

Chi Phi Educational Trust
Process and Procedures for Requesting an Educational Grant for Housing Purposes

Introduction

The Chi Phi Educational Trust is pleased to provide opportunities for Chi Phi Alumni House Corporations or Alumni Associations operating as the Chapter House Corporation (collectively referred to as the "Corporation") to request and obtain educational grants from a particular Chapter Excellence or other restricted Fund ("CEF") managed and maintained by the Educational Trust. Although the IRS has severely limited the ability of the Trust to fund housing improvements, subject to various IRS restrictions, the Trust can make educational grants from a CEF to build or renovate certain space in a Chapter house that qualifies as exclusively educational according to IRS rules and regulations.

Outlined below are the key items organizations should understand and the procedures organizations should follow to request an educational grant for housing purposes.

This memorandum is intended to outline the grant procedures. It is not intended to provide legal advice conclusive as to any particular grant request.

Your Fund

The Trust has already established a Chapter Excellence Fund for every active Chi Phi chapter. Your CEF is restricted for the exclusive use of your Chapter and its members. Alumni organizations should consult with the Educational Trust if they want to establish a separate restricted fund for their housing program. Colonies and inactive Chapters should contact the Trust about the procedures for creating a CEF.

General Overview

The Educational Trust is permitted to make grants to build, renovate and operate space in the house that qualifies as educational if it is equivalent to that which is provided by the host university in its dormitories. Consider the following scenarios:

- Zeta Zeta Chapter intends to build a 10,000 square foot new fraternity house. The total project cost is \$2,000,000. The Zeta Zeta House Corporation has obtained a legal opinion letter, and the Trust has determined, that 20% of the new house qualifies as educational space pursuant to IRS guidelines. As a result, the Trust is able to grant up to 20% of the construction cost or \$400,000 to help pay for the educational space. As long as the Zeta Zeta CEF has at least \$400,000 in it, the Trust can make an educational grant to the Zeta Zeta House Corporation for house construction up to \$400,000.
- Two years after the new Zeta Zeta House is built, the Zeta Zeta House Corporation determines that they spend \$50,000 a year in operational costs (property taxes, insurance, utilities, etc.). Based on the previous legal opinion letter and Trust determination that 20% of their house qualifies as educational, the House Corporation may be able to request a grant of up to 20% of the operational costs (\$50,000 x 20% = \$10,000) to pay for these operational costs on an annual basis.

If the available funds are in the Zeta Zeta CEF, the Trust can make a \$10,000 grant for operational costs subject to a determination that the particular overhead item is applicable to the "educational space".

- Phi Chi Chapter wants to install a sprinkler system and renovate their 100-year old chapter house. The total cost of the renovation is \$500,000. The Phi Chi House Corporation obtained a legal opinion letter, and the Trust has determined, that 10% of the renovations qualify as educational pursuant to IRS guidelines. As a result, the Trust is able to grant up to 10% of the renovations costs or \$50,000 to help pay for the educational space. Unfortunately, Phi Chi only has \$30,000 in its CEF. As a result, the Educational Trust is only able to make an educational grant of \$30,000 to help fund the project. As additional donations are received, the Trust can make additional grants, up to a maximum of \$50,000 total.

Process to Request and Disburse an Educational Housing Grant

1. The Trust will not consider disbursing funds for housing purposes until the CEF reaches a minimum balance of \$25,000.
2. The Corporation should provide at least 120 days advance notice by assembling and submitting the material listed on the **Educational Housing Grant Checklist (on page 4)**, even if it is preliminary.
3. Based on the preliminary project budget, the Trust will review the Corporation's grant request and make an initial decision.
4. Assuming the decision of the Trust is positive, such a decision shall be considered "Initial Approval." The Trustees will provide Initial Approval for up to 75% of the anticipated total/final educational grant amount. The IRS requires that grant monies only be disbursed against documentation of invoiced receipts pertaining to the educational space. Accordingly, of necessity, any commitment of funds by the Trust at this stage is contingent, in amount, upon actual costs ultimately incurred and documented.
5. During the course of the project, the Corporation must maintain records for all expenditures and submit reports and final invoices with periodic grant requests in order to draw against the amount of the Initially Approved educational grant.
6. At the conclusion of the project, the Corporation should submit final project costs and related information. At that time, the Trust will disburse any funds remaining up to the maximum amount of the final grant amount.

