

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

The East Texas Communities Foundation ("Foundation") encourages donors to create donor designated funds ("designated funds") for the support of any public charity as defined in Section 170(b)(1)(a) of the Internal Revenue Code (the "Nonprofit"). 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 designated funds:

1. **Agreement** - All designated funds shall be established pursuant to a written agreement between the Foundation and the donor, and all designated 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 of the Board of Directors, the President/Executive Director of the Foundation is authorized to act on behalf of the Foundation in establishing donor designated funds according to the terms set forth in the policies adopted by the Board of Directors. In the event conditions of a donor designated fund vary from the forms maintained in the policies governing donor designated funds, the President/Executive Director is authorized to act on behalf of the Foundation in establishing such donor designated funds with the prior approval of a majority of the members of the Policy Committee of the Board of Directors. 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.
3. **Ownership** - All designated funds shall be component funds of the Foundation. The Foundation shall own all designated funds and have sole and absolute discretion over the investment and distribution of designated 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 the designated 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 designated fund. The Successor Donor Advisor shall be authorized to make recommendations regarding investment of and distributions from the designated 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 designated 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 a designated 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 a designated 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 a designated fund any time that a donor's recommendation is not accepted. Distributions may only be made to the identified Nonprofit. 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 designated fund to the nonprofit specified in the fund agreement, provided such distributions are consistent with the fund agreement and recommendations of the donor or other person authorized by the donor to make distribution recommendations regarding the respective fund.
7. **Statements** - The Foundation shall provide the donor of a designated fund with an annual statement for the designated 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 a designated fund of the name of the fund from which the distribution was made.
10. **Minimum** - There shall be no minimum amount necessary to establish a designated fund.

11. **Fees**

A. **Administrative** - In order to contribute to its administrative costs and permanent endowment, the Foundation shall transfer annually from each 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 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 fund shall be charged for any out-of-pocket expenses incurred directly by that 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** - A designated 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 a designated 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 a designated 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 a designated fund, its remaining balance shall be transferred to an endowment fund at the Foundation for the benefit of the nonprofit, unless the agreement establishing the designated fund provides otherwise.
14. **Grantees** - Distributions shall be made only to 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).
15. **Pledges and Benefits** - No distribution from a designated 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 designated funds that limit distributions to income only, the Foundation defines income as 5% of the value of the designated fund as of the immediately preceding December 31.
17. **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.

Board Approved: April 17, 2019