

SOCIETY OF AMERICAN MILITARY ENGINEERS FOUNDATION

POST CHARITABLE FUNDS PARTICIPATION POLICY

One Society—Many Posts—One Foundation: The Society of American Military Engineers (“Society” or “SAME”), its Posts and the Society of American Military Engineers Foundation (“Foundation”) are intended to operate seamlessly. Each complements the others—no conflicts.

Most Society Posts undertake philanthropic endeavors in support of the purposes of the Society and accumulate funds for such purposes (accumulated funds by Posts hereafter referred to as “Post Charitable Funds”). Post Charitable Funds are used by the Posts for purposes such as college scholarships, K-12 STEM support (including SAME camps undertaken in conjunction with the military Services), professional development and mentoring, stipends to Post members and veterans and to provide wounded warrior support and other charitable contributions in furtherance of SAME purposes. This entails fundraising by the Posts, investing and accounting for the funds and determining disbursements. The Post will continue to own these Funds; The Foundation will not assume ownership or control of Post Charitable Funds unless otherwise directed by a Post.

Some Posts have asked that the Foundation provide assistance to the Posts regarding their Post Charitable Funds, primarily with investing the Funds. The Foundation was not initially envisioned to act as a financial service instrument for the Posts. However, the Foundation Board agrees that the Foundation can function in this capacity with the Posts without impinging on the Foundation’s “chartered” purpose as a separate but subordinate to SAME 501(c)(3) entity intended to raise funds largely from sources outside of the Society’s membership.

The intent of this “policy” is to outline how the Foundation can support the Posts with their Post Charitable Funds, allowing for stronger returns, less volunteer time, and more meaningful outcomes, with the Posts retaining ownership and authority in the use of their Post Charitable Funds resources.

This Post Charitable Funds Participation Policy sets forth guidelines to implement the requests from the Posts for financial service support. Every Post will be treated the same in furtherance of this Policy.

General Policy

This Post Charitable Funds Participation Policy provides:

- Whether a Post participates with this program is solely up to each Post
- Post Charitable Funds placed with the Foundation will remain Post funds
- While the Foundation Board may grant exceptions, placement of Post Charitable Funds with the Foundation shall be in the following minimum amounts:

- Small Posts: \$20,000
 - Medium Posts: \$30,000
 - Large Posts: \$50,000
-
- The Foundation, in effect as custodian, will invest and manage Post Charitable Funds in accordance with the Foundation's Investment Policy just as the Foundation manages and invests its own funds
 - Investment fees and costs will be pro rata shared by the Foundation and participating Posts
 - The Foundation will separately track each Post's balance and will report investment returns, expenses and overall balance to each Post on a regular basis
 - Posts will continue to include information regarding their Post Charitable Funds on their tax filings with needed information timely provided to the participating Posts by the Foundation
 - Participating Posts will continue to direct the disbursement of their own Post Charitable Funds

The operation of philanthropic endeavors by the Posts, such as a scholarship fund or an education and mentoring fund, includes three elemental activities: (1) fundraising (most often through donations but also through successful Post events); (2) funds management, including investment management and accounting for the funds raised and accumulated; and (3) disbursement of funds, often through scholarship awards but also through stipends and expense reimbursements and other charitable contributions. The Foundation can assist the Posts with these elemental activities as set forth below. The Foundation will consider providing other assistance as requested by the Posts provided such activities are consistent with the Foundation's bylaws and legal standing.

Fundraising

It is expected that the Posts that engage the Foundation will fully continue fundraising as each Post alone determines. The Foundation will not fundraise for the Posts, and the Foundation and the Posts will coordinate closely and make reasonable efforts to not compete with one another to seek donations. While the Posts will remain responsible for their own fundraising, there may be occasions when the Foundation can help the Posts with fundraising, and such efforts will be considered in the sole judgment of the Foundation on a case-by-case basis.

Post Charitable Funds Transferred to the Foundation

All Posts are eligible to transfer Post Charitable Funds to the Foundation for investment and management. The transfer of funds to the Foundation is not a donation to the Foundation; those funds are simply transfers for management purposes. As such, the funds will continue to be "owned" by the Posts and included on the Posts' financial statements and tax returns.