Legal Opinions

Corporations are required to obtain a legal opinion letter, at their expense, that expresses an opinion about the percent of any housing project that qualifies as educational under IRS guidelines.

Other Related Information

The Chi Phi Educational Trust has established other policies and has additional information that may also be of interest to Corporations interested in working with the

Educational Trust on housing-related projects. Corporations are encouraged to review the following:

- The Chi Phi Educational Trust Restricted and Endowed Fund Policy: for additional information about creating, managing, investing, spending and borrowing funds from a CEF.
- A 2001 letter from Magill and Rumsey, P.C. discussing negotiations with the IRS pertaining to the subject of educational housing grants from fraternal foundations.
- A 2003 IRS Exempt Organizations – Technical Instruction Program for FY 2003 document
- A list of law firms and attorneys in the United States with experience issuing legal opinion letters required

Chi Phi Educational Trust
Educational Housing Grant Checklist

The requesting organization must supply the Educational Trust with the following information:

Supplied to Trust	Items to Provide to the Educational Trust	Received by Trust
	Grant Request Form (found at www.chiphi.org)	
	Architectural plans <ul style="list-style-type: none"> • Identify all rooms on the plans by name • Provided plans in 8.5" x 11" format 	
	Listing of each area in the house with its corresponding square footage <ul style="list-style-type: none"> • Listing should note room name and location within the facility (1st floor, basement, etc.) • Listing to include all supporting / ancillary areas (stairs, hallways, etc.) 	
	Narrative description of the use of each room believed to be educational in nature and its furnishings (see Narrative Examples below)	
	Complete project budget <ul style="list-style-type: none"> • Construction budget with basic categories of expenses (architectural fees, landscaping, construction costs, permitting, interior design, legal fees, surveying, furniture and equipment, etc.) • Separate budget line item for each of the furniture and fixtures in the educational rooms • Separate budget line item for fire safety equipment for the educational areas • Separate budget line item for the computer wiring throughout the facility • Separate budget line item for desks, desk chairs and computers located in any room • Separate budget line item for fundraising consultant costs 	
	Percentage of campus that is Greek and percentage that lives in fraternity/sorority facilities.	
	Official names of Chapter, House Corporation and college/university.	
	If the Corporation does not already fall under the umbrella of the Chi Phi IRS group exemption, a determination letter from the IRS recognizing the House Corporation to be exempt under Code Sections 501(c)(7) or 501(c)(2).	
	Letter from appropriate University official describing the educational facilities available in its dormitories and residence halls. (see sample letter below)	
	Detailed information on educational facilities provided at your university's male and co-ed residence halls (i.e., size and number of study, library and/or computer rooms; approx. number of students accommodated; furnishings of same, such as books, shelves, study carrels, desks, computers, etc.; whether dorm rooms are wired for Internet; etc.)	

	House Corporation Articles of Incorporation and Bylaws	
	A statement disclosing whether and describing any relationship the House Corporation or any of its directors have with any Trustee of the Educational Trust or donors to the Educational Trust.	
	House Corporation Letter of Standing from state of incorporation	
	Legal opinion letter about the percent of qualifying educational space	
	Financing information that funding is available for the total project cost	

Chi Phi Educational Trust
Room Narrative Examples

Computer Room/Study Area (637.5 square feet): The computer room/study area will be located on the second floor of the Building. It will be used exclusively to enable students to use computers to assist in their educational experience and for individual and group study projects. One wall of the computer room/study area will be equipped with computers and workstations and other equipment that permit connections to University computer facilities and the internet. The room will also be furnished with study tables, chairs and light fixtures suitable for use by the students for individual and group study. The Chapter will not conduct any non-educational events or fraternal meetings in the computer room other than minor social or recreational use as defined by the IRS.* See the attached letter from the University that describes equivalent space that the University provides.

