanis Kids Day, and providing suggestions as to other service activities, such as drug and alcohol abuse programs and remedial education assistance;
9. Sponsored Youth - instructing district governors about monthly activities and general policies regarding youth development, Circle K and Key Clubs, and Builders Clubs;
10. Bylaws - providing standard forms of bylaws for a district and for a local Kiwanis club;
11. Insurance - summarizing the insurance available to Kiwanis districts, divisions, and clubs;
12. International Foundation - describing the purpose and programs of the Foundation and reviewing a district governor's responsibilities toward the Foundation;
13. Reports - explaining forms and providing samples of various reports to Kiwanis from district governors, lieutenant governors,

and member clubs;

14. District Secretary - describing the recordkeeping, reporting, and other responsibilities of a district secretary, including those regarding the collection of dues;
15. Lieutenant Governor - detailing the duties of a district lieutenant governor, including planning calendars and instruction about goal setting and leadership;
16. Club President - providing guidance for club presidents regarding the structure and operation of Kiwanis clubs;
17. International Leadership - identifying Kiwanis' officers, directors, counselors, and other personnel, and outlining the responsibilities of various Kiwanis committees; and
18. Additional Information - listing resource materials available from Kiwanis, describing the Kiwanis magazine, identifying the original member clubs in 70 countries, explaining rules of parliamentary procedure, and describing roles and responsibilities pertaining to the Kiwanianne Club Program.

The Guide, of course, touches upon many related topics not specifically mentioned above.

The question of whether the Foundation may pay for publication of the Guide is both challenging and complex. As you know, the Foundation is an Illinois not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986 ("Code"). It is a public charity (i.e., it is not subject to the excise taxes and restrictions placed upon a private foundation) by virtue of Code section 509(a)(3). The Foundation achieved and maintains its public charity status because it is organized and operated

exclusively for the benefit of, to perform the functions of, or to carry out the charitable, educational, and similar purposes of Kiwanis and because it is controlled by Kiwanis within the meaning of Treasury Regulations section 1.509(a)-4(g).

Kiwanis is exempt from federal income taxes under Code section 501(c)(4), which describes civic leagues and social welfare organizations. The line between a Code section 501(c)(4) organization and a Code section 501(c)(3) public charity is not well defined; both do many things that are commonly viewed as charitable or philanthropic. Nonetheless, because Kiwanis is not a charity under Code section 501(c)(3), the Foundation can only support those programs and activities of Kiwanis that further purposes described in Code section 170(c)(2)(B), i.e., religious, charitable, scientific, literary, educational, and similar purposes. See Treasury Regulations section 1.509(a)-4(c)(2). The question thus is whether the Foundation's payment of the costs of producing the Guide is for one or more of those Code section 170(c)(2)(B) purposes.

Our review of the Guide reveals that it is in large part a procedural document; it informs Kiwanis' officials about the structure, resources, policies, and goals of the organization. Although the Guide is informative, it is probably not educational within the meaning of Code section 170(c)(2)(B). Several sections of the Guide, however, relate specifically to the "charitable" programs of both the Foundation and Kiwanis, as that term is used in Code section 170(c)(2)(B). For example, the sections designated Service Programs, Sponsored Youth, and

International Foundation clearly provide information and guidance regarding charitable programs and activities. In our view, the Foundation's payment of the cost of producing these segregable portions of the Guide unquestionably furthers Code section 170(c)(2)(B) purposes and is a proper Foundation disbursement.

Our opinion in this regard is bolstered by a conversation we had with Edwin Brown, an attorney in the Exempt Organizations Division of the Internal Revenue Service ("Service") in Washington, D.C. We spoke with Mr. Brown to investigate whether the Service's recent reluctance to segregate magazines distributed to national fraternity members into "exempt" (i.e., charitable and educational) and "non-exempt" segments for purposes of the unique charitable set-aside rules governing Code section 501(c)(7) organizations would also be applied to Code section 501(c)(4) publications. The Service refuses to approve fraternities' use of set-aside funds dedicated to educational purposes for the payment of the cost of publishing educational portions of the fraternities' magazines. See Technical Advice Memoranda 8728002 (December 16, 1986) and 8616003 (October 31, 1985).

Mr. Brown observed, we think correctly, that the all-or-nothing approach has not been applied outside the Code section 501(c)(7) charitable set-aside context and that the Service would likely apply different standards to grants from a public charity (like the Foundation) to a Code section 501(c)(4) organization (like Kiwanis). Thus, the Foundation's continued

funding of the demonstrably charitable portions of the Guide appears beyond criticism. (Neither Kiwanis nor the Foundation was identified in our discussion with Mr. Brown.)

With respect to the remaining procedural segments of the Guide, the propriety of the Foundation's support is particularly intriguing. The Foundation's payment of the costs of producing procedural guidelines for Kiwanis may not further Code section 170(c)(2)(B) purposes unless the procedures govern programs and activities that further such purposes. Because the Guide concerns all aspects of Kiwanis, it follows that the activities and programs of Kiwanis and each of its constituent parts (including its member clubs) must be considered to decide this question.

Based upon our discussions with you and John Johnson and our review of the materials you provided, we believe that Kiwanis' activities and programs, as a whole, are "charitable" as that term is used in the Code. The focus of the organization is to gather members to provide service to communities, families, and individuals around the world. Member clubs maintain administrative funds to provide for meeting expenses, gatherings, meals, and celebrations, and Kiwanis conducts national and international conventions, but these facts do not make its activities and programs less charitable. Churches sponsor socials and fellowships; museums organize ceremonies to recognize their members and contributors; universities entertain distinguished alumni, faculty, and donors. These activities do not defeat the charitable status of such organizations. In

short, we believe the social aspects of Kiwanis are merely incidental to its charitable goals.

The Service might dispute this conclusion for financial, as well as legal, reasons. Defining all of Kiwanis' activities and programs as charitable leads to the conclusion that Kiwanis is really a Code section 501(c)(3) charity, rather than a Code section 501(c)(4) social welfare organization. If the Service reclassified Kiwanis, it would mean that Kiwanians could deduct for income tax purposes much of the dues they pay, and that every contributor to Kiwanis could deduct his or her gift. In addition, other service organizations could be expected to follow suit, and the aggregate loss of revenue to the government could be significant. Nonetheless, in our view, the Foundation is justified in paying for the publication of the Guide, both as a substantive and a procedural document. As a practical and business matter, however, the Foundation must decide whether to accept the risk that the Service may disagree with that view and attempt to impose sanctions against the Foundation. While the Foundation might be criticized by the Service, it would be shocking if the Foundation's exempt status was revoked, which is the only plausible remedy available to the Service.

In short, we find support for the Foundation's past activities and for its continued funding of the entire Guide. There is some risk that the Service will dispute that support, however. The Foundation can reduce such risk by limiting its

Mr. James L. Sheets

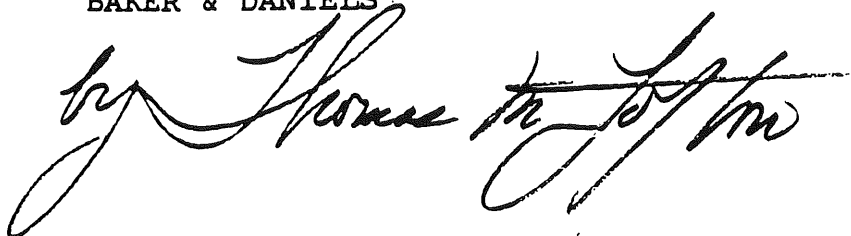
-8-

November 22, 1988

future funding to those demonstrably charitable segments of the
Guide

Sincerely yours,

BAKER & DANIELS

A handwritten signature in cursive script, appearing to read "Thomas M. Baker". The signature is written in dark ink and is positioned below the typed name "BAKER & DANIELS".

TML/dh



August 22, 1988

To: Board of Trustees
Kiwanis International

Gentlemen:

During the recent joint executive committee meeting of the Kiwanis International and Kiwanis International Foundation Board of Trustees, we were asked to submit the following prior to your fall Board Meeting.

Concepts Regarding the Relationship Between Kiwanis International and the Kiwanis International Foundation. These concepts were developed by the KIF Board of Trustees, which includes the two ex-officio members from your Board.

You may wish to submit your concepts or you may wish to modify, delete or add to, at your discretion. We solicit your input.

Effective October 1, 1988, Aubrey Irby has resigned as Executive Director of the KIF. He was recruited by the KIF to overcome an impasse between the KIF and KI due to the personality conflict of the top administrator in both organizations. We now enjoy the greatest relationship ever and Aubrey's mission is completed. We shall be eternally grateful.

Our KIF Board feels that the top administrator of KI should give overall supervision to everyone working in the office. Therefore concept #7-12 is in the form of a recommendation for your consideration and action, if any.

Currently the KIF Board members are elected by you for a two year term, with the option of re-election for another two year term. We feel that this raises the possibility of having to choose our officers-elect before they have had sufficient time to prove their leadership ability. For instance, we must choose our President-Elect prior to his having served two full years.

PRESIDENT

A.M. "ANDY" WATERS
1366 Skyview Circle
Hide-A-Way Lake
Lindale, TX 75771

PRESIDENT-ELECT

WM. A. "BILL" THACHER
8645 E. Henderson Trail
Inverness, FL 32650

IMMEDIATE PAST PRESIDENT

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EXECUTIVE DIRECTOR

AUBREY E. IRBY

ADMINISTRATOR

JAMES L. SHEETS



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JAMES L. SHEETS

We recommend that you approve a change in the term of KIF Board members from a two year term to a three year term, with the option of re-election to another three year term. We feel the additional time will make us a stronger organization.

If you approve the change in terms we would like to recommend that one year be added to the current two year terms of Ted Osborne and Donald Williams.

In case anyone would like to discuss any of these concepts and recommendations we shall be meeting at the Holiday Inn, Indianapolis, September 27-28, 1988. Please contact our President Designate, Bill Thacher.

Respectfully submitted,

A. M. Waters

CC: Board of Trustees
Kiwanis International Foundation

Enclosure, CONCEPTS

Concepts Regarding the Relationship

Between Kiwanis International and the Kiwanis International Foundation

1. Kiwanis International and the Kiwanis International Foundation, although separately constituted, are closely alligned by Bylaw and Policy provisions and full cooperation between the two organizations is necessary for total success.
2. It is the intent of the Kiwanis International Foundation to actively support the goals and objectives of Kiwanis International and to establish projects compatible with the objectives of Kiwanis International to enhance its fundraising ability.
3. No change is anticipated in the manner in which the members of the Kiwanis International Foundation Board are selected.
4. The on-going success of Kiwanis International and the Kiwanis International Foundation relationship depends upon the complete understanding on the part of both organizations of the implications of the IRS designations as 501(c) (4) and 501(c) (3) organizations.
5. Since each Kiwanian is a member of the Kiwanis International Foundation, it becomes necessary that there be a joint effort on the part of Kiwanis International and the Kiwanis International Foundation to promote an understanding of this fact.
6. To assist in the furtherance of the agreed upon objectives, Kiwanis International should continue its current practice of having its Executive Committee meet with the Executive Committee of the Kiwanis International Foundation at least once each year.
7. It is the desire of the Kiwanis International Foundation to have its administrative office in the International Office of Kiwanis International and to have the International Secretary give supervision to the employees of the Foundation.
8. It is the desire of the Foundation to have all services of the International Office available as needed.
9. The Kiwanis International Foundation will endeavor to schedule its planning and budgeting procedures to coincide with those of Kiwanis International.
10. It is the desire of the Kiwanis International Foundation to determine how the costs of its portion of the International Office operations are to be handled.
11. It is the desire of the Kiwanis International Foundation Board to work closely with the International Secretary in all matters related to his supervisory responsibilities.
12. The Kiwanis International Foundation Board suggests that the International Secretary, in making his reports to the Kiwanis International Board whether written or oral, comment on the current status of the Foundation and its promotional efforts.

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7. It is the desire of the Kiwanis International Foundation to have its administrative office in the Kiwanis International Office Building and to have its office operations be properly coordinated with Kiwanis International office functions.
8. It is the desire of the Foundation to have all services of the International Office available as needed.
9. The Kiwanis International Foundation will endeavor to schedule its planning and budgeting procedures to coincide with those of Kiwanis International.
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THOMAS M. LOFTON

September 22, 1988

Mr. James L. Sheets
Administrator
Kiwanis International Foundation
3636 Woodview Trace
Indianapolis, IN 46268

Dear Jim:

You have requested our opinion on the following two issues regarding the relationship and operations of Kiwanis International and Kiwanis International Foundation: First, may the Foundation's staff properly be supervised by the Kiwanis International Secretary? Second, may the Foundation pay the cost of preparing and publishing the Kiwanis District Governors and Secretaries Reference Guide?

The answer to the first question is yes. As long as each of International and the Foundation complies with the legal requirements applicable to it (i.e., the requirements of Internal Revenue Code section 501(c)(4) as regards International and section 501(c)(3) as respects the Foundation), there is no prohibition against one or more persons associated with either organization being involved in any capacity with the other organization. Separation of activities, resources and accounting records is mandatory, but one or more persons may serve either or both organizations. A suitable allocation of such persons' expenses (for example, their compensation) between the two organizations is necessary. Thus, if a person works 25% of the time for the Foundation and 75% of the time for International, the cost of his compensation and benefits should be similarly allocated.

