

**POLICY FOR DONOR ADVISED FUNDS
OF
EAST TEXAS COMMUNITIES FOUNDATION**

The East Texas Communities Foundation ("Foundation") encourages donors to create donor advised funds ("advised funds") for the support of charitable purposes of the Foundation. However, the Internal Revenue Service closely scrutinizes advised funds to ensure that they do not in essence become private foundations. Therefore, 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 advised funds:

1. **Agreement** - All advised funds shall be established pursuant to a written agreement between the Foundation and the donor, and all advised funds shall be subject to the Foundation's articles of incorporation, bylaws and this policy, as amended from time to time.
2. **Board Approval** - Without further approval by the Board of Directors, the President/Executive Director of the Foundation is authorized to act on behalf of the Foundation in establishing donor advised funds according to the terms set forth in the policies adopted by the Board of Directors. In the event the conditions of a donor advised fund vary from the forms maintained in the policies governing donor advised funds, the President/Executive Director is authorized to act on behalf of the Foundation in establishing such donor advised funds with the prior approval of a majority of the members of the Policy Committee of the Board of Directors.
3. **Ownership** - All advised funds shall be component funds of the Foundation. The Foundation shall own all advised funds and have sole and absolute discretion over the investment and distribution of advised funds.
4. **Recommendations** - A donor may designate one or more persons to serve as Successor Donor Advisor to the fund, with the authority to make recommendations regarding the investment of and distribution of grants from an advised fund upon the resignation, incapacity or death of the donor. Designations of Successor Donor Advisors must be made by the donor in writing delivered to the Foundation and may be changed by the donor at any time during the donor's lifetime.
 - A. **Succession** – Upon the Foundation's receipt of notice of the resignation, incapacity, or death of the donor, the first person listed as Successor Donor Advisor who is then living and willing shall serve as Successor Donor Advisor to the advised fund. The Successor Donor Advisor shall be authorized to make recommendations regarding investment of and distributions from the advised fund during his or her lifetime. Upon the Foundation's receipt of notice of the resignation, incapacity, or death of the person serving as Successor Donor Advisor, the next person who is then living and willing to serve, and who was listed as Successor Donor Advisor by the donor shall serve as Successor Donor Advisor. The last living person named as Successor Donor Advisor by the donor (or by a Successor Donor Advisor in accordance with the authority in this paragraph) shall have the authority to name Successor Donor Advisors to the advised fund. References hereinafter to the donor include both the donor and any then serving Successor Donor Advisor.
 - B. **Communication** – If more than one person is designated as a Successor Donor Advisor at a given time, designated Successor Donor Advisors must authorize one person to communicate with the Foundation on their behalf.

5. **Distributions** - A donor may make recommendations regarding the investment and distribution of an advised fund. A donor shall stipulate in the fund agreement whether principal and/or income can be distributed. Recommendations must be in writing on forms provided by the Foundation. The Foundation shall consider recommendations from the donor of an advised fund, but such recommendations shall be advisory only, and the Foundation shall not be bound by such recommendations. The Foundation shall inform the donor of an advised fund any time that a donor's recommendation is not accepted. When an Advisor recommends, and is approved by the Foundation to make a full distribution from a Fund, the Foundation may withhold up to 20% of the value of the Fund for up to 60 days to account for investment fluctuations and payment of final fees and expenses.
6. **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 donor advised fund to any nonprofit on the Foundation's preapproved list of nonprofits as long as such distributions are consistent with recommendations of the donor or other person authorized by the donor to make distribution recommendations regarding the respective fund. Except as provided in the preceding sentence, authority to make distributions from donor advised funds has been delegated by the Board of Directors to the Foundation's Grants Committee.
7. **Statements** - The Foundation shall provide the donor of an advised fund with an annual statement for the advised fund.
8. **Charitable Needs** - The Foundation shall maintain information about charitable needs, programs and activities in order to assist donors in making distribution recommendations and assist the Foundation in making distribution decisions.
9. **Recognition** - Unless otherwise requested by the donor, the Foundation shall inform the recipient of a distribution from an advised fund of the name of the fund from which the distribution was made.
10. **Minimum** - There shall be no minimum amount necessary to establish an advised fund.

11. **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:

Next	\$1,000,000	-	.75%
Next	\$3,000,000	-	.50%
Next	\$5,000,000	-	.35%
Next	\$10,000,000	-	.25%
	\$20,000,000 and above	-	.15%

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.
12. **Fund Termination** - An advised fund shall expire upon the death of the donor and all Successor Donor Advisors. The Foundation, after giving notice as described in the following sentence, may terminate an advised fund prior to its expiration date if no written recommendation regarding the fund is received from the donor for a period of 5 consecutive years. At least 30 days prior to termination of an advised fund for lack of use, the Foundation shall give written notice to the donor and the Successor Donor Advisors (if any), at the last address of each individual on file at the Foundation.
13. **Remainder** - Upon the expiration or termination of an advised fund, its remaining balance shall be transferred to the unrestricted fund of the Foundation unless the agreement establishing the advised fund provides otherwise.
14. **Grantees** - Distributions shall be made only to tax exempt entities that are described in Internal Revenue Code Section 170(b)(1)(A) other than supporting organizations described in Internal Revenue Code Section 509(a)(3). This includes churches, schools, hospitals, government entities and most 501(c)(3) public charities, but it does not include 501(c)(3) private non-operating foundations or 509(a)(3) public supporting organizations.
15. **Pledges and Benefits** - No distribution from an advised fund shall be made (a) to satisfy a written pledge or legal obligation of the donor or any other person, (b) in return for any benefit or privilege (such as gifts or tickets to events) to the donor or any other 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).
16. **Income Definition** - For purposes of advised funds that limit distributions to income only, the Foundation defines income as 5% of the value of the advised fund as of the immediately preceding December 31.
17. **Prohibitions** - IRS Regulations prohibit donors, advisors, or related parties from receiving grants, loans, compensation or similar payments (including expense reimbursements) from donor advised funds. In addition, regulations prohibit grants to individuals from funds legally defined as donor advised funds.

Board Approved: April 17, 2019