PROCEDURE FOR OPERATION OF DONOR ADVISED FUNDS

Stark Community Foundation (SCF) welcomes the opportunity to partner with people who wish to be actively involved in grantmaking. Donor Advised Funds are designed to provide individuals and families with a flexible vehicle for achieving their personal charitable objectives.

The IRS allows community foundations to offer donors the opportunity to make tax-deductible gifts at the most advantageous time for them and then to recommend grants over a period of time. The IRS expects that SCF will administer its Donor Advised Funds in a manner that will maximize the benefits to the community and ensure charitable giving.

The following policies are designed to protect the interests of both donors and SCF. Exceptions to these policies may be made with approval of SCF's Board.

OWNERSHIP AND CONTROL

Donor Advised Funds will be the exclusive property of SCF and not be deemed separate trusts held by it in a trustee capacity. They will be administered under and subject to the bylaws of SCF including any amendments.

All Donor Advised Funds are subject to variance power which protects the fund from obsolescence. In the event that distributions to a charity specified in any provision or amendment, become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community, the Foundation, shall, under its variance power, designate another charity or charities, qualified to receive grants from the Foundation, in its place.

ESTABLISHING THE FUND

Fund Agreement

The fund agreement is a simple document, which establishes the fund and outlines the structure and operation of the fund. The document is signed by the donor and SCF. A copy of the fully-executed fund agreement is given to donors for their records.

Contributions

Donor Advised Funds operate with a minimum contributed balance of $10,000; however, they can be opened as a Future Fund with less. Additional gifts of any amount may be made to the fund at any time.

Minimum Balance

The fund must maintain a $10,000 minimum balance, which is a permanent part of SCF's assets. This ensures that an amount remains to build SCF's permanent endowment. It also encourages donors to think in terms of building their fund for the future and beyond their lifetimes.

GRANTMAKING

Recommendation Process

Donors have the privilege of making non-binding recommendations as to the timing, amount and charitable recipient of distributions when their Fund balance exceeds $10,000. SCF retains the legal right to direct grants. All grants are to be used for charitable purposes. Certain types of grants are prohibited under the Pension Protection Act of 2006. The Foundation will not make any distributions from a Donor Advised Fund for the following: grants to secure benefits from recipient; grants to individuals from Donor Advised Funds,

including grants made directly to an organization for the benefit of a specific individual; and donor advisors, or related parties receiving grants, loans, compensation, or similar payments from Donor Advised Funds. Goods or services that benefit the donor advisors or related parties, including meals or tickets to special events, golf outings, etc. are strictly prohibited. SCF, as required by law, retains authority over the use and distributions of the fund.

Grant distributions must be made to Section 501(c)(3) organizations that are not classified as private foundations under 509(a), to recognized houses of worship, or to incorporated governmental entities.

SCF generally gives to organizations within Stark County. It is, however, permitted to make grants to qualified charitable organizations both within and beyond Stark County, without limitation during their lifetime. Because the Foundation was established to benefit Stark County, substantial interest in the local community by current and successor advisors will be encouraged.

SCF will not approve grants requiring expenditure responsibility. Grants to organizations not described in §170(b)(1)(A) of the Internal Revenue Code such as non-charities, private non-operating foundations, or certain supporting organizations, all require expenditure responsibility. *Any type of supporting organization that supports a public charity which is controlled directly or indirectly by the donor, donor advisor, or related party requires expenditure responsibility by the Foundation. Any non-functionally integrated Type III supporting organization requires expenditure responsibility.*

SCF will not approve grants that will cause the principal to fall below $10,000.

Approval Process

Donors complete and send in a simple grant recommendation form either electronically or by mail. Each recommendation will be evaluated by SCF's staff and presented to the Board. Assuming the request is in accordance with SCF's mission and does not conflict with SCF's Bylaws and grantmaking procedures, a check is written to the organization generally within five business days. SCF's Board will approve or ratify all grant recommendations at its next board meeting. Should the staff find information about an organization that causes concern and may lead to an unfavorable vote by the Board, that information will first be given to the donors. Should the Board not approve the grant, the donor will be notified immediately. Staff monitors all grant recipients to help donors evaluate the impact of their money at work in the community.