On September 19, 1988, you delivered the Reference Guide and related documents to me. The magnitude of these materials and my immediate duties prevent me from replying to the second question this week, but I will begin my examination and provide my views as soon as possible. Thank you for your patience.

Sincerely yours,



TML/jf

**RELATIONSHIP BETWEEN KIWANIS INTERNATIONAL
AND THE KIWANIS INTERNATIONAL FOUNDATION**

A Think Tank was held at the International Office on Wednesday, January 25, from 8:30 a.m.-12:00 p.m. in the Board Room. All members of the Board of Trustees except Arthur D. Swanberg were present. The KI Foundation was represented by William A. Thacher, R. Tyler Bland, and James L. Sheets.

The subject of the Think Tank was "The Relationship between Kiwanis International and the Kiwanis International Foundation.

The following is an edited transcript of the discussion:

**QUESTION: SHOULD THE KI FOUNDATION BE IDENTIFIED IN THE
KI CONSTITUTION AND BYLAWS?**

KAISER: I do not believe it is essential.

BLECHMAN: I do not believe it is essential, but I believe it would be good from a public relations standpoint to do so. The more it can be seen, the less likely we will have problems getting people to participate in the Foundation.

THACHER: I agree with Wil that it would give us more recognition. Rotary has it included in their Bylaws. I think it would be good for the future to spell out what we should be doing.

OVERHOLT: As I understand it, the Foundation is a separate corporation. Key Club and Circle K are separate corporations. Do we mention them; I think so.

MCCURLEY: I would like to ask our CPA. Wouldn't it be an advantage not to as far as keeping the tax exempt status? You would not want to tie them too close together for it might pierce the corporate veil and would appear as an arm.

WALES: That is true. I would assume the Foundation is a 501(c)(3). Kiwanis is a 501(c)(4). I don't personally see the need to spell it out. I think Bob McCurley has a good point since it is a tax exempt organization that is defined in the charitable arena where Kiwanis is not. The government sometimes does strange things and would possibly try to say that this is a co-mingling of funds that we are diverting through the Foundation in order to get tax deductibility.

KAISER: I think we should remember if we put it in the Constitution and Bylaws, every time we want to change something we have to go to the delegates and get a two-thirds vote. The more we say about it, the more items we cover, the more likely we might want to adjust them.

LUSCHE: If we include KIF in our Constitution and Bylaws, then ours is supreme to theirs.

OVERHOLT: Do we recognize them as a branch of our organization if they are not mentioned?

THACHER: I do not believe so.

WALES: It seems to me that we have two distinct and separate organizations and have had since the inception of the Foundation. I would submit that we need to continue to have because if we do not, there is no purpose for the Foundation Board. Since the KI Foundation is tax exempt, we need to continue to have that. The only connection right now is that we have two members of the KI Board of Trustees who are ex-officio members of the KIF Board. Everything else is completely separate. We do have a commonality in housing and staff in the sense that they are in the same place.

KREPINEVICH: There is no reference to Key Club or Circle K in the Constitution and Bylaws. There is a section on both in the Policies and Procedures of Kiwanis International saying that we oversee what they do and approve Constitutional amendments.

The only reference to the Foundation is that Kiwanis International will encourage contributions to the Foundation. Maybe there should be something in Policies and Procedures with just general concerns.

BLECHMAN: The KIF Bylaws are loaded with references to their relationship to KI. Their Bylaws state that the membership of the Foundation shall be comprised of all members in good standing of chartered Kiwanis clubs of Kiwanis International. It may not go one way, but it goes the other way. So you already have a relationship established in their Bylaws.

WALES: You can be a member of an organization in order to have membership in another organization, but the governing boards have to be separate.

BLECHMAN: But the KI Board appoints to and approves the rest of the KIF Board, and that is in their Bylaws also.

WALES: But that is all we do -- appointments. Once they are appointed, they are independent.

LIEBER: KI Bylaws, Article IV, Section 2 talks about membership marks owned by KI including Key Club, Circle K.

MCCURLEY: This issue was raised by Dick Leahy in his letter that you have dealing with the auxiliary. It says, "There shall be no auxiliary bodies created or organized within this organization." That is even in the Bylaws. That issue should be looked at.

I understand that the reason we have a Foundation is for the tax exempt purpose. If we tinker around, perhaps we could lose our tax exempt status. That is one of the things IRS looks at. Are there interlocking Boards to where one is just a sham corporation? I think we need to be very careful if we do anything with it.

KAISER: I think we should be discussing two things: (1) whether it is legally necessary and (2) whether it is desirable. On the first point I feel perhaps we should get outside counsel as to whether it is legally necessary or not and then secondarily we could continue discussion as to whether we think it should be desirable for some reason other than the legalities. If we are going to do anything in the Constitution about the Foundation, it should be very brief,

perhaps nothing more than recognizing that it exists with the Board having the power to create it and maybe saying that its Bylaws are subject to the approval of the KI Board. It should be very brief so that the likelihood of having to go to the delegates is slight.

THACHER: Rotary has a long section on their foundation. They go into detail. Of course, the Rotary Foundation is much different from our Foundation. On the Rotary Foundation Board they insist on six past presidents being on the Board, and the Executive Secretary runs the Foundation. They do have trustees on the Board, but the Trustees elect not a president but an administrator. He is controlled more or less by the Executive Secretary of Rotary International. This is all spelled out. In Tom Lofton's letter he points out that the Foundation is still an Illinois corporation. The Foundation was advised vehemently to separate from the KI Board when they were both in Illinois. If you read Tom's letter, he says just the opposite; he is trying to bring the KI and KIF boards closer together all the time. I cannot see his reasoning. I wonder if the state laws are different in Illinois because we are still controlled by those.

BLAND: Rotary has no foundation for clubs and districts.

OVERHOLT: Does the KI Board feel if something went drastically wrong with the KIF Board, that we have complete authority over the KIF Board even though we do not recognize it in our Constitution and Bylaws?

BLECHMAN: Indirectly we do by approving additional members.

LUSCHE: I think history may have proven that very thing because in the past there was a polarization and each went their separate ways.

MILES: The risk of having some divergence exists but that is not all bad. In fact, it is substantially good from a fact standpoint. I think it is very interesting to refer to Tom Lofton's page 7. The entire main paragraph of that page is directed to a disclaimer on his part. The risk that he talks about even though it would be astounding to him has occurred. We can't run the risk of non-deductibility because that is a major factor in major gifts. We find it illustrated in Canada where you see less than enthusiastic giving in larger amounts. I would think where a link is unnecessary it should be avoided.

WALES: It seems to me the gist of his letter is directed toward publishing the Reference Guide. "I think the Reference Guide has a lot of merit to do two things. (1) it gives governors and secretaries a handy reference that they probably don't have at this point and (2) if it were shown as being published by the Foundation, it would give the Foundation some additional visibility at the club level that it probably does not now have."

I have had a concern for some time that we have not done an effective job of publicizing the Foundation at the club level. At International and district we do a fair job. Clubs do not really have any concept of what the Foundation does other than once a year we pass the hat and ask for a \$2 birthday contribution.

LUSCHE: Is not the real threat as far as the IRS is concerned the fact that they don't want Kiwanis to siphon off surplus funds and put them in the Foundation as a shelter? Is that the main concern?

WALES: No, the main concern is siphoning off Foundation funds and putting them in Kiwanis. They would not care if Kiwanis put their money in the Foundation.

LUSCHE: The fact that our contributions come from individuals would have no bearing on it.

WALES: No, because it is a 501(c)(3) charitable foundation.

LUSCHE: Then the danger is whether or not they could continue to support some of our programs.

WALES: I think the danger is getting too close where the KI Board would have direct authority over the Foundation Board. That is what they are going to be looking at. As Tom Lofton mentions in his letter, the only option to the IRS is to jerk the tax exempt status of the Foundation. That is a very severe penalty.

BLECHMAN: I think one of the reasons for talking about this is to give more visibility to the Foundation.

KAISER: On the subject of visibility, I think probably the least effective way of giving something visibility is putting it in the Constitution and Bylaws. We have a lot more effective way than that. I do not think that justifies it at all. I think it is more of a legal thing.

SMITH: I know in Canada we would want to keep the Foundation at arm's length.

GOODFELLOW: I have run into this in Canada, and I do not think control is the big purpose. I think we are talking about the wrong thing. It is not the control. It is the purpose of the entity. You can have the same people a part of the same organization but if the purpose of one organization is charitable and the purpose of the other organization is not charitable, then I do not think they are going to tie them together. I am still working with Revenue Canada on the Kiwanis Foundation of Canada where they are saying that so long as you have a purpose of the Canadian Foundation to be charitable (and don't use the word "philanthropic" which I do not know why but they don't want it), then you can still give your funds to equally charitable organizations. The control is irrelevant.

Quite frankly, I agree with Lofton. I was a voice of one years ago when I was on the Foundation Board for four years, and I disagreed with Magnum when Magnum said to keep them apart. I think keeping the Foundation apart is one reason why we have had a problem with support. Other than the Hixson, we have not had a real good involvement of Kiwanians within the KI Foundation. We have not tied the KI Foundation activities to KI projects. I know the people who give to KIF expect the money to be used for KI activities. I think it is irrelevant as to whether or not you mention KIF in the KI Constitution and Bylaws. What you should be looking at is what the purpose is of KIF and how they raise the funds.

Should it be similar to Circle K where it says that no action shall become effective until approved by the Board of Trustees of KI? That runs contrary to Magnum but it runs pro-Lofton. I guess you have to pick your legal counsel. I do not think it is control; it is the purpose for which the funds are being directed. I think that is the question we have to answer. We are running concurrent service projects in KIF with KI. I think we have to decide if that is what we want to do. I think a lot of the Kiwanians think the Foundation is a fund raising arm for charitable purposes of KI activities. That, I think, is the question we have to decide.

Upon motion duly made, supported, and carried it was:

RESOLVED, THAT THE KI FOUNDATION NOT BE MENTIONED IN THE KI CONSTITUTION AND BYLAWS.

AND BE IT FURTHER RESOLVED THAT STAFF OBTAIN A LEGAL OPINION.

QUESTION: WHO SHOULD BE ON THE KIWANIS INTERNATIONAL FOUNDATION BOARD?

WALES: I would like to bring up the sacred cow issue, and I am not directing it at any individual or group of individuals. I think Bill Thacher is a perfect example of the change in that he is a fund raiser in real life. It seems to me some of the criticism I have heard of the KIF Board in the past is that they very seldom had any fund raising people. The people on the KIF Board were "political payoffs." I am not sure what that is defined as, and I really don't want to know. I think one of the things we want to do in the future is to have more people like Bill Thacher who are professional fund raisers. The people who have been on the Foundation Board in the past have been very well intentioned and worked very hard, but many of them did not have the skills that are necessary to raise funds. From my perspective I have seen boards that I have been associated with that were trying to raise funds; and when they got skilled professional fund raisers, they all of a sudden improved in fund raising. I think that should be a direction that we as this Board should look to in making future appointments.

KAISER: The way things are set up now the source of KIF Board members is this Board. This seems to suggest if we are going to solve your problem we have to get fund raisers on here, and we don't need to be fund raisers.

WALES: No, I am suggesting that this Board appoint more people to the KIF Board who are familiar with fund raising in order that they can help themselves.

OVERHOLT: I think that any board not only has to have the professional fund raiser or the person who can go out and raise funds, you also have to have someone with administrative ability to make sure that board is organized and run properly as well. You need a good mixture on a board to operate efficiently.

THACHER: Rotary International specifies in their Bylaws what the expertise of their trustees should be. One is fund raising, one is administrative things, and "shall have experience in the field of finance." The three people who will be proposed to come on the KIF Board this year have that mix that is needed. I know we have two good fund raisers, and one is a good administrator.

OVERHOLT: In Rotary International they have to have six Past International Presidents on the Foundation. Talk about political.

BLAND: I think you would be interested to know that Administrator Jim Sheets has had fund raising background, and we are very happy with that. He has been under Aubry Irby, and we are very happy with the results. With Jim's background in college fund raising type thing, it fits in very nicely with this.

QUESTION: IF THE KI FOUNDATION IS THE FUND RAISING ARM OF KI AND IT HOLDS AS ALL INCLUSIVE, HOW DOES THAT AFFECT THE CONCEPT OF NON-DUES REVENUE FUND RAISING?

KREPINEVICH: Some document says that the KI Foundation is the fund raising arm of KI.

THACHER: I think that is in the concepts that we gave you. Art Swanberg went over these, and that was one of the things he scratched out.

GOODFELLOW: Look at 10 and 11 of the objects of the Foundation. It talks about assisting and funding of KI programs.

KAISER: What we have come to in respect to non-dues revenue from KI is that to the extent that KI raises funds at all, it is for non-charitable things, to help us with our administration of Kiwanis. KI is not raising money for charitable things. That is the Foundation's job. KI as such does not have any charitable activities. KIF does that.

OVERHOLT: We need complete separation.

MILES: Referring to item 10 in the Foundation Bylaws, the funding that they are talking about for Kiwanis things are those which are for charitable purposes rather than many of the ways we are using it for on-going fund raising.

