POLICY FOR NONPROFIT PROJECT FUNDS  
OF  
EAST TEXAS COMMUNITIES FOUNDATION

The East Texas Communities Foundation ("Foundation") encourages donors to create Nonprofit Project Funds for support of the charitable projects of various nonprofit organizations ("Nonprofits"); however, in order to protect its status as a public charity and the corresponding tax deductions of its donors, the Foundation has adopted the following policy governing Nonprofit Project Funds:

1. **Agreement** - All Nonprofit Project Funds shall be established pursuant to a written agreement between the Foundation and the donor, and all Nonprofit Project Funds shall be subject to the Foundation's articles of incorporation, bylaws and this policy, as amended from time to time.

2. **Purpose** - The purpose of a Nonprofit Project Fund is to hold and manage funds for the benefit of a Nonprofit that may be distributed at the discretion of the Foundation in various amounts for various projects of the Nonprofit. Unlike an endowment fund, a project fund is not intended necessarily to be a permanent fund of the Foundation.

3. **Board Approval** - With prior approval of a majority of the Board of Directors, the President/Executive Director of the Foundation is authorized to act on behalf of the Foundation in establishing nonprofit project funds according to the terms set forth in the policies adopted by the Board of Directors. The Foundation will maintain a standard nonprofit project fund agreement form with the Policy for Nonprofit Project Funds. Any material variation from the standard form will require approval of a majority of members of the Policy Committee. The designated nonprofit must be included on the Foundation’s preapproved grantee list, or be approved through the process established by the board and delegated to the Grants Committee, prior to approval of the fund.

4. **Ownership** - All Nonprofit Project Funds shall be component funds of the Foundation. The Foundation shall own all Nonprofit Project Funds and have sole and absolute discretion over the investment and distribution of all Nonprofit Project Funds.

5. **Variance Power** - In accordance with IRS regulations and the Bylaws of the Foundation, the board of directors shall have the power to modify any restriction or condition imposed by a donor on the investment or distribution of assets if, in the sole judgment of the board of directors, such restriction or condition becomes illegal, unnecessary, uneconomical, impossible to perform, or inconsistent with the charitable needs of the community or area served, and such modification would more effectively serve the charitable purposes of the foundation taking into consideration the wishes of the donor.

6. **Distributions** - The Nonprofit may make recommendations regarding the investment and distribution of the Nonprofit Project Fund. All recommendations and requests by the Nonprofit with respect to its Nonprofit Project Fund shall be made by the Nonprofit's board of directors or trustees, or its designee. Recommendations must be in writing on forms provided by the Foundation. Distributions from a Nonprofit Project Fund shall be made only to the Nonprofit for which it was established, or its successor. The Foundation
shall consider recommendations from the Nonprofit regarding investment and distributions from the Nonprofit Project Fund, but such recommendations shall be advisory only, and the Foundation shall not be bound by such recommendations. The Foundation shall inform the Nonprofit any time the Nonprofit’s investment or distribution recommendation is not accepted.

7. **Approval of Distributions** - Without further approval by the Board of Directors, the President/Executive Director of the Foundation is authorized to make distributions from a nonprofit project fund to the designated nonprofit as long as such distributions are consistent with the terms of the nonprofit project fund agreement. The nonprofit will be included on the Foundation’s preapproved grantee list, or be approved through the process established by the board and delegated to the Grants Committee.

8. **Statements** - The Foundation shall provide the Nonprofit with a financial statement for the Nonprofit Project Fund at least annually.

9. **Minimum** - There shall be no minimum amount necessary to establish a Nonprofit Project Fund.

10. **Fees**

   A. **Administrative** - In order to contribute to its administrative costs and permanent endowment, the Foundation shall transfer annually from each advised fund to an unrestricted fund the greater of 1% of average fund balance (for funds up to $1,000,000), 1% of actual distributions, or $250 (or such other dollar amount specified from time to time by the Foundation). This annual transfer may be made in monthly or other increments. For funds of balances greater than $1,000,000 the annual administrative fee shall be as follows:
   
<table>
<thead>
<tr>
<th>Balance</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Next $1,000,000</td>
<td>.75%</td>
</tr>
<tr>
<td>Next $3,000,000</td>
<td>.50%</td>
</tr>
<tr>
<td>Next $5,000,000</td>
<td>.35%</td>
</tr>
<tr>
<td>$10,000,000 and above</td>
<td>.25%</td>
</tr>
</tbody>
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   If a donor establishes more than one fund with the same administrative fee schedule, then the balance of the funds shall be combined for administrative fee calculation purposes.

   B. **Investment** - In addition to the amount transferred annually to the unrestricted fund of the Foundation, each advised fund shall be charged for any out-of-pocket expenses (such as sales commissions, third party investment management fees, or other handling fees) incurred directly by that advised fund.

   C. **Other Expenses**: A fund may require additional professional services and administrative support from time to time which are over and above normal administrative costs. Each advised fund shall be charged for any out-of-pocket expenses incurred directly by that advised fund. Such additional costs may include consulting, legal, accounting, marketing and other fees for professional services incurred to support a specific charitable fund, or the processing of an unusually large number of disbursements or gifts.

11. **Grantees** - Nonprofit Project Funds may be established only for the benefit of Nonprofits
which are public charities as defined in Section 170(b)(1)(A) of the Internal Revenue Code (i.e., churches, schools, hospitals, government entities, and publicly supported 501(c)(3) organizations).

12. **Succession** - In order to qualify as a Nonprofit's successor, the board of directors or trustees of the Nonprofit must name the successor in writing to the Foundation, and the successor must be a public charity as defined in Section 170(b)(1)(A) of the Internal Revenue Code.

13. **Remainder**

   A. **Nonprofit Termination** - If a Nonprofit ceases to exist with no successor, or if a Nonprofit ceases to qualify as a public charity as defined in Section 170(b)(1)(A) of the Internal Revenue Code, and such condition is not cured within 30 days following written notice delivered by the Foundation to the Nonprofit at its last known address, then its Nonprofit Project Fund shall terminate and those assets shall become unrestricted assets of the Foundation.

   B. **Foundation Termination** - If the Foundation ceases to exist with no successor, or if the Foundation ceases to qualify as a public charity as defined in Section 170(b)(1)(A) of the Internal Revenue Code, and such condition is not cured within 30 days, then the assets of each Nonprofit Project Fund shall be transferred to the Nonprofit for which that fund was established.

14. **Pledges and Benefits** - No distribution of a Nonprofit Project Fund shall be made (a) to satisfy a written pledge or legal obligation of any person, (b) in return for any benefit or privilege (such as gifts or tickets to events) to any person, (c) to any private foundation, or (d) in an amount less than $100 (or such other dollar amount specified from time to time by the Foundation).

   Board approved: May 20, 2011