

PASSING THE BATON

The Ins and Outs of the American Legion Endowment Funds

Background

Over its many years of service to Altadena, Altadena American Legion Post #470, Incorporated, built a considerable fund, the purpose of which was to build a new home for Post #470 in Altadena. By the late 1990s, however, the membership of the Post had dwindled to a handful of members, many of whom were quite elderly and unable even to attend meetings. Recognizing the decline of its membership, Post #470 sold its existing club house, and abandoned plans to build a new one.

Where Altadena Rotary Comes In

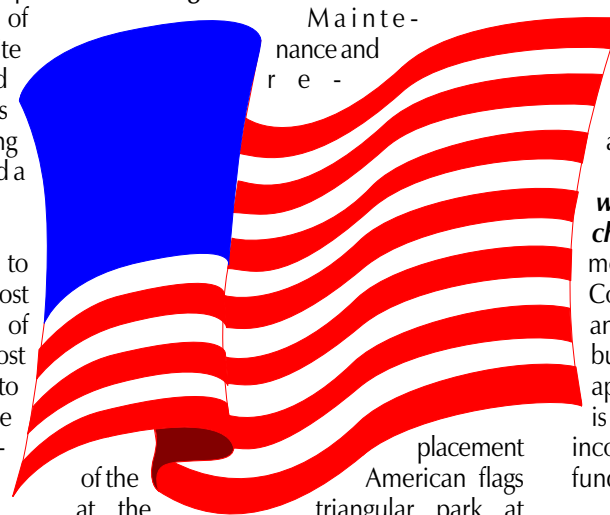
Seeking a community organization to continue its programs in Altadena, Post #470 turned to the Rotary Club of Altadena. Over a period of five years, Post #470 gave approximately \$1.3 million to Altadena Rotary Charities (ARC), the charitable nonprofit corporation organized by the Rotary Club of Altadena, to establish several funds to carry on Post #470's mission in the community and to underwrite its charitable concerns.

This money was basically the money received for the sale of Post #470's existing club house, and the funds which it was saving to build a replacement.

- The first three gifts from Post #470 were covered by written agreements governing the use of the funds. The last installment of approximately \$120,000 was given with the stipulation that it be used for a scholarship fund for US veterans at PCC.
- Under the three written agreements with Post #470, ARC may only spend the income earned from the endowed funds, **NOT** the principal. Income is strictly defined as dividends and interest only. Capital gain from the sale of stock, for instance, is not income and is merely considered a return of principal.
- The endowment funds are currently earning about \$50,000 in income, most of which is being given to the Club for its charitable and philanthropic purposes. The endowment funds are not invested to maximize income, rather, a certain portion of the endowment is invested for moderate growth so that the value of the endowment funds as a whole may keep pace with inflation. The three written agreements with Post

#470 dictate how the endowment income must be spent. The final gift in 2003 was given with the understanding that it would be used as a scholarship fund. Thus ARC and the Club must fund the following projects:

Flags (Americanism Fund)



of the American flags at the triangular park at North Lake and Altadena Dr., the Altadena Town and Country Club, the Altadena Senior Citizens Center and the Altadena Library main branch and the lighting for such flags;

Maintenance and replacement of the American flags and poles, to be set out by the Club on Memorial Day, Independence Day and Veterans Day, along North Lake (from Altadena Dr. to Woodbury), Mariposa (1 block west of Lake) and Altadena Dr. (1 block east of Lake).

Scholarships

ROTC scholarships of \$1,000 apiece for two ROTC students at each of the following schools: John Muir H.S., Pasadena H.S. and Blair H.S.

Two scholarships of \$1,000 apiece to two graduating seniors at John Muir H.S. and two scholarships of \$500 apiece to two graduating students at Eliot Middle School for the qualities of courage, honor and leadership specified in the agreement with Post #470.

A scholarship fund of \$120,000, the income of which is to be used to fund a scholarship for veterans of the US armed services living in the Altadena and Pasadena areas and attending PCC.

Balance of Income

The balance of the income from the Legion may be used for charitable purposes,

with a preference for projects benefiting Altadena and its residents. The mandated expenditures described above, for Flags/Americanism and for Scholarships is currently consuming about 30 percent or around \$15,000 of the endowment funds' annual income. The balance of the endowment fund income may be spent for the general charitable purposes described above. This leaves about \$30,000 for the Club's charitable and philanthropic purposes.

So, what happens to the money which may be spent on general charitable purposes? Basically, it is the money used to fund the budgets of the Community Service, International Service and Vocational Service directorates. The budget which the Club Board of Directors approves every year for those directorates is funded almost exclusively from the income from the Post #470 endowment funds.

What About Additional Projects?

Unless the Club raises additional, new money through fundraising projects like the pancake breakfast, there is no additional or other funding available for the projects run through these directorates. Therefore, most of the endowment income is, in effect, already spoken for by the projects which the foregoing directorates run each year. These include such familiar projects as the PCC Awards, the 4-Way Test Awards for high school students, the mini-grant program and many other like expenditures with which we are all familiar. They are all entirely dependent on the endowment fund income.

The American Legion Legacy

The legacy of American Legion Post #470, Incorporated to Altadena Rotary Charities, and in turn to Altadena, is an important gift for the continuation of the Legion's efforts on behalf of American veterans and for Rotary's community benefit projects in Altadena. Given the conservative terms on which these gifts were made, the fund is likely to grow well beyond its current size over the years, and it may eventually generate large surpluses for charitable grant making in this area.

There is little doubt that Post #470's endowment funds will be a major influence for good in Altadena over many decades to come.