THACHER: Any outside grant request that we receive has to have approval by the IRS and have a 501(c)(3) exemption themselves. The only 501(c)(4) we are contributing to is KI.

I do not think we should include that in anything written because I think most of our non-dues fund raising is going to be handled by KI for KI purposes independent of the Foundation.

QUESTION: GRANTS

1. Should KI request grants or items that are clearly not educational?
2. With the exception of grants that are restricted for specific programs, should KI request grants from KIF at all?

3. Should KIF make grants to Key Club International that are not restrictive grants, the same for Circle K?
4. How can the grant request process be improved so that KI can have information earlier so that grant monies will be available during the budget process?

OVERHOLT: We have had a lot of different opinions. I think Art Swanberg is one who is strongly in favor of eliminating grant requests to the Foundation for those things that rightfully should be paid for by KI out of KI dues. We will start the discussion, and after the discussion we will go back and try to get some kind of a concept on each of these items so that we can give direction to our Board committees on the action they will take.

WALES: Art asked me to express in this discussion his interest in our not having any funds come to KI from the Foundation. He says he feels it should be a completely separate organization. We should not depend on KIF for any type of funds.

OVERHOLT: During our discussion at the four regional conferences in January 1989, Kevin mentioned the amount of money KI had received last year from the Foundation.

KREPINEVICH: Basically I just explained to the governors that in this year's budget Key Club, Circle K, and Kiwanis combined were receiving almost \$260,000 in grants. Over a period of five years that is close to \$1 million that we have received. KIF was in essence subsidizing our budget with grant requests from the Foundation. The one big question that came up was what Gene mentioned. We discussed that the Board was maybe going to consider that we should pay for what we provide as a service and not ask the Foundation for money. Many of the governors seemed to agree with that concept, but then the question that came up was, "If you are not going to get the money from the Foundation, what is the Foundation going to do with that money they had been giving to KI." At this point there are several governors who actively promote the Foundation by holding up the club president's manual and club secretary's manual and saying that the Foundation is providing something to you; therefore, you should give some money to the Foundation.

BLECHMAN: I have sent letters and I have certain feelings which I would like to express. One of those really is very much along with what Art Swanberg said. I think that the Foundation could serve a magnificent role in helping get programs started that would favor our Major Emphasis programs in the future. Help clubs, divisions, or districts get involved in significant programs that make a real impact in the community -- programs that would start something that would be long-lasting in the community but which would need seed money to get started and at times even more than seed money if the program was valuable enough. Every dollar that we take away from the Foundation for anything else makes their potential value to the MEP that much less. I would like to see monies restricted to the MEP; I would also like to keep up our World Service Medal and the Connelly Medal.

I believe that even Key Club, Circle K, and Builders Club should not get money from the Foundation. I have two reasons for saying that. The one is to have more money for the MEP. The second is it would make Kiwanis, Key Club, and Circle K also communicate better than we sometimes do. If we know their survival depends on us, and they understand that as well, I think that they and we would work more closely together in the future. The grant requests as we get them now do take a big chunk of the KIF funds that could otherwise be used for truly eleemosynary types of things.

OVERHOLT: During discussions at the Regionals almost to a man the governors said if you want us to sell the Foundation, you better let us have the Key Club, Circle K, and Builders Club grants because that is one of the big selling items for donations to the Foundation. There are some programs, educational as well as scholarships, that the Foundation does for our Sponsored Programs. They say that is something they have to hang their hat on. That is just contrary to what you said.

Starting in 1980-81 or 82-83 or a year or two before that KI went to the Foundation and asked for grants when there was no money; it got to be habit forming. In succeeding years if we did not have money to cover something, we went to the Foundation for a grant. It evolved over a period of time and built up to the extent that we expect it.

BLECHMAN: Does the Foundation staff have the skills to determine programs which will have benefit enough to have funds come from the Foundation (MEP)?

THACHER: I believe so. In the past there were programs that were being funded that were perpetuating people's names. We have done away with that. If you will notice, in our grants this year, there is nothing that does not concern Kiwanis. This is the first year we have been able to fund non-North American projects. Jim Sheets has the expertise. We would like to get an MEP program that we could get our teeth into. We would be glad to fund it.

KAISER: Most of the things that are said are matters of opinion. I do not think we have the ability to prove them one way or another. Some people believe we would increase contributions if the contributions were not going to KI administration. Other people think directly the opposite. We should not be making decisions on some of these opinions as though they were facts. The MEP is a fairly recent invention (last 18-23 years). Not everyone accepts that local Kiwanis clubs must do the MEP. Clubs have autonomy of projects needed in their community; that is probably #1 in concepts -- local club autonomy. We hope that all clubs sign onto some part of the MEP but they may not. People may say, "If the Foundation money went to the MEP, people would contribute more." But we really don't know that.

OVERHOLT: The 30 governors at the regionals said if the Board is serious about a dues increase, this would be one of the biggest items they could use -- take the administrative costs of KI away from the Foundation. The only thing they saw as a reasonable usage for was Key Club, Circle K, Builders Clubs, scholarships, and the MEP.

One of the biggest disappointments when you start talking to governors about service and the MEP is that most of the districts have their own pet project. The governor has his own pet slogan. The governors told me about clubs that have their own pet program, completely ignoring the MEP. In essence, clubs have complete autonomy. Clubs find the needs of the community, and they spend the money in the community. I don't think you will change that overnight. If money is earned in Plymouth, Michigan, they want to spend it in Plymouth.

BLECHMAN: The Foundation needs to be identified with something. With a one-year MEP we have not made it easy for anyone to get into the MEP. The 3-year MEP may be better.

MCCURLEY: People will give for a cause. People do not accept the fact "give us the money and trust us." We need a cause to contribute to. Most people would be appaled if they knew we were using the money they contribute for operation money.

WATERS : If the Foundation is to give to outside charities, people will say, "Why not give to that charity directly."

SMITH: Can Kiwanis clubs apply to the Foundation for a grant for implementation of an MEP program?

THACHER: NO.

LUSCHE: You mentioned using seed money in local communities. At the present time we cannot do that.

WALES: I serve on a foundation board. One grant I thought was unwise was to a volunteer fire department. After that was given, every volunteer fire department in the area came to get a grant. We could have 8,000 clubs deluging the Kiwanis Foundation with requests that would bog them down. We must provide some way to make a challenge grant to someone that is the club/district raises \$5,000 for a project, the Foundation could match it.

OVERHOLT: In an organization where I was on the board, we needed \$600,000 and went to the Kresge Foundation. They said if we raised \$550,000, they would give us the last \$50,000.

BLAND: We have not done that very often.

KAISER: Our 8,000 clubs do our projects. The Foundation is an arm to do charitable work. The work of the Foundation should be different from what we expect the 8,000 clubs to do. The Foundation's criteria should be:

A. A project is so big that the clubs could not be expected to do it.

B. The project is of a pilot nature.

THACHER: We specify in our literature we will do projects that are larger than any club or clubs or district could do themselves. This is the way we sell our Foundation fund raising efforts.

SHEETS: One idea might be if there were a club in a district that had the highest per capita giving to the Foundation, then we would give a grant back to that club for one of their local projects. As far as a club making a request, we have not considered those because we have said in the past if this was something a club or district could do, then the Foundation should not be involved. We have not gone into a bigger scale on money things. We gave \$50,000 to the Pediatric Trauma Institute to conduct a seminar for doctors all over the world in Ann Arbor, Michigan. Grants have also helped to set up pediatric centers like Riley Hospital that the Indiana District is doing.

If we had a pet project for people to give to, we could raise a lot more money. I think we do a good job to raise \$1 million. We ask people to give because we are the KIF and they are a Kiwanian. When contributors ask, "What are you going to do with the money?" -- we tell them we are going to save it up until the end of the year and see how much we get and then the Board is going to decide how it is to be spent. To raise \$1 million a year this way is doing a good job. To raise more, I think we have to have a project to grab the attention. Rotary has Polio Plus raising \$115 million to eradicate polio around the world. If we had a project we could really get our teeth into, we could go to corporations, foundations, and endowments to help us. That would make Kiwanis appeal to the man or woman who we want to join our clubs.

BLECHMAN: If the Foundation would want to do something in the medical field, there are certain medical research programs we can find if we need medical expertise.

KAISER: Sponsored youth groups are a project of KI. To the extent that we subsidize those groups, we are using dues money for a project. I am in favor of that.

KREPINEVICH: About \$46,000-\$47,000 is now being given in grants by the Foundation subsidizing KI services. Most Kiwanians pay \$15 a year in dues, but some are paying \$17, \$25, or \$100 because they are giving to the Foundation which subsidizes KI services.

KAISER: They are giving on a volunteer basis and what is wrong with that. On a volunteer basis some choose to do more because they can afford to.

OVERHOLT: By taking grant money and subsidizing services in essence then the load is not distributed equally.

KAISER: We are giving certain individuals an opportunity to support KI to a greater extent than the minimum required for membership. Fifteen dollars is peanuts to a great number of Kiwanians. One way is to donate to the Foundation.

OVERHOLT: We are not telling them that we are using the money for subsidizing services. They think it is going for service programs of the Foundation. We are not being fair to the people who are giving to the Foundation.

KAISER: Nobody is hiding anything.

MORTON: I would like to make a motion for the purpose of getting the consensus of this Board that items similar to what was funded last year by grants (such as: Club President's Guidebook, Lieutenant Governor's Guidebook, District Governors-elect Training Conference and Education Materials, Guidebook for District Governors and Secretaries, and the Club Secretary's Guidebook) should become items in the coming year to be funded through the operational budget. I make this as a motion for getting a consensus of how this Board feels.

OVERHOLT: I would much rather take the other aspect and say that these are the things we think should fall in the area of the Foundation furnishing grant money for.

MORTON: I will change it then to say that grants be continued for the World Service Medal, items that deal with the MEP, and funding similar to what was done on the last grants for Key Club and Circle K for educational purposes. That includes Key Club and Circle K Regional Training Conferences.

GOODFELLOW: Perhaps the motion could be "to assist in" as compared to "fund" because then you are allowing a degree and can make your decision as each item comes up.

MILES: You are submitting a proposal for consensus rather than a motion.

MORTON: That is what I said.

GOODFELLOW: If we are talking \$50,000, then maybe we better make some priorities. If it is \$250,000, then maybe we want to expand the list, or maybe we don't want to restrict it to just educational matters.

OVERHOLT: I think we are talking about a policy, not an amount of money.

GOODFELLOW: It seems to me when you talk about policies you have to have some idea as to whether you are talking \$1 or \$1 million.

MORTON: What I was doing, Don, was knocking off about \$46,000-\$47,000 out of grants and putting it back into operations where it belongs.

KAISER: I have the same concern as Don has. Over the recent years our relationship with the Foundation has evolved to the point where the Foundation will not grant us money unless we ask for it. So in one sense they do not have to be involved in any of this. If we don't ask for it, they are not going to give it to us. It is up to us here to decide what we are going to ask for. There is no danger, so to speak, that they are going to "make a mistake." If there is a mistake, it will be our mistake. That is a problem we don't have. We do have a fundamental problem though as to where they should be spending their money at all -- to KI or outside KI. That is in their prerogative still.

MORTON: Tony, are you speaking to the motion?

KAISER: Yes, I am speaking against the motion. I am saying as Don said, I think, that we should not be doing this, so I am against doing it. Regardless of what happens to this motion, if they decided they are going to spend all their money on charitable things, then there is no money for us.

MORTON: But this is giving us a sense of direction of what to ask for in grants.

OVERHOLT: Sponsored Departments of KI (Key Club, Circle K, Builders Clubs), the World Service Medal, scholarships, educational material including MEP would still stay in the category of legitimate grant requests.

GOODFELLOW: The first step is to request that the funds raised be directed toward Kiwanis-related activities.

KAISER: We do have a fundamental problem as to where they should be spending the money -- KI or outside KI.

THACHER: Up-front grant monies are relegated to KI projects. We have to wait until KI submits their proposals to us until we can do anything. We ask you to prioritize things. We have been asked to tie O. E. Peterson's name to a fund where people can contribute to the World Service Medal. This money will go into a fund and possibly the recipient will get more than \$10,000.

OVERHOLT: What I am looking for is guidance in preparing next year's budget and gathering information to promote a dues increase. Whether this is going to be put in Policies and Procedures by Board action is another thing. If you want that included in Policies and Procedures, then some Board committee has to bring it before the Board.

MORTON: I just want guidance for the budget.

OVERHOLT: Then this is just a one-year deal.

MORTON: To put it in Policies and Procedures and then have the dues increase voted down would not be prudent.

Upon motion duly made, supported, and carried it was:

RESOLVED, THAT THE WORLD SERVICE MEDAL, ITEMS THAT DEAL WITH THE MEP, AND FUNDING SIMILAR TO WHAT WAS DONE ON LAST YEAR'S GRANTS FOR KEY CLUB AND CIRCLE K FOR EDUCATIONAL PURPOSES BE CONTINUED.

Upon motion duly made, supported, and carried it was:

RESOLVED, THAT KIWANIS INTERNATIONAL REQUEST THE KI FOUNDATION TO DIRECT THEIR FUNDS SOLELY TO KIWANIS INTERNATIONAL RELATED ACTIVITIES.