The transfer of Post Charitable Funds can include funds of separately established scholarship funds or education and mentoring funds whether established by incorporation or otherwise, as well as other accumulated and accounted for charitable purpose funds. The Foundation reserves the right to charge the Posts an administrative fee to cover the costs and expenses to administer the Post Charitable Funds. The charge shall be .7% unless revised by the Foundation Board.

It is expected that all Post Charitable Funds placed with the Foundation will have been obtained, managed, and accounted for, including tax filings, as required by law and sound accounting and business practices before being transferred to the Foundation.

Should a Post transfer funds with donor imposed restrictions, it is the sole responsibility of each Post to ensure the funds are maintained and spent in accordance with those restrictions. Posts shall not transfer funds for which restrictions imposed by the donor require the funds to remain in the care and management of the Post. Posts also should not transfer funds that are otherwise needed by the Posts for purposes other than philanthropic giving or accumulating. Posts should not transfer funds that may otherwise be required to support Post operations.

Post Charitable Funds transferred to the Foundation will be included on the Foundation's Statement of Financial Position. The Foundation will internally track the balance of each Post Charitable Fund account. The Foundation books and records will be maintained in accordance with generally accepted accounting principles, and will be audited annually by an independent external audit firm.

Monthly, each Post's balance will be adjusted to reflect changes in value of the Foundation's investment portfolio. The allocation will be based on the Post's proportional value of the overall investment portfolio. Depending on investment and market conditions, the allocation could be a gain or loss.

On a quarterly basis, each Post's "account" balance will be reduced for investment management fees based on the proportional percentage of the Post's balance to the total Foundation investment portfolio. This expense will be reportable by the Foundation to the Posts for Post reporting purposes.

The Foundation will provide to each Post a report reflecting income and distributions within one month after the end of each quarter and, on an annual basis, within three months of the close of the Foundation's year. Participating Posts may request a copy of the Foundation's audited financial statements.

The Posts will be responsible to retain all other aspects of their funds, including scholarship names or otherwise named funds and endowments. Posts will fully maintain the integrity of the funds as Post Charitable Funds, including scholarship, mentoring and other charitable efforts determined by the Posts.

Posts may make a quarterly transfer to the Foundation when and as the Posts alone determines. Posts may also request re-transfers of Post Charitable Funds back to the Post, but it is expected that such re-transfers be limited to no more than two times a year. All donations to Post Charitable Funds must transfer through the Post, not payable directly to the Foundation. Posts are expected to recognize donors contributing to Post Charitable Funds.

Posts may terminate their arrangement with the Foundation, with or without cause, at their sole discretion. In the event that a Post desires to terminate the Foundation's services in managing the Post's Funds, the Post can request withdrawal of its Post Fund account from the Foundation, in whole or in part. Posts should give at least 90-days advanced notice for such withdrawals.

Post Charitable Funds Donated to the Foundation

The Foundation will routinely seek “donations” from many sources. Recognizing that Posts also make charitable donations to causes, Posts may themselves donate accumulated unrestricted Post Charitable Funds to the Foundation. There is a distinct difference between “donating” funds and “transferring” funds by the Post to the Foundation. Just like any other funds donated to the Foundation by Foundation donors, unlike “transferred funds,” funds “donated” by a Post or Post members will be owned and managed by the Foundation and used for unrestricted Foundation purposes. For donated funds, the Posts will receive no services from the Foundation and will not own such donated funds. The donating Posts will receive recognition for their donations.

It is not the purpose of this Post Charitable Funds Participation Policy to address policies regarding funds donated by Posts. This Policy only addresses funds transferred by the Posts for investment and management purposes.