Group Study Room (230 total square feet): The group study room will be used exclusively for individual study and group study projects. The group study room will be furnished with tables and chairs suitable for group study projects. The group study room may be wired to support personal computer work stations and wired and cabled to provide Internet connections. The group study room may also be connected to a network providing access to a printer and other remote peripherals located in other locations in the Building. The Chapter will not conduct any non-educational events or fraternal meetings in the group study room other than minor social or recreational use as defined by the IRS.* See the attached letter from the University that describes equivalent space that the University provides.

Individual Study Room (155 square feet): The individual study room will be used exclusively as an area for students to study individually or in a small group sessions. It will also serve as an area for small meetings or presentations to aid students in developing speaking and presentation skills. It will be equipped with tables and chairs suitable for individual and small group study. The individual study room may be wired to support personal computer work stations and wired and cabled to provide Internet connections. The Chapter will not conduct any non-educational events or fraternal meetings in the library other than minor social or recreational use as defined by the IRS.* See the attached letter from the University that describes equivalent space that the University provides.

Dedicated Study Area (543 square feet): The Dedicated Study Area is located on the upper level of the Building. It will be furnished with a conference table and chairs, individual study desk and chairs with computers at each such desk. The Dedicated Study Area will be used exclusively as a study area other than minor social or recreational use as defined by the IRS.* See the attached letter from the University that describes equivalent space that the University provides.

Library (504 square feet): The Library will be located on the main level. It will be furnished with a conference table and chairs and folding chairs and an upright piano. The Library will hold a collection of general reading materials. It will be used exclusively as a library and study area for students other than minor social or recreational use as defined by the IRS.* See the attached letter from the University that describes equivalent space that the University provides.

Leadership Training and Study Hall (1,220 square feet): The Leadership Training and Study Hall is located on the upper level of the Building. It will be furnished with a conference table and chairs, audio-visual equipment, podium and computer network connections and will be used exclusively for leadership training programs and as a study area other than minor social or recreational use as defined by the IRS.* See the attached letter from the University that describes equivalent space that the University provides.

* The example of a minor social use given by the IRS is "a reception occasionally held in a library."

Chi Phi Educational Trust
Sample University Letter of Support

[TO BE RE-TYPED ON UNIVERSITY LETTERHEAD]

[Date]

Chi Phi Educational Trust
c/o Elizabeth Vaughn, Director of Development
1160 Satellite Boulevard, NW
Suwanee, GA 30024

Dear Trustees:

This letter serves to confirm that [name of university] is committed to providing facilities for individual and group study, library facilities, and/or educational equipment (including the provision of computer and internet access in University residence halls and other buildings) to students living both on and off our campus. In fact, we currently house [number] students in [number] different residence halls. The educational space and amenities available to student in these residence halls include [please tailor the examples to the types of space provided by your college/university]:

- All rooms are wired for access to connect to the Internet and University computer systems
- Study chairs, desks and study carrels are provided to student residents in their rooms
- [Number] dedicated study lounges and conference rooms are available to residents in every residence hall with the following characteristics: [describe square footage, number of students they accommodate, etc.]
- [Number] of our residence halls contain dedicated computer labs available for use by students
- [Number] of our residence halls contain dedicated space used by our faculty for instruction and small-group lectures
- [Number] of our residence halls contain dedicated office space for faculty advisors

Our facilities are described on our university website which is located at [website link]. Attached is additional material describing the individual and group study space in our residence halls. *[Note: Chi Phi house corporations requesting this information from a university official are encouraged to assemble this material for their review and provide it to them when requesting this information].*

Sincerely yours,

[Signed by an Authorized University Official]