QUESTION: IF WE CUT BACK ON GRANTS, SHOULD THE KI FOUNDATION START PAYING FOR ADMINISTRATIVE COSTS (\$59,000)?

KREPINEVICH: KI now pays for the following KIF expenses: building occupancy, pension and benefit programs, insurance, translation, public relations, fringe benefits, photocopying.

WALES: There is a lot more justification for the Foundation paying all of their own expenses. All of their funds are tax deductible.

DILLON: There are many people looking at the administrative costs of the Foundation.

BLAND: If administrative costs go back to 25%, the Capital District may not support the Foundation.

LUSCHE: The best way to reduce the percentage is to increase the giving. That is what we have to do.

GOODFELLOW: There is a big concern among the district leadership of the administrative expenses.

BLAND: I would much rather give you more in grants and not show a large amount of administrative costs until we get this thing on board.

KREPINEVICH: With what we did earlier, we really only reduced our grants from the previous year by \$46,000. The things we said we were not going to ask for is an additional expense of \$46,000 to KI.

THACHER: If we paid our fair share, it gives us the separation between the two organizations that IRS would be looking at some day. When I was working for another Foundation, they were audited every 4th year. I am surprised KIF has not been audited.

Upon motion duly made, supported, and carried it was:

RESOLVED, THAT OVER A FIVE-YEAR PERIOD OF TIME THE KI FOUNDATION TOTALLY ASSUME THE ADMINISTRATIVE COSTS THAT KI NOW SUBSIDIZES IN THE FOLLOWING INCREMENTS OF THE TOTAL SUBSIDY: YEAR 1, 20%; YEAR 2, 25%; YEAR 3, 33-1/3%; YEAR 4, 50%; YEAR 5, 100%.

QUESTION: WHAT WILL KIF DO WITH THE MONEY IF KI DOES NOT REQUEST GRANTS AND PAYS FOR THE PROGRAMS CURRENTLY PAID FOR BY GRANTS?

OVERHOLT: We are still going to use it for Key Club, Circle K, Builders Clubs, MEP, and educational programs.

SHEETS: We did not get an answer on drug abuse as to whether you wanted us to continue that.

THACHER: The KIF Board has the feeling we cannot do anything unless the KI Board tells us we can do it. (If the KI Board would not support it, it probably would not go.) We were involved with Nancy Reagan and thought we had something we could work with. Should we pursue that?

BLAND: We would like to have \$15-20 million fund raiser so that each club will understand we are trying to do a worldwide type of thing. We think this is going to be an important part of increasing contributions.

BLECHMAN: Success breeds success. We need to have an identity before we can go to any corporate structures. Business will not give money to an ill-defined grant request.

BLAND: MEP must be for more than one year.

THACHER: A minimum of two years, possibly five years. We have to use the Kiwanis name to solicit the members. KI has control. You come up with some ideas and we will get together. Wil's year starts 3-year MEP. A recommendation should come from the Program Development and Education Committee.

QUESTION: SHOULD THERE BE A DOCUMENT OR STATEMENT OF POLICY AND PROCEDURE BETWEEN KIWANIS INTERNATIONAL AND KIWANIS INTERNATIONAL FOUNDATION?

OVERHOLT: We can each appoint members to that committee. I will appoint two Board members and staff; KIF can appoint a couple of members for the committee.

QUESTION:

1. Should KI accept the concepts document by KIF?
2. Should the KIF staff be placed under the supervision of the International Secretary? How are the KIF personnel to be supervised, selected, and compensated?
3. What committee should review and finalize the concept agreement, the specifics of the agreement and when will it be implemented?
4. What should be the relationship between KI and KIF in the development of KI community concerns or MEP?

OVERHOLT: We have all had the opportunity to read the document, "Concepts Regarding the Relationship Between KI and KIF" (11 items) furnished by KIF amended 9/28/88.

BLECHMAN: I agree with #5. I would like to ask how that can be implemented by KI so that our people understand more about the Foundation and what it is trying to do. KI should be looking for new and better ways to promote KIF.

WALES: Somewhat tacking onto what Wil has said, I have heard some concerns about giving to the Foundation. If the Foundation gets \$100 in unrestricted funds and they give out \$50, what happens to the other \$50? If we do have an amount of money left, that should go into an unrestricted endowment so that in the future only the income may be utilized.

THACHER: If we have funds left over at the end of the year, we put 50 percent of those funds into our unrestricted. Fifty percent goes to pay for administrative expenses, etc. We base all our grants on funds raised during a president's year. If there are any monies left over, 50 percent would go into the endowment fund where only the interest can be used.

WALES: Very few people know this. You should say in some of your promotional materials that you are building up the endowment with surplus funds. What I am hearing people say is that they want to give into perpetuity rather than giving today and spending tomorrow.

SHEETS: All our new documents are alluding to this. We cannot do that immediately. We have done some investigation. For the Lions Foundation 50 percent of every penny they raise goes into endowment. The other 50 percent they use for administrative purposes and for grants. We are not in a position to do this now because our income is not such that we can put 50 percent into endowment. We would not have enough even for KI if we did that. We want to increase our endowment as our income increases.

KAISER: On these concepts before us, I would like to ask Bill and Tyler, what is the reason and inclusion of item #8? -- "It is the desire of the Foundation to have all services of the International Office available as needed."

THACHER: You have the wrong sheet.

KAISER: No, I know what I am doing. Secondly, what was the reason for the dropping of what used to be item #11.

THACHER: As to the old #7 and #11:

#7: "It is the desire of the Kiwanis International Foundation to have its administrative office in the International Office of Kiwanis International and to have the International Secretary give supervision to the employees of the Foundation."

#11: "It is the desire of the Kiwanis International Foundation Board to work closely with the International Secretary in all matters related to his supervisory responsibilities."

I would like to speak to this. When this thing was drawn up, I do not think our Board had much to do with the writing up of some of these items. We really did not have a chance to pass on it before it was given to the KI Board of Trustees at that meeting in Washington. We did not have a chance to study it. When we finally did get to where we could study it, we felt we did not need somebody like Kevin, and not because it is Kevin, who would have two hats in trying to run the two organizations. We felt it would not be feasible to have one person try to do this. I do not think our Foundation fits in the category as Rotary does. This is the reason for taking that off. Once we got the Board consensus on that, we decided we would like the cooperation from the KI Secretary, but we do not feel we need him on our Board or directing our people.

KAISER: It did not say anything about the Secretary being on the Foundation Board; it only mentioned working closely with him.

THACHER: Both #7 and #11 were taken out of there and we moved the #12 up to #11. There was a question of whether Kevin would be put on the Foundation Board, and we felt that was not necessary.

KAISER: I have been under the impression for some time that we were heading in the direction of having Kevin supervise the Foundation personnel just as he does everyone else in the building. Has that been changed?

GOODFELLOW: I thought that was the direction we were going. I think that is the direction of the old #7 which says that the International Secretary will give supervision to the employees of the Foundation. The new #7 says that the office functions be properly coordinated with KI. I don't think that goes as far as what the old one. Is the International Secretary of KI supervising the staff of KIF or not? I think there has been a bit of a retrograde step by the revised concepts even though you may not have intended that.

OVERHOLT: I think this has to be a very important part of the procedures when the joint committee meets.

KAISER: Could I ask about Item #8. Is that in there for a particular reason? To solve a particular problem that you perceive?

#8: "It is the desire of the Foundation to have all services of the International Office available as needed."

THACHER: It is just showing that we desire to stay independent.

GOODFELLOW: Do the two representatives of the Foundation have a view as to what the relationship of the International Secretary should be regarding the Foundation staff? The Ad Hoc Committee needs to know this.

THACHER: At this point I cannot speak on behalf of the Board. I feel we have an Administrator, Jim Sheets, who has control over our staff. That is my personal opinion.

OVERHOLT: I worked for many years in the administrative area. If there is going to be any responsibility of that staff given to Kevin, he has to have complete responsibility, administratively and also supervisory, which means it involves evaluations, salary, everything. You can't have somebody reporting to somebody and have your hands tied. This has to be worked out.

BLECHMAN: Getting back to the promotion side, one of the things you can see is what Rotary has done with their Rotary International Foundation. You have tremendous publicity for Rotary International because of what the Rotary Foundation is doing. There are 3-4 page ads in the Lions magazine on their Foundation. The same type thing with Rotary Foundation. We should be doing more.

KAISER: We can always expect some surprises at Board meetings. I just got my first one. I was under the impression that we were way down the road on this matter of the relationship between our Secretary and the Foundation staff. Now I find we are back to square one.

THACHER: Like Gene Overholt pointed out, we have hired an Administrator for the Foundation. He is the man who works with the staff daily. When I was the administrator of a foundation, anybody who worked under me, I supervised. If we went into this, we would not need Jim Sheets.

OVERHOLT: Jim would still have the responsibility of the people under him.

SHEETS: Everybody in the building is under Kevin.

KAISER: The Foundation Board is rarely here. You might take the position that staff needs supervision every day.

THACHER: That is Jim's job. That is what we hire him for. We trust him. Nobody supervised me; we had board meetings two or three times a year when I was with the foundation. Nobody supervised me; I was the administrator.

OVERHOLT: If that is the case, you do not want Jim under Kevin. It was the Foundation that came to us wanting their employees to be put under the International Secretary. It was not the International Office going to you.

THACHER: I cannot talk for the Board, but personally I do not. I feel that Jim is doing a good job, and he should control our staff. He should cooperate with Kevin.

OVERHOLT: If that is the way the Foundation feels, that takes a load off our mind.

WALES: It appears to me that we are just about to the point of some polarization. I do not see the need for that. I have not heard either Kevin or Jim speak to this, but I gather that they are working together and working these things out. I would rather not push this thing too far because we are liable to get a situation like we had before which caused the Foundation a great deal of expense to bring in a "peacemaker." Even though it is somewhat ill-defined, I feel we should leave it that way.

OVERHOLT: Don't get me wrong. This was something that we were approached on, and we were dragging our feet on it because of some of the inherent problems with that. If the Foundation has changed its mind, we are not going to do something they do not want us to do. The olive branch is there.

THACHER: The Board members have not changed their minds. We had somebody else go above us and instigate all of this.

BLAND: That is gone now.

OVERHOLT: I would hope the committee will discuss this. The item I have here about the supervision and responsibility, we will forget about until somebody comes and asks us to assume responsibility.

WALES: We touched on this earlier today, and I would like to pursue it. It is strictly a suggestion from me. I would like to suggest to them that they look toward all fund raising possibilities starting with a very low percentage, and as the fund raising grows, try to put a bigger share of the current funds that are brought in into an unrestricted endowment, so they could build up that endowment faster.

OVERHOLT: I do not believe they have anything except the Hixson and what is left at the end.

SHEETS: Maybe next year it could be 10 percent, the following year 20 percent.

OVERHOLT: I think that would be a selling item.

WALES: It would and that is the reason I am suggesting it. I feel that could help them. People seem to want to give to an endowment.

LIEBER: Four to five years ago KI had a questionnaire at the international convention to get people's ideas and some facts about Kiwanis. Maybe it would be beneficial for the Foundation to consider the same type of thing. You could get all the ideas of why people will give or why they will not give. I would also suggest that you gear it toward two sets of districts, one district that supports the foundation well and find out why they do (it might be as simple as having a good chairman) and why another district does not support the foundation.

I can't believe that Rotarians around the world out of the goodness of their hearts give \$100 million to Polio Plus without getting some tax benefit in their own homeland. There must be some answer that we have not been able to find.

OVERHOLT: I appreciate your contribution. It has been very enlightening. I am very pleased that the Foundation people would stay over and share this morning with us. I hope we have all learned something from this. I know I have.

BOARD/THINKT



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Suite 200
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February 11, 1989
Dict. February 9, 1989

Mr. Kevin Krepinevich
International Secretary
Kiwanis International
3636 Woodview Trace
INDIANAPOLIS, INDIANA 46268
U.S.A.

Dear Kevin:

This is to confirm that the meeting of representatives of Kiwanis International and the Kiwanis International Foundation will take place at the International office in Indianapolis on the 1st and 2nd of April, 1989. I will be arriving in the mid to late evening on the 31st of March, 1989 and I trust that you will arrange accommodation at the Holiday Inn North for the evenings of the 31st of March and 1st of April, with a late checkout on the 2nd of April.

In order to arrive at meaningful and effective guidelines establishing the working relationship between Kiwanis International and the Kiwanis International Foundation, I believe it is essential that we have some idea as to where according to American law the Foundation stands from a tax point of view and a legal point of view insofar as whether there will be any loss of charitable status of the Kiwanis International Foundation if it is tied too closely to Kiwanis International, or if the majority or all of its activities are directed to Kiwanis matters. You will recall the "Magnum" opinion from Ron Magnum in Chicago some years ago that there should be little relationship between Kiwanis International and Kiwanis International Foundation in order for the Kiwanis International Foundation to maintain its charitable status position. We have received from our attorneys in Indianapolis that such separation is not necessary in order to maintain the integrity of the Kiwanis International Foundation. Before we establish the guidelines for the relationship between

the two organizations, I think we have to be certain as to whether or not there can be any tie-in between the two organizations which will hinder the integrity of K.I.F.'s tax status. If we have such an opinion I would be pleased if you could provide me with a copy, and if we don't I think we are going to have to get that type of opinion to decide how close or how far away the two organizations should be.

Let me pose a scenario to you that I don't suggest but I think would allow us to determine how close or how far away the two organizations have to be in order to allow the Kiwanis International Foundation to maintain its tax status:

1. Let us assume that all appointments to the Board of Trustees of the Kiwanis International Foundation had to originate from and be approved by the K.I. Board.
2. Let us assume that any amendment to the Constitution or By-Laws of K.I.F. would be, like Key Club and Circle K, effective only if approved by the Board of Trustees of Kiwanis International (See Article XVII of the Circle K Constitution).
3. Assume that any monies collected by K.I.F. could be used only for activities sponsored by or approved by Kiwanis International. Would it matter if the decisions as to how the monies were to be spent on Kiwanis activities were made by the K.I.F. Board solely, or recommended by the K.I.F. Board and as approved by the K.I. Board?
4. Assume that the Kiwanis International Foundation's function was not to start new service projects, but merely to provide funding for existing Kiwanis projects or those projects under the direct control of Kiwanis International.
5. Assume that the Kiwanis International Foundation was only a fund raising organization and did not undertake activities like promoting student exchanges, world service medal awards, etc.

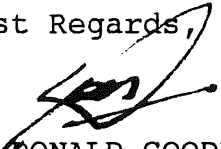
I think we need answers to the above questions in order to assist us in establishing guidelines for the two organizations. I guess the question really boils down to -- how close or how far apart do the organizations have to be in order for the Kiwanis International Foundation to maintain its tax exempt status?

I believe also we have to look into the possibility of the mechanics required to have the Foundation registered in

countries other than the United States. What is necessary? Are there any changes in our Kiwanis International Foundation By-Laws and Constitution necessary to register the Foundation, for example, in Canada, or Germany, etc.?

I am sure the Rotary International Foundation has had to answer these particular problems and while I am not suggesting that we mimic what Rotary has done, perhaps either Rotary or Lions has some advice that may assist us in determining what the Foundation may or may not do, and what the relationship of the Foundation to the parent organization should be.

Best Regards,



W. DONALD GOODFELLOW, Q.C.

WDG/bd

cc: Gene Overholt, President

cc: Noris Lusche, President-Elect

18094

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THOMAS M. LOFTON

March 20, 1989

Mr. James L. Sheets
Administrator
Kiwanis International Foundation
3636 Woodview Trace
Indianapolis, Indiana 46268

Re: Relationship Between Kiwanis International
and the Kiwanis International Foundation

Dear Jim:

You recently asked that we address several questions raised in a letter from W. Donald Goodfellow, Q.C., to Kevin Krepinevich regarding the proper relationship between Kiwanis International ("Kiwanis") and the Kiwanis International Foundation (the "Foundation"). The letter poses five situations and asks, in each case, whether Kiwanis' control over the Foundation might adversely affect the Foundation's tax status.

As you will recall, the Foundation is an Illinois not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986 ("Code"). It is, fortunately, a public charity and not a private foundation. Consequently, it is not subject to the excise taxes and restrictions imposed upon a private foundation by the Code. The Foundation escapes classification as a private foundation

because it is organized and operated for the benefit of, to perform the functions of, or to carry out the charitable, educational, and similar purposes of Kiwanis. The Foundation fulfills this requirement because it is controlled by Kiwanis (a publicly supported civic league or social welfare organization) within the meaning of Treasury Regulations section 1.509(a)-4(g). In other words, the key to the Foundation's favorable status is its subordinate relationship to Kiwanis. That relationship is essential and legally desirable.

The level of control necessary to maintain the Foundation's public charity status is described in the Regulations as follows:

The relationship required . . . is comparable to that of a parent and subsidiary, where the subsidiary is under the direction of, and accountable or responsible to, the parent organization. This relationship is established by the fact that a majority of the officers, directors, or trustees of the supporting organization [i.e., the Foundation] are appointed or elected by the governing body, members of the governing body, officers acting in their official capacity, or the membership of one or more publicly supported organizations [i.e., Kiwanis].

Treasury Regulations section 1.509(a)-4(g)(1)(i).

Under the Foundation's Bylaws (which, according to our files, were last amended on October 7, 1985), Kiwanis controls the Foundation because of its authority to appoint eight of the eleven members of the Foundation's Board of Trustees. Two of the remaining Trustees of the Foundation are members of Kiwanis' Board of Trustees (ex officio), and the last is the Foundation's Immediate Past President. The Foundation can nominate persons to

fill the eight "at large" spots, but Kiwanis has absolute authority to select its own candidates rather than the Foundation's nominees. (Bylaws of the Kiwanis International Foundation, Article IV.) This structure clearly meets the requirements of Treasury Regulations section 1.509(a)-4(g)(1)(i) and secures public charity status for the Foundation.

As to the five situations posed in Mr. Goodfellow's letter, we have these comments:

1. Let us assume that all appointments to the Board of Trustees of the Kiwanis International Foundation had to originate from and be approved by the K.I. Board.

This is very nearly the situation that now exists; Kiwanis' Board of Trustees has absolute discretion to appoint eight of the Foundation's eleven Trustees, and two others are members of Kiwanis' Board of Trustees who serve on the Foundation's Board ex officio (i.e., by virtue of their office with Kiwanis). If all eleven of the Foundation's Trustees were appointed by Kiwanis (as suggested in this Situation), the Foundation's tax status would not change. The regulations require only majority control, but total control is perfectly acceptable.

2. Let us assume that any amendment to the Constitution or By-Laws of K.I.F. would be, like Key Club and Circle K, effective only if approved by the Board of Trustees of Kiwanis International (See Article XVII of the Circle K Constitution).

To our knowledge, the Foundation does not have a Constitution; it was created by the filing of Articles of Incorporation with the Illinois Secretary of State, and its

structure and affairs are governed by its Bylaws. Under Illinois law (as in most states) amendments to the Articles must be adopted by the Foundation's Board of Trustees. In addition, the 1985 version of the Foundation's Bylaws authorizes only the Foundation's Board to amend the Bylaws. (Bylaws of the Kiwanis International Foundation, Article XII.) There is no corporate or tax reason, however, why the Foundation's Articles and Bylaws cannot be amended to require that changes to those documents also be approved by Kiwanis.

3. Assume that any monies collected by K.I.F. could be used only for activities sponsored by or approved by Kiwanis International. Would it matter if the decisions as to how the monies were to be spent on Kiwanis activities were made by the K.I.F. Board solely, or recommended by the K.I.F. Board and as approved by the K.I. Board?

As explained in our November 22, 1988, letter to you regarding Kiwanis' Reference Guide, under Code section 501(c)(3) the Foundation can only support those programs and activities of Kiwanis that further purposes described in Code section 170(c)(2)(B), i.e., religious, charitable, scientific, literary, educational, and similar purposes. See Treasury Regulations section 1.509(a)-4(c)(2). Within these parameters, it does not matter how much, or how little, Kiwanis is involved in selecting, approving, or recommending the programs and activities funded by the Foundation.

4. Assume that the Kiwanis International Foundation's function was not to start new service projects, but merely to provide funding for existing Kiwanis projects or those projects under the direct control of Kiwanis International.

Within the parameters discussed in the response to Situation 3, above, it would be acceptable to limit the Foundation's support to Kiwanis' existing projects or to projects under its direct control.

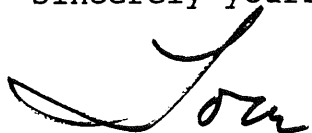
5. Assume that the Kiwanis International Foundation was only a fund raising organization and did not undertake activities like promoting student exchanges, world service medal awards, etc.

Again subject to the limits set forth in the response to Situation 3, above, the Foundation may act solely as a fund-raising body for the religious, charitable, scientific, and like programs and activities of Kiwanis.

In sum, any concern that the Foundation might become "too close" to Kiwanis is unwarranted from a corporate and tax standpoint. Code section 509(a)(3) requires that Kiwanis have control over the Foundation, and such control has always existed by virtue of the structure of the Foundation's Board of Trustees. The situations posed in Mr. Goodfellow's letter (to the extent they further proper Code section 170(c)(2)(B) purposes) represent other legitimate ways for Kiwanis to exercise the requisite control.

I hope this response is helpful to both the Foundation and Kiwanis. If we have failed to respond understandably to Mr. Goodfellow's questions, please let us try again.

Sincerely yours,



Thomas M. Lofton

THE KIWANIS INTERNATIONAL FOUNDATION AND KIWANIS INTERNATIONAL'S

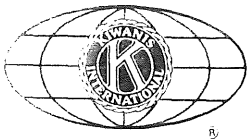
RELATIONSHIPS WITH DISTRICTS AND CLUBS

Every Kiwanian is first a member of a club chartered by Kiwanis International. Second, each Kiwanian is also a member of the Kiwanis International Foundation.

Every Kiwanis club is a member of Kiwanis International and of the district in which the club is located unless that club is non-districted.

It is therefore incumbent on both Kiwanis International and the Kiwanis International Foundation to make increasingly clear to all leadership at the International, district and club levels what this relationship is in all aspects including the functioning of the Foundation and how this relationship is maintained and promoted for the best interests of all.

- A. Each year Kiwanis and the Foundation jointly request that the governor of each district appoint a district chairman for the Foundation.
- B. It is the responsibility of Kiwanis International in training each new governor to fully explain the over-all role of the Foundation. The governor must also be informed of his responsibility in supporting the work of his district chairman so that the work of the Foundation may be fully promoted within the district. The Foundation shall assist in this over-all training of governors.
- C. It shall be the responsibility of the Kiwanis International Foundation to provide a training conference for Foundation District Chairmen at the Kiwanis International Convention and to follow up with those not in attendance.
- D. It shall be the responsibility of the Foundation with the cooperation of the Kiwanis International staff as authorized by the Kiwanis International Board to promote the total program of the Foundation with the full cooperation of the district chairmen and the district governors.
- E. The district governor shall provide opportunities for the Foundation district chairman to present the Foundation program and the role the district plays in this promotion at conferences for lieutenant governors, at the mid-winter conference and at the district convention. The district governor will take every opportunity to promote the interests of the Foundation during his visits to the divisions and clubs by indicating the role of the lieutenant governor in assisting with the over-all promotion and by indicating the program evident in reaching Foundation goals for the district.
- F. The district governor and the district secretary shall utilize the district bulletin and other promotional devices available in the district to assure a complete understanding of the work of the Foundation and the role each Kiwanian plays in its success.
- G. Kiwanis International shall utilize its publications to undergird the promotional efforts of the Foundation as it works with districts and clubs.
- H. Kiwanis International shall make available to the Foundation the services of members of its professional staff to assist the Foundation in its promotional efforts in relation to districts and clubs.
- I. Kiwanis, the Foundation and all district leadership share a joint responsibility in assuring the success of the Foundation.



KIWANIS INTERNATIONAL

OFFICE OF THE ASSOCIATE SECRETARY EMERITUS
L. A. HAPGOOD
1105 North Mill Street
Naperville, Illinois 60540

July 18, 1988

Mr. Kevin W. Krepinevich
International Secretary

Dear Kevin:

Seattle is behind us and it was a good convention even though a disappointing one for the Board in losing the dues issue. It was strange in that many delegates in the area where I was sitting seemed very much undecided as the discussion began. Somehow it seemed that these delegates were really looking for some strong statement to offset the usual negative comments which seem to always turn up when dues are being raised. Fate was against the proposal as the negative gained the greatest amount of attention and at no time did it seem quite right for a stronger statement from any Board member.

The weather was most enjoyable and it was a pleasure to work on the various assignments as well as to continue our Foundation efforts. It appears that we have made some progress and we surely hope that the material on the Foundation relationships with the International Office can be finalized in the not to distant future. How do you see this from your vantage point?

As Chairman of the Development Committee for the coming year, we propose to work toward developing strong support for the Kiwanis effort in a variety of fields. Of course appropriate support for the major program will receive the needed attention. Beyond that it seems that we might move to support one or more of the concerns in which Kiwanis has had a vital interest and continues to seek support program-wise. Such things as substance abuse, Special Olympics, trama centers and child safety- just to suggest a few.

It seems to me that we can develop a good two year effort- maybe more- beginning with the next administrative year and continuing over into the Seventy-fifth Anniversary year.

Mentioning the Seventy-fifth Anniversary year effort brings to mind the need to readjust the thinking as to what best can be done through the cooperative effort of the Committee and the Board. Jim Heymen as I talked a bit about this during the convention. It will not be easy to move forward with a very significant program with little or no financial support. Our appraisal of the situation under Jim's leadership will continue. Should you have some suggestions, I know the committee would appreciate your contribution.

Yes, the convention was a success in many ways and your staff performed in fine style and they deserve the fullest of praise. Accept some for yourself and pass along a fair share to your associates.

Cordially yours,

L.A. HAPGOOD

Kiwanis International Foundation



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Indianapolis, Indiana 46268
Telephone 317/875-8755

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Inverness, Florida 32650
(904) 726-6666

July 26, 1988

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EXECUTIVE DIRECTOR

AUBREY E. IRBY

ADMINISTRATOR

JAMES L. SHEETS

Gene R. Overholt
President-designate
Kiwanis International
40439 Newporte Drive
Plymouth, Michigan 48170

Dear Gene:

Received the copies of the letters to Bob Wagner and John Morton, confirming that they will serve as Ex-Officio members of the Kiwanis International Foundation for the year of 1988-1989. For this I give my heartfelt thanks!

I personally think that having the KI President knowledgeable about the Foundation, first hand, will help the Foundation tremendously in the years to come.

Gene, You, Kevin and I had a brief conversation at the convention in Seattle, and I would like to follow up on it. We briefly discussed the fact that You, Kevin and I should get together for an meeting of the minds on what Kevins' input to the Foundation should be, if any.

I have been hearing a lot of stories from members of the KIF Board that supposedly have met with Kevin and plans were being developed for him to oversee the functions of the KIF office. The KIF Board has not heard the details of these meetings (if having taken place) and I, as well as other KIF Board members would like to know the particulars. It seems that the powers of KIF Board have been circumvented for the past couple of years, things have been done and settled, and maybe the Board would be informed of them after the fact.

Would it be possible for You, Kevin and I to get together at the Council Meeting?

I will arrive in Indianapolis on Monday, September 6th, and will leave Sunday, October 2nd, at 4:00 P.M.

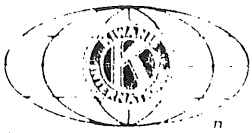
Looking forward to an outstanding year for you and a year for the Foundation that will compliment yours, I remain,

cordially,

William A. Thacher
President-designate

WAT

cc: Kevin Krepinevich ✓
James L. Sheets



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October 10, 1988

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From: Wil Blechman
 To: Don Miles
 John Morton
 Bob Wagner
 Noris Lusche
 Gene Overholt
 Larry Hapgood
 Tyler Bland
 Bill Thatcher
 Chris Rice
 Jim Sheets
 Kevin Krepinevich
 Re: KI and KIF

With the passage of the motion, "...that the Board request staff to work with appropriate Board members to develop a three-year Major Emphasis Program for 1990-1993", at the most recent meeting of the KI Board, it became ever more important that the two organizations coordinate their efforts.

The development of a three year MEP during the 1990-93 administrations will hopefully allow Kiwanis to get into more programs which have a better identification factor. It would appear that every effort should be made for KIF to be kept aware as the planning moves on for that MEP.

Since both VP Morton and Wagner will be kept involved in the overall planning process as well, there will be the potential for good communication between the two groups. However, some more formalized way of interaction seems necessary as well. Somehow, we have got to be able to have closer communication as staff begins to work with the 1990-93 program. Whether this would require the Treasurer at the end of his year, or the President-elect at the beginning of his, to formally meet with the Foundation is not clear to me at this time. I only focus upon the need for close and frequent communication.

I will appreciate the thoughts of each of those to whom this letter is sent as to the best methods for the two groups to work more closely. Some subjects that come to mind that individuals may wish to respond to:

Should there be more of a conscious attempt to intertwine personnel or even structure? Is there any modification of meeting times or deadlines that we can look at in the planning process? How can KI best use the MEP in support of KIF? Is there anything that KIF can add to the planning of the MEP other than being ready with funds? At the



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informal meeting in my room prior to the Board Meeting, we acknowledge the autonomy of Kiwanis Clubs. Should this be considered as an area for possible change, either as it relates to KIF or to the MEP? Should the Executive Committees of the two organizations increase the agenda of their combined meeting? Is it worth it to consider having an extra meeting of certain members of KI and KIF each year in Indianapolis? Is there any potential change in the KIF Bylaws, Policies or Procedures that would make any difference in improving communication --- or does this just require a conscious attempt on everyone's part to make it work? KIF now has a Long Range Planning Committee. Is this likely to create conflict rather than to help?

Other questions should be raised which may help further define problems and potential solutions.

Regarding the desirability of KI funding more of its educational programs and not depending on KIF grants for some of these, it is obvious that this is dependent upon the passage of a dues increase.

October 19, 1988

W.J. "Wil" Blechman, M.D.
Treasurer
Kiwanis International
5250 S.W. 84 Street
Miami, Florida 33143-8434

Dear Wil:

The following will be thoughts on your letter of October 10, 1988, in which you ask for comments and or suggestions on how KI and KIF can become more closely aligned as far as administration and programs are concerned.

First of all, it seems that some members of KI have a hard time accepting the fact that we of KIF (especially the present, and Boards of the past five or six years) are looking for avenues to cooperate with the KI structure. In this regard, and possible answer to one of your queries of whether or not there should be more meetings between the two Executive Boards, this I personally would relish, I feel that a lot of dissension could be cleared up if we could keep the door of communication open at all times, case in point: I feel we did communicate and was able to get some issues straight in our minds at the 10:00 P.M. meeting prior to Council. Hope the feeling is mutual?

As to a three-year Major Emphasis Program during the 1990-1993 Kiwanis Years, I feel strongly that this would only help, not only KIF but also KI. Those of us that have worked in the field for the last 25 or so years, especially with inception of the MEP, know that a lot of clubs get discouraged by having to change their emphasis every year to conform with KI; and in regard to one of your questions, I feel strongly against the thought that autonomy might be taken away from the individual clubs, I do feel strongly that if there were a long range, if not permanent MEP by KI, the Kiwanis club would react favorably, this would also give the KIF something to work with, It would have a program that could enhance fund raising if shown a program with a goal, something that could not be handled by club, division, or district. We of KIF wish now that we had such a program to point to.

In answer to your question as to whether or not there should be more intertwining between personnel or even structure between KI and KIF. I would like to refer to the newly designed concepts designed by the KIF Long Range Planning Committee that were passed on by the KIF Board and presented to the KI Board for comment: Item 1. Kiwanis International and the Kiwanis International Foundation, although separately constituted, are closely aligned by Bylaw and Policy provisions and full cooperation between the two organizations

is necessary for total success.

2. It is the intent of the Kiwanis International Foundation to actively support the goals and objectives of Kiwanis International and to establish projects compatible with the objectives of Kiwanis International to enhance fund raising ability.

10. (Taken out of context for reasons below) It is the desire of the KIF to determine how the costs of its portion of the International office operations are to be handled.

4. The on-going success of Kiwanis International and the Kiwanis International Foundation relationship depends upon the complete understanding on the part of both organizations of the implications of the I.R.S. designations as 501(c) (4) and 501(c) (3) organizations.

7. It is the desire of the KIF to have its administrative office in the International Office of KI and to have the International Secretary give supervision to the employees of the Foundation, No. 11 could be included with the above: It is the desire of the KIF board to work closely with the International Secretary in all matters related to his supervisory responsibilities.

As far as the administration of the KIF is concerned, I personally feel that the present set up should be given a fair chance to succeed. I feel we have an excellent administrator in Jim Sheets, the office staff is efficient, but not too heavy, and we of the Board have found new ways on cutting back on expenses.

With due respect to the International Secretary, Kevin Krepinevich, whom I have a lot of respect for, I personally cannot see one person satisfying two factions, it has been said by a larger Power than any of us, quote " No man can ever serve two masters: for either he will hate the one, and love the other; or else he will hold to the one, and despise the other". I am also of the opinion, as my Horoscope reads for today: "If it ain't broke, don't fix it".

I do feel, and I feel that Jim would like a close relation with Kevin as to the every day services required by KIF of the facilities of the International office. This I feel could be worked out between the two of them.

Yes, I feel that there could be an annual meeting between members of both organizations, and more meetings when innuendos and rumors are rampant, a forum to clear the air, I feel that the above situations have injured the kinship between KIF and KI more than any of us would like to believe.

At the present I feel there is no need for any changes in the

Bylaws or Policies of KIF but I would like to see KI include in its Policies the following: "Since each Kiwanian is a member of KIF, it becomes necessary that there be a effort on the part of KI leadership to promote an understanding of this fact". This should start with the President of KI, who would strongly encourage the Governors to show support for the KIF personally, as well as to encourage his Lieutenant Governors to get involved on a personal basis during his contacts to the clubs in his Division. We of the KIF Board have found that there are too many Kiwanians that do not even know that KIF exists. The recognition that this would provide would certainly be an asset.

Wil, I think we all agree with your last paragraph: Regarding the desirability of KI funding -----.
And as you point out any action described would be predicated on a dues raise, so enough said at this time.

Well you asked for it, hope you got what you wanted, look forward to the results.

Sincerely,

Wm. A. "Bill" Thatcher
President

WAT

cc: Don Miles
John Morton
Bob Wagner
Noris Lusche
Gene Overholt
Larry Hapgood
Tyler Bland
Raymond Wolfson
A.M. "Andy" Waters
Ted Osborn
E. Parker Smith
Louis L. Theiss
Donald Williams
Jim Sheets
Chris Rice
Kevin Krepinevich



KIWANIS INTERNATIONAL

OFFICE OF THE ASSOCIATE SECRETARY EMERITUS
L. A. HAPGOOD
1105 North Mill Street
Naperville, Illinois 60540

October 28, 1988

Dr. W.J. "Wil" Blechman
Treasurer
Kiwanis International
5250 S.W. 84 Street
Miami, Florida 33143-8434

Dear Wil:

Thank you sincerely for sharing with me two releases of recent date. There is much of a very positive nature in these materials.

As you probably know, I am Chairman of the Long Range Planning Committee of the Foundation for this the second year. Last year Don Williams and I made up the Committee as appointed by President Andy Waters. This year, President Bill Thatcher added Tyler Eland to work with Don and me.

As part of the response to your material, I feel it would be helpful to you if I share a copy of my comments to my Committee which was developed following the receipt of your releases. So a copy is enclosed.

I also want to compliment you and the Kiwanis Board for the position taken regarding the need for a major program thrust for the years of 1990-93. This action has obviously placed the development of such an effort upon the Board Committee which you chair. This is surely a positive step. Also I again restate the offer of our Committee, or of the whole Foundation Board to be exact, to be of whatever help that seems appropriate and feasible as the work of your Committee progresses.

Now let me further comment beyond the material in the release to the Long Range Planning Committee and try to deal with the very heart of the matters at hand.

Wil, the struggle to have in writing as good a definition of the relationships between Kiwanis International and the Kiwanis International Foundation continues. Here is some pertinent historical background. The need to have the relationships spelled out was evident as soon as the KIF Board decided to hire a full time administrator. Bill Jepson had been the staff member who had been assigned by Reg Merridew and me to work with Harry Himmel and the Foundation Board. Bill was first and foremost a man with Kiwanis staff responsibilities with Foundation responsibilities as part of his day-to-day workload. The Foundation paid an agreed amount for his services.

II.

Bill was asked if he wanted the job of full time Foundation Administrator or did he want only Kiwanis staff assignments. Bill chose staff status. Bill's assistant on the staff was Jerry Jindra and Jerry took the job of Administrator. This created no problem as obviously Jerry was Kiwanis staff trained. He as well as Bill was fully aware of how the Foundation functioned within the structure of the General Office as it was then designated.

Then Jerry left Kiwanis to take an assignment with the Field Museum in Chicago. Mark Frady, with no staff experience at all, was placed in the job of Administrator.

You will recall that the Kiwanis Board by this time had asked me to give time as consultant to the Kiwanis Board and its committees on the new building and on the relationships with those employees who did and did not want to make the move to Indianapolis. It was at this time that I worked closely with Mark since all money to support the building process had to pass through the Foundation except the money from the sale of the building at 101 East Erie Street in Chicago. Mark was most cooperative. However, he revealed that he was uncomfortable with the fact that there was nothing in writing about the relationships between KIF and KI. He sensed no problem with the functioning as long as Kiwanis was in Chicago. However, he wondered, and rightly so, how the functioning of the Foundation would develop under completely new leadership in Indianapolis.

I promised that I would do two things. One was to discuss the need for having the functional relational relationships in writing with President Mac McKittrick. Second was that I would set forth in writing at least some of the areas which should be given consideration when a decision was made to finalize a draft on such relationships which could be approved by both KI and KIF.

The Foundation looked forward to having this accomplished and Mac McKittrick was totally in agreement that the material should be finalized. Unfortunately nothing happened. The Kiwanis Board had "many irons in the fire" as is obvious as one looks back at that period.

So the office moved to Indianapolis. William Kleindorfer departed the job of International Secretary less than a year after the dedication of the new building. In the meantime the Foundation office was dealing with a completely new set of employees as far as the carrying out of the functions of the Foundation office were concerned. Next came Gil Zitzellsberger as Secretary. With him came additional new personnel and relationships between the Foundation personnel and those responsible for the day-to-day functioning of the office became increasingly difficult.

Gil Zitzellsberger unfortunately "painted himself into a corner" by insisting that if he had anything to do with the Foundation the first thing he would do was to fire the Foundation Administrator.

III.

The Foundation Board stood firmly behind its Administrator.