Minimum Distribution

Grant recommendations should be sufficiently large to warrant the administrative expense involved in making the grant; a $100 minimum is required.

TYPES OF FUND ACTIVITY

Regular Grant Recommendations

The donor generally recommends grants at least annually to qualified charitable organizations. The amount of grantmaking can vary from year to year. On an annual basis, SCF will reach out to donors about the pressing needs of our community and the opportunity to co-invest with SCF through our *Partners in Giving Program* which highlights community needs at least four times a year and our *Immediate Impact Alerts* which highlights emergency needs should they arise throughout the year.

Developing a Philanthropic Program

The donor makes a substantial contribution to a Donor Advised Fund and refrains from recommending grants for a given period while the donor consults with SCF or does his or her own research to determine what types of grants will best meet community needs and/or his or her philanthropic goals.

Long-Term Giving Plan

The donor deliberately reduces the frequency or size of grant recommendations from the fund, for example:

1. During his or her working years with the intention of increasing the Donor Advised

Fund balance to support grantmaking during his or her retirement, when the donor expects his or her income to change.

2. A donor may want to build a fund over time so that his or her children can make grants later with the idea of leaving a charitable legacy for the next generation to administer.

Project Grants

The donor makes a substantial contribution to a Donor Advised Fund and determines to recommend grants to a specific qualified charitable organization over a period of years so that the donor can monitor how the charitable organization performs, and to consider whether another organization would better achieve the donor's charitable objectives.

Future Fund

A donor may need time to build the fund balance to make substantial grants to the community. Therefore, there may be no distributions made until the fund balance reaches a stated amount.

Specific Occasion Grants

The donor refrains from recommending grants for a number of years with the charitable goal of recommending a grant upon a specific occasion.

Should grant activity stop for a period of three years, steps will be taken by the staff to activate the fund. These steps include such activities as:

- Notifying the donor regularly and periodically to encourage the donor to activate the fund.
- Annually reaching out to donors about the pressing needs of our community and the opportunity to co-invest with SCF through our *Partners in Giving Program* which highlights community needs at least four times a year and our *Immediate Impact Alerts* which highlights emergency needs should they arise throughout the year.

Should all these actions cease to provide active recommendations despite attempts by SCF to gain the advisor's participation, SCF staff shall recommend to the donor that we will utilize the fund's annual income, per our spending policy, to support SCF's Community Charitable Fund or distribute grants to qualified grant recipients that align with donor intent demonstrated in previous grant distributions.

INVESTMENT

Management

It is important for both donors and SCF that Donor Advised Funds not be considered private foundations; therefore, SCF retains control of investments, including control of the retention or sale of any assets contributed. SCF invests assets with due regard for prudent risks, long-term market conditions, conservation of principal, grantmaking objectives, planned gift objectives and other factors. A complete investment policy statement can be found at www.starkcf.org.

Investment Philosophy

SCF's primary investment objective is to provide for long-term growth of capital, without undue exposure to risk. This objective is accomplished by investing in a mix of equities, fixed income, alternatives, and cash equivalents that allows participation in rising markets while providing reasonable protection in falling markets.

Financial Statement

Donors will receive quarterly financial statements reflecting any additional contributions to the fund, grants made during the fiscal year, income and appreciation/depreciation, fees, and grantable proceeds available for grantmaking.

Fees

A blended annual rate is assessed quarterly based on the fund's most recent market value.

First $250,000	1.10%
Next $750,000	0.85%
Remaining Balance	0.60%

In cases where the Board of Directors approves a recommendation to make a grant of principal that has been on deposit at SCF for less than one year, SCF reserves the right to assess a full year's fee.

ADVISORS/SUCCESSOR ADVISORS

Individual Donors may designate their spouse, children or others to serve as advisor with, or in place of, the donor in their fund agreement. A child or children (and spouses) and/or a grandchild or grandchildren (and spouses) of a Donor may have the privilege of making recommendations concerning distributions from such Fund after the termination of the privilege of the Donor and the spouse. Such designation of a successor or successors to