Investment of Post Charitable Funds Transferred to the Foundation

Post Charitable Funds placed with the Foundation will be combined for investment purposes with Foundation funds and other participating Posts’ funds. For investment purposes, the Board of the Foundation has adopted a Foundation Investment Policy. The Foundation Investment Policy is attached hereto and is incorporated by reference into this Post Funds Policy. The Foundation Investment Policy is based on a set of General Investment Principles (set forth on page 2 of the Investment Policy) as follows:

GENERAL INVESTMENTS PRINCIPLES

- 1. Investments shall be made with the care, skill, prudence, and diligence that a prudent person acting in like capacity and familiar with such matters would use in the investment of a portfolio of like character and with like aims.*
- 2. As needed, the Foundation will engage the services of professional, third-parties to advise, manage, and evaluate the performance of the Foundation’s Investments. Any parties engaged by the Foundation in this effort will, at all times, act in a manner consistent with generally accepted standards of fiduciary responsibility and in the sole benefit of the Foundation.*
- 3. The Foundation seeks to avoid any real or potential conflicts of interest in the management of its Investments. Any parties with real or perceived conflicts should immediately notify the Foundation Board. The Foundation will not invest funds with any firm or in any vehicle that may, as a result of the transaction, monetarily benefit a member of the Society in general, the Foundation Board, or the Foundation staff.*
- 4. The Foundation recognizes that Investments contain risks and seeks to manage these risks through a disciplined investment process and a diversified investment strategy. As such, greater emphasis is placed on risk at the portfolio level than at the individual asset class level.*

The Foundation Investment Policy and its guiding set of Investment Principles govern the investment of Post Charitable Funds transferred to the Foundation. Investment of Post Charitable Funds will be consistent with the investment of the Foundation funds.

Pursuant to the Foundation Investment Policy, the Foundation has an Investment Committee chaired by the Vice-President of the Foundation, who also serves on the Board of Directors of the Foundation. The Society (SAME) also has its own Investment Committee. For the foreseeable future, the Investment Committees of the Foundation and of the Society will be a joint committee (hereafter "Investment Committee") with the Chair of the joint Investment Committee being the Chair of the Foundation's Investment Committee.

The Investment Committee is open to new committee members with investment experience. Members of the Investment Committee need not be officers or directors of either the Foundation or the Society. There are many such individuals at the Posts, and they should consider offering their time and effort to the Investment Committee.

The functions of the Investment Committee are to (1) recommend investment policy ("Investment Policy") to the respective Boards of the Foundation and SAME for approval, (2) monitor the implementation of approved Investment Policy to ensure investment decisions fulfill objectives, (3) review Investment Policy on an annual basis, or sooner if warranted, and consider proposed revisions to policy and recommend action to the respective Boards as appropriate, (4) review quarterly investment reports to monitor portfolio fund and investment manager performance, and (5) consider investment related issues deemed necessary and appropriate to the Foundation's and SAME's missions. Posts may have their own suggestions or ideas that can contribute to the Foundation's Investment Policy, and are invited to offer their ideas and to participate with the Investment Committee.

A professional licensed investment advisor (hereafter "Investment Advisor") has been retained to provide investment advice consistent with the overall Investment Policy. The Investment Advisor will acknowledge and agree in writing to their fiduciary responsibility to fully comply with the Foundation's Investment Policy. The specific duties and responsibilities of the Investment Advisor are detailed in the Foundation Investment Policy. One of those responsibilities is to select Investment Managers to implement the overall investment strategy.

Each Investment Manager will have discretion to make investment decisions for the assets placed under their jurisdiction. Other responsibilities are included in the Foundation Investment Policy.

Per the Foundation Investment Policy, the investment objectives of the Foundation are: (1) the achievement of moderate growth, and (2) to carry out periodic capital investments and expenditures, and (3) to maximize returns keeping within the parameters of the first two objectives. Additional details are included in the Foundation Investment Policy.

Post Funds Disbursal by the Foundation

The Posts shall retain control of the disbursement of Post Charitable Funds from the Post's account. Posts may request the Foundation's assistance in determining the uses and disposition of Post Charitable Funds, but in general, it is expected that Posts will determine how to spend or otherwise use

their Post Charitable Funds whether participating with the Foundation or not. This means that Post scholarship committees that select scholarship recipients and determine scholarship amounts will continue the same functions as is or as otherwise determined by the Posts.