Don Williams as President of Kiwanis International and George Engdahl, President of the Foundation, talked openly and objectively about the impasse. Again, we must all remember that there was nothing in writing to assist Don and George. This is one of the principal reasons why this matter of written relationships is so paramount in the mind of Don Williams today. He believes that it is extremely important to both organizations to have a frank and completely objective discussion of these matters. I have supported Don's position for a long time as the facts I have stated support. This support was also evident before I was named a Trustee of the Foundation and I was working with the Development Committee of the Foundation and the Foundation Board by invitation of the President of the Foundation. I surely appreciated the opportunity to help as I had always maintained a keen interest in seeing the Foundation develop as a strong arm of Kiwanis and as an active member of the total Kiwanis family.

At the invitation of George Engdahl I wrote several lengthy working papers stating in even greater detail the facts which I have reviewed for you. One paper dealt with many of the legal aspects of the establishment and the functioning of the Foundation. At my insistence, George checked my entire material with Thomas Lofton. Tom was the attorney for the Foundation and the one who had helped me, working with Don Williams, then Chairman of the Building Committee, to get the finances for the building worked out and especially the expense for part of the building costs cleared with IRS so that the extra funds could be handled through the Foundation. Tom Lofton had been retained as legal counsel to the Foundation at that time. Tom Lofton is one of the most respected attorneys in the field of Foundations to be found in the United States today.

All the points which I had made in my working paper were cleared by Tom Lofton for George Engdahl and George shared these basic facts with Don Williams as the two men faced the task of trying to get Kiwanis and Foundation relationships on at least some workable basis. It was at that time that Aubrey Irby was brought in as Executive Director of the Foundation.

Gil Zitzellsberger never changed his position at least openly. Yet through the influence of Don Williams and the good personal relationships which Aubrey was able to develop with Gil, the Foundation moved forward and its progress speaks for itself.

Once more a new International Secretary has been employed and still no common agreement over fundamental relationships has been established.

Being realistic, is it any wonder that confusion over so many issues exists both with Kiwanis and now to some lesser extent within the Foundation. The reason for the validity of this last statement is that the Foundation through its operating committees and its Long Range Planning Committee has put forth for consideration a statement which was transmitted to the Kiwanis Board by then President of the Foundation, Andy Waters.

IV.

The statement was headed: "Concepts Regarding the Relationships Between Kiwanis International and the Kiwanis International Foundation". You have a copy so I will not send another copy with this material.

Let it be completely understood that these concepts were not developed with any thought of forcing the points of view expressed on the Kiwanis Board. Nothing could be further from the truth.

As Chairman of the Long Range Planning Committee I worked with Don Williams to develop lengthy statements of policy and procedure. These in draft form were, by agreement, shared with both Aubrey Irby and Kevin Krepinevich on a confidential basis. Their input was welcomed and the final draft of the suggestions on policy and procedure incorporated all their ideas. This draft was taken to the Foundation Board in Seattle.

The Foundation Board thought it best to summarize the basic principles into a statement of concepts. This was done. The draft was approved by the Foundation Board. This draft was transmitted originally to the joint meeting of the Executive Committees of the two organizations in Seattle. Later, Andy Waters transmitted these concepts in writing with a covering letter to all members of the Kiwanis International Board after Seattle. Again, this letter states: "You may wish to submit your concepts or you may wish to modify, delete or add, at your discretion. We solicit your input."

How can what was done be interpreted by anyone as anything but an attempt on the part of the Foundation to be helpful and to open the whole matter for frank and completely objective discussion? All the background that I have given you in this lengthy explanation I believe sincerely does nothing more than substantiate this objective position.

Well, there are those among the Trustees of the Foundation including me and certainly Don Williams who believe that the confusion which exists will never be objectively handled until both the Kiwanis Board and the Foundation Board have a written agreement on how the two organizations can work side by side and hand in hand to best serve the needs of the total worldwide organization. Such would assist the Kiwanis Board in its functioning and with the Foundation having its important role in raising needed funds to further the worldwide objectives and goals of Kiwanis. Let us make it possible to put to rest once and for all rumors and fears caused by misunderstandings as well as a good deal of misinformation. It can be done jointly and the real call to action is now.

As further evidence of an attempt to be helpful in yet another aspect of this total picture, I developed and gave to the Foundation Board for its consideration the enclosed Working Paper entitled: "The Kiwanis International Foundation and Kiwanis International's Relationships with District and Clubs". Again this material is completely open for discussion as to the validity of the principles expressed and the determination of how any valid concepts can best be implemented. In the end, it would be hoped that the best interests

V.

of all would be served and the unified efforts of Kiwanis and the KIF in their proper spheres of work could result in an increasingly better understanding by every Kiwanian in every Kiwanis club worldwide.

The other matter of real concern deals with how the Foundation can raise the needed funds to support on-going and new program emphases. My release to the Long Range Planning Committee deals with matter of program pretty realistically.

the Foundation

It is important that/work with Kiwanis on a Kiwanis instituted program which will stir the imagination of every Kiwanian and stimulate that member to contribute funds through the Foundation to underwrite such an effort. However, it must be understood that this is not the Foundation's program. It is a Kiwanis program adopted and promoted by Kiwanis with the Foundation working diligently to raise the needed funds as well, if possible, some additional funds which could enhance the endowment.

It is my opinion that whatever misunderstandings which may have developed over program emphases have to some degree at least come out of planning for the 75th Anniversary of Kiwanis and the desire of the Foundation at the 50th Anniversary of its activation to be able to support a major program effort and in doing so to have a firm base for asking every Kiwanian to give generously to the funds of the Foundation. Comments on this are further amplified in my release to the Long Range Planning Committee.

The following is my attempt to summarize logical goals and objectives:

1. Clear up any confusion which exists by finally clarifying once and for all the relationships between Kiwanis and its established foundation.
2. Kiwanis and the Foundation jointly agree on what such relationships should entail and place these agreed upon facts in writing as guidelines for the functioning of all concerned.
3. The Kiwanis Foundation should accept its role as helping in every way possible to further the best interests of Kiwanis.
4. Kiwanis should recognize the role the Foundation plays in the total functioning of Kiwanis and , along with the Foundation, make this rôle completely understood by every Kiwanian in so far as possible.
5. Kiwanis should recognize and fully understand that there is a limit to the extent of the Foundation's fund raising if it can only appeal to the membership to give to the Foundation in general terms and not in support of a challenging program emphasis. To give just to increase an endowment is not very inspiring.

VI.

6. Kiwanis and the Foundation therefore must recognize the importance to both organizations of such a major program emphasis. The time element for the development and promotion of such an effort also becomes extremely important. Such decisions must be made by the Kiwanis Board.
7. Kiwanis and Foundation should agree to get the doors of communication open and keep them open. Potentially there is no concern on the part of either Kiwanis or the Foundation which cannot be fully discussed and agreements reached with which all can feel comfortable.
8. Kiwanis and ^{the} Foundation should agree that the future demands nothing less than a side by side effort with each carrying its full load to assure the full success of Kiwanis as an outstanding, prestigious service club recognized worldwide for its service to mankind.

Well, I hope that the background information which has been provided and the thought about the future expressed may be helpful. If so the time to develop this material will surely have been worthwhile.

Kindest personal regards and best wishes--

Cordially yours,


L.A. HAPGOOD

cc: Thatcher
Williams
Bland
Sheets



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From: Wil Blechman
To: Members of Program Services Committee
President Overholt
President-elect Lusche
Secretary Krepinevich ✓
Past President Counselors Lansford and Eagles
KIF President Thacher ^{elect}
KIF President Bland
KIF Long Range Planning Chairman Hapgood
Re: Response from Larry Hapgood and its relationship
to future planning

Please review Larry Hapgood's summary of events as they relate to the relationship between KI and KIF. I would urge each of you to consider how you would like to see this relationship formalized, put it down on paper, and send it to each of the committee members, as well as to Larry, Bill Thacher, and Tyler Bland. This should be done well in advance of our January Board meeting, so responses will also be possible. We may be able to help get some worthwhile ideas in front of the Board and help finalize ~~this~~ in the not too distant future.

Something

January 11, 1989

W.J. "Wil" Blechman, M.D.
Treasurer
Kiwanis International
5250 S.W. 84 Street
Miami, Florida 33143-8434

Dear Wil:

The following will be comments on your correspondence of December 26, 1988. Sorry I have not submitted these sooner, but have been laid up with the bug.

Personally, and I think I can speak for the majority of the KIF Board, we certainly would back you on your thoughts of KI (as soon as it is financially practical) handling all its own expenses, except for that related to the Kiwanis World Service Medal and the development and at least part of the implementation of the MEP.

We would look forward to a unified, long term MEP, giving the KIF support in its solicitations of contributions from the Kiwanis Family. KIF would continue to support the MEP, World Service Medal and the Robert F. Connelly Medal. I feel that the KIF should also continue to support our youth groups, Key Club, Circle K and Builders Clubs.

KIF has offered in the past to pay its proportionate share of expenses within the KI office, as stated, this could be agreed on by the Boards of KI and KIF.

KIF Board members agree that the KIF Board should consider the possibility of adding non-North American representation to the KIF Board. This will be discussed at our meeting January 21-23, 1989.

KIF would certainly look forward to heavy and continuous promotion by KI, including the education about the Foundation and means by which donations can be made. The motivation by leadership KI would be a great asset, and as you point out is absolutely necessary.

Superstar Night could be an asset to the KIF, this would take some study and cooperation between KIF and KI. On the surface it sounds good.

The KIF Board has long suggested the fact that the Secretary of KI and The Administrator of KIF should develop an understanding of their relationships. But I, as well as some of the other KIF Board Members feel that the KIF Administrator should maintain control of the Foundation staff and administration, as the KIF uses the facilities of the KI building, there has to be a rapport between the two

administrators, but I personally feel that (and I expressed this earlier) that no man should have two masters. KIF has come a long way in the past five years and continues to grow under its present leadership, as the man said "If it Ain't Broke; Why fix it?"

Quite often the KIF is compared to the Rotary Foundation and its leadership, to compare the two organizations is like trying to compare apples with lemons. RIF when organized was wanted by RI, the leadership of RI was proud of their endeavors of setting up a tool that could raise funds for their major projects, they were smart enough to set precedent by not allowing club foundations or district foundations, otherwise no competition. When KI formed the KIF it was done (this verified by the history of the KIF) more or less under less that majority opinion, the KIF has floundered, until recently, since 1939 when it was organized. During the years from 1939 to 1962 (when a thinking KI President, Merle Tucker, disbanded the KI Foundation Committee) all actions by the KIF Board was vetoed and/or suppressed by this KI Foundation Committee not allowing the Foundation to grow. I feel this has a lot to do with the fact that there has only been thirteen KIF Presidents since its inception, evidently there were no takers for the abuse offered.

So I guess you can get a feel on what I think about two masters. I cannot help but wonder where KI was in the past when leadership was needed? Is it that now KIF has grown into a viable and strong organization that the KI Board has grown interested?

But I do reiterate that there has to be a happy relationship between the administrations of both organizations, and I personally cannot see why there should not be this desired relationship if it is looked at in a mature way.

Every governor a "Hixson Fellow"? Sounds real good, but do you think it could become a reality, after all, the KI Bylaws do not allow assessments! Would be boon!.

As for KIF grants, you should note that the outside grants made this year were ALL granted to organizations that represent the works of Kiwanis, we were happy that we were able to grant monies to non-North American club projects this year. Grants have been directed to Kiwanis oriented projects for the last three years.

Will I think you know how I feel about the KIF, from this and previous correspondence, and it does not pay to beat a dead horse, so I will close for now and say that I am looking forward to meeting with you in Indianapolis next week.

Sincerely,

Wm. A. "Bill" Thacher

WAT

Copies to: Gene Overholt
 Noris Lusche
 Ray Lansford
 John Morton
 Bob Wagner
 Don Miles
 Don Goodfellow
 Art Swanberg
 Tyler Bland
 Ray Wolfson
 Larry Hapgood
 Jim Sheets
 Kevin Krepinevich



January 27, 1989

TO: Board members, K.I.F.

FROM: R. Tyler Bland, Jr.

SUBJECT: Reflections on "THINK TANK", Jan. 25, 1989

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ADMINISTRATOR
JAMES L. SHEETS

In my opinion, Bill Thacher, Jim Sheets and I were treated "gently" by the KI Board Wednesday morning. It was an interesting experience and I appreciate the kind attention we received, especially by the two vice presidents sitting on our board this year.

We followed generally the script you received from Kevin entitled "KI Board THINK TANK". The three principal points of discussion were:

1. Should the KIF be identified in the Constitution and By-Laws of KI?
2. Should there be an plan of cooperation or explanation of relationship between the two boards?
3. What should the relationship be between KI and KIF as to service projects, such as MEP, as related to fund raising projects?

I address the items numerically:

1. It was the concensus of opinions that the KIF should not be identified in the Constitution or By-Laws of KI. The discussion followed the line that because of our 501(c)(3) designation there should not be an interlocking of staff, which would give an outside observer the impression that we were the "arm" of KI -- and I mean "arm" in the sense that the KI had full authority to dictate where our efforts would be directed. I must say that this, as well as other subjects, were not without some divergent opinions.

2. It was decided, unanimously, that there should be a plan of cooperation and a definition of relationships between our boards. In this connection our KIF "Concepts" were warmly received, with the exception of item #7. If you recall, this was the subject we ammended as to the role of the KI Secretary in the operations of the KIF. I am sorry

that the KI Board also had the original concepts, which we ammended; this caused some hangup as they compared the two. The final result was encouraging since it was agreed that a committee of our two organizations would meet soon and submit a plan to the two organizations.

3. The third item was the problem that we on the KIF have wrestled with for a year or more. After we informed the KI Board that it was imperative to have a reason before an International major fund raising project is instituted -- that is, we must have a goal that will be acceptable worldwide. We explained that we are looking at a \$15 million program over a five year period. I am happy to report that it was my impression that this concept was received kindly and embraced by the entire board.

To close with a very positive note, Noris Lusche agreed that he and I would meet on March 2nd or 3rd and come up with suggestions that would tie in with KIF's long range plan which would be compatible with his MEP. You will recall that we have felt hog-tied because we could get no direction in the past.

Bill and Jim may not be in entire agreement with me as to my observations and I am certain they have other items that I have not mentioned. It is my intention in this early report to let you all know that "things are looking up".

Thanks very much for electing me as your president for 1989-90. Bill and I will continue to work closely this year and, hopefully, he can get your program on line before October; if not, he will be on Board to help us in '89-'90, our 50th anniversary year!



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cc: Jim Sheets

(for your information)
KWK

January 31, 1989

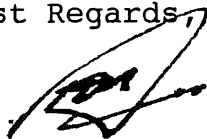
Mr. Kevin Krepinevich
International Secretary
Kiwanis International
3636 Woodview Trace
INDIANAPOLIS, INDIANA 46268
U.S.A.

Dear Kevin:

I am enclosing a draft form letter that I have sent to all members of the Board requesting that they provide Noris, with copies to you and I, with any views that they did not have an opportunity to express at our think tank session. If any of us receive any ideas without shown copies to the other members of the Committee, I assume we will photocopy and pass those on.

Pat Nash taped the think tank session, and I think it would be most helpful to the members of the Committee to have a transcript of that morning session.

It was great to be with you in Indianapolis.

Best Regards,


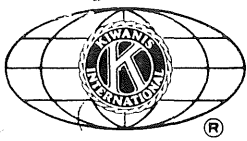
W. DONALD GOODFELLOW, Q.C.

WDG/bd
Enc.

cc: Gene Overholt, President

cc: Noris Lusche, President-Elect

18094



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January 31, 1989

Dear

President Gene has appointed International Secretary Kevin, President-Elect Noris, and myself to represent Kiwanis International and to meet with representatives of the Kiwanis International Foundation to draw up guidelines regarding the relationship of the two organizations. We had a very interesting think tank session on the 25th of January, 1989 at which many of us had an opportunity to express our views. That will be most helpful to the members of the Committee in their deliberations.

If, however, you have any other ideas that you wish to share with the members of the Committee, please send them to President Noris with copies to Kevin and myself so we will have an opportunity to have input from all of our Board in these discussions.

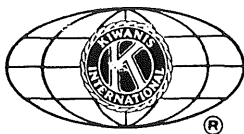
It was great to be with you in Indianapolis.

Yours in Kiwanis.

W. DONALD GOODFELLOW, Q.C.

WDG/bd

1925



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January 31, 1989

William A. Thacher, President
Kiwanis International Foundation
8645 E. Henderson Tr.
INVERNESS, FL 32650
U.S.A.

Dear Bill:

I am sure that either President-Elect Noris or International Secretary Kevin will be writing you and Tyler advising you that Noris, Kevin and I have been appointed by President Gene as Kiwanis International's representatives to meet with representatives of the Kiwanis International Foundation to establish the guidelines and working relationship between our two organizations. I look forward to meeting with your group because I feel that the Kiwanis International Foundation is an integral part of our Kiwanis family and has, and I know will continue to greatly assist in our community service work.

However that is not the reason for this letter. John Morton (very ably) presented your report to the Board of Trustees on the 27th of January, 1989. I notice at the bottom of page 1 you refer to a by-law change in regard to the term of the Kiwanis International Foundation Board Members. I believe there is an inconsistency in the wording in that the inference is definitely there that the President-Elect, President, and Immediate Past President are not Trustees, while the Secretary-Treasurer and the other Trustees are the Trustees of the K.I.F. Board. You will notice the second last line on the first page, "each Trustee shall be entitled to one vote on each question ..." This then would exclude the President, Immediate Past President, and President-Elect from voting. I believe what you intended to say was that:

"The administration of the Board is and shall be entrusted to a Board of 11 Trustees consisting of four officers, President-Elect, President, Immediate Past President, and Secretary-Treasurer. In addition there shall be seven other Trustees, two of whom shall be members of the Kiwanis International Board of Trustees. All members of the Board ..."

Additionally you will notice that I have taken out the reference to the "ex officio" in relation to the members of the Kiwanis International Board of Trustees who sit as members of the Kiwanis International Foundation Board of Trustees. The reference to "ex officio" means "from office; by virtue of the office; without any other warrant or appointment than that resulting from the holding of a particular office" (Black's Law Dictionary). Hence the suggestion that the two members of the Kiwanis International Board of Trustees be ex officio members on the Kiwanis International Foundation Board of Trustees infers that they are not full members but only sit as a result of their membership on the K.I. Board of Trustees. Usually ex officio members don't vote but are merely there representing the other organization. I am sure that there was always the intention that the K.I. Board of Trustee members be full members of your Board.

It was great to be with you in Indianapolis and I look forward to working with your Committee regarding the drawing of the guidelines.

Best Regards,

W. DONALD GOODFELLOW, Q.C.

WDG/bd

cc: R. Tyler Bland Jr., President-Elect
Kiwanis International Foundation

cc: Gene Overholt, President
Kiwanis International

cc: Noris Lusche, President-Elect
Kiwanis International

→ cc: Kevin Krepinevich, Secretary
Kiwanis International

18229

JAN 9 1989

February 3, 1989

TO: Trustees, K.I.F.

FROM: Wm. A. "Bill" Thatcher

SUBJECT: Follow up on Tyler's reflections on "THINK TANK",
January 25, 1989.

First of all I must apologize for being so tardy with this report on the "Think Tank", I did have a twelve page letter, ha! ready to send each one of you as a follow up on Tyler's reflections, but as I was finishing the closing my monitor went blank, and not having saved pages (as any good computer putter inner knows) as I went along, I lost the whole letter. Now I have a new monitor, (hooray!) so here I go again.

First of all I agree with everything that Tyler relayed to you as to what the "Think Tank" might have accomplished, but I feel there were other things that were not reported, so instead of repeating what Tyler has pointed out I will just build on his observances.

In regards to Tyler's observance No.1, the KI Board was very surprised when we pointed out that the KIF is an independent indemnity, and if the KIF Board felt it did not have to follow suggestions from the KI Board, it does not have to, we had strong support on this from KI Trustees Bob Wales, C.P.A., and a student of foundations, Don Miles, Attorney, Bob McCurley, Attorney and teacher of Constitutional Law, and others. It was quite a shock to some of the KI members that have had the feeling that KIF should be controlled by the KI Board.

In fact Bob Wales felt that Tom Lofton's letter suggesting that the KIF and the KI Boards work more closely, is probably the worse thing that could be suggested, in his opinion, KIF and KI should be at least arms length apart, any relationship other than that would certainly be detrimental to the KIF tax exemption status.

It was also a consensus that the Foundation should have one executor, this being the KIF hired Administrator to run the business of the Foundation, to hire and fire employees of the Foundation, but have a close working relationship with the KI Secretary. Once again to keep the red flag from flying in regards to the Tax Exempt Status, i.e arms length status. We have support of this from President Gene Overholt.

I was questioned as to who would oversee the Administrator of the Foundation and the staff under him in the absence of the KIF President or any other members of the board, my answer,

hired (Jim Sheets) to administer the Foundation daily works and the staff under him".

Tyler's point No.2 -- In regards to form a plan of cooperation between KIF and KI, President Gene suggested that a Ad Hoc Committee of three members of each organization be formed to study and formulate a plan where KIF and KI could work amicably, now and in the future. As my Long Range Planning Committee has been working on this for some time, my choices are: L.A."Larry" Hapgood, Chairman, members: R. Tyler Bland, Jr. and as Gene has designated, Kevin Krepinevich to serve with Don Goodfellow and Noris Lusche, Jim Sheets.

Tyler's point No.3 -- President Gene has suggested that the KIF no longer wait for the KI Board to make up its mind as far as a long range MEP that the KIF could use as a program to predicate our fund raising point of interest. Gene suggests that the KIF come up with its own five year program; he is strong on the drug issue.

So fellows it seems as if the reigns have been loosened, now it is up to us to prove we are worthy of the trust. We will be observed, so let us showcase the Foundation's abilities.

Going back to No.2 -- One issue that will have to be resolved is the KIF financial responsibilities in conjunction the KI facilities, e.g. rent, postage, telephone, otherwise in-house services. So this will not show up in any one year as a large increase in operating expenses on the yearly statements of expenses. It will be fazed in during a five year period. This will be one of the issues to be studied by the AD Hoc Committee.

To keep this under twelve pages, I will now thank President Gene Overholt most heartily for setting up the "Think Tank" and allowing the KIF an opportunity to tell its story; this has been long over due. Given the opportunity let's all give personal thanks to Gene for his support of the KIF this year and commend him on the job he is doing for KI.

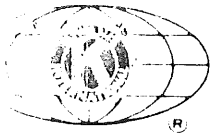
Yours in Service,

Wm. A."Bill" Thacher

WAT

cc: James L. Sheets
Gene R. Overholt
Noris Lusche
Wil Blechman
Levin Krepinevich
Bob Wales

Bob McCurley
Don Goodfellow



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12 February 1989

Donald Goodfellow, Trustee
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 Canada

Dear Don,

Thank you for an opportunity to pass on some of my feelings about the relationship between Kiwanis International and the Kiwanis International Foundation. I have been pleased to see the two organizations working together more closely and nothing but good can come from that. I would like to see the relationship between the two organizations based upon the following premises:

- 1) The KIF is the fund-raising arm of Kiwanis and funds to be expended should be directed towards those programs developed by KI. These funds should be dispersed world-wide to help Kiwanis programs in communities, larger political divisions, and even to countries where a country-wide need exists.
- 2) Every effort must be made to educate each Kiwanis member to the effect that he is also a member of KIF, and has an obligation to support it with monies.
- 3) To make grants as effective as possible, in most cases an effort should be made to make the grant one of a matching kind, persuading the local Kiwanians to get behind the project.
- 4) The KIF must remain an entity that will satisfy the tax authorities, and as such, must retain its Board of Trustees and its administrative people. However, these administrative staff people should be under the direction of the International Secretary and he should be the spokesman for the KIF to the Kiwanis International Board.
- 5) The KIF should be headed in a direction that will ultimately allow it to dispense funds as earned in the prior year that it may more properly budget its grant process and assist those receiving grants to budget accordingly. This may take time, but could be done in a matter of a few short years of reduced grants.

6) The KIF should be working towards a more International Board, with representatives from Non-North American countries. A seat of the KIF Board should not be the result of giving, but rather a seat which would encourage more internationality in giving.

7) Kiwanis International should adopt a posture of less reliance upon KIF grants to fund operations. We must stand on our own feet as to operational monies, and KIF grants should be used only in the field to promote Kiwanis projects. Even the MEP should be able to be funded out of operational income, and KIF grants should go to the source of the project, right to the entity that is putting the project into force.

8) The KIF must be constantly aware of its promotional and administrative costs as relate to monies donated. A reasonable and workable % of funds should be arrived at, and expenditures for promotion and administration should be kept in these bounds. Here again, it would be most helpful if the KIF budget were based upon those monies raised last year, and not upon some educated guess of what will be available the current year. This process would tighten up the whole foundation procedure and would serve to put the Board of KIF in a most enviable position of having to budget monies already in the bank.

It would appear to me that certain KIF Board members are overly protective of their "turf" and are unwilling to surrender that "turf" to the betterment of Kiwanis as a whole. This attitude is self-serving and not in the Kiwanis spirit. As long as the KIF Board maintains control of its fund-raising programs and of the grant system, who should care about whether the KIF administrator answers to the International Secretary or to the KIF Board, which must act through its executive committee, a cumbersome method to say the least. Let us give that KIF staff day-to-day supervision with the overall goal for Kiwanis always in sight.

Thank you for listening,



Art Swanberg

cc: Kevin Krepinevich
Noris Lusche



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February 15, 1989

Mr. Donald Goodfellow, Q.C.
Milner & Steer
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Dear Don:

By your letter of January 31, you asked for ideas of board members on the relationship of Kiwanis International and the Kiwanis International Foundation. It is my belief that these corporations should maintain an arms-length relationship with a high level of cooperation. I agree in many respects with Bob McCurley and Art Swanberg when they say that we should not continue to request the Foundation for what are distinctly operational funds of Kiwanis and/or its sponsored programs. We should limit our requests to matters which are experimental, developmental or project oriented. Dues revenue must be adequate to fund our ongoing expenses.

The Foundation must be made appealing to those who would donate large sums by will, foundations or inter vivos giving. Kiwanis International should not take a dictatorial posture with the Foundation or its staff.

Sincerely,



Don Miles

DM:jhd

cc: Bob McCurley
Art Swanberg
President-Elect Norris Lusche
International Secretary Kevin Krepinevich