Participating Posts will periodically as the Posts determine provide the Foundation with disbursement instructions. Posts are requested to give the Foundation a 30-day advance written notice of payouts. The Foundation will make a lump sum disbursement to the Post; the Post will disburse funds to the awardees.

Posts participating with the Foundation agree not to use funds disbursed back to the Post in any way that is contrary to the Post's bylaws or its charitable purposes or that could jeopardize the tax-exempt status of the Foundation or of the Society. Should the Foundation become aware of any possible violation, the Foundation will notify the Post. This is to protect the status of the Society and the Foundation. Each Post agrees to comply with a Foundation written request to cease activities that might jeopardize the Foundation's or the Society's tax-exempt status.

Posts are expected to take steps to maximize the publicity they deserve for their philanthropy. When payouts are made by the Foundation from Post accounts directly to beneficiary recipients, Posts should notify the Foundation how they want Post recognition conveyed. The Foundation will take all reasonable steps to accommodate the Posts' wishes if they do not place an undue burden on the Foundation and staff assisting the Foundation. In any event, it is requested that Posts participating with the Foundation keep the Foundation informed of the Post's philanthropies. The Foundation may publicize philanthropy by the Posts.

Recommended Best Practices for Post Scholarship Funds

Proper management of Scholarship awards should be relatively consistent across the Society. To aid in this intent, the Foundation offers the following "best practices" as a guide for the posts. The following SAME Foundation scholarship best practices are provided to assist the Posts:

- Unless donor funds include restrictions, scholarships should be limited to STEM (engineering broadly construed) students
- Scholarships should strive for multi-year, preferably four year, awards (although the annual amounts may vary)
- Posts should establish their individual eligibility criteria for scholarships which for the first year might include factors such as minimum grade point average, SAT/ACT scores, a written applicant statement, and extracurricular activities
- Unless funds are restricted, criteria for second and continuing award years may include continued enrollment in an ABET accredited field of study or engineering related field, minimum grade point average, and extracurricular activities
- Scholarship awards should be determined by each Post by a committee of at least three members with no conflicts or appearances of conflicts of interest
- Posts should conduct an appropriate scholarship awards ceremony for Post membership to publicly recognize the scholarship recipients

- Posts should require each scholarship recipient to provide an annual status on grades, courses of study, and activities to enable the Posts to determine whether to continue the scholarship for subsequent years
- The scholarship awarding Post should communicate with the Post or Student Chapter near (if available) the academic facility that will be attended by the scholarship recipient
- The scholarship student should be encouraged to become a member of both the awarding Post and the Post or Chapter near their academic facility
- The awarding Post should assign a mentor (preferably a Fellow) to each scholarship recipient to assist the recipient to maximize success. The mentor should also provide an annual report of the student's progress to the scholarship selection committee
- Posts should record each scholarship award, degree being pursued, degree received, and related employment
- Scholarship recipients should be encouraged to make presentations at Post membership meetings
- Posts should place scholarship graduations and successes in Post publications and share with the SAME National Office for publication in the SAME national publications

Ultimately, it is the responsibility of the Posts to operate their own scholarship programs. It is not the intent of the Foundation to direct Post scholarship practices.

Conclusion

While the Foundation has a much broader purpose beyond assisting the Posts with their Charitable Funds, this Policy is intended to apply to Post Charitable Funds within the Foundation's purview. It is the intent that the Foundation work seamlessly with the Posts to support and complement the Posts' philanthropic efforts in support of the purposes of the Society and the Foundation.

Should circumstances require revisions to this Policy, the Posts will be advised. Only the Foundation Board may make changes to this Policy.

This Policy will not be deemed to create or extend any fiduciary responsibilities or obligations to the Posts or to the Foundation beyond any responsibilities or obligations otherwise imposed by law.

John W. Mogge Jr.



President and Chair of the Board of Directors,
Society of American Military Engineers Foundation

Revised November 9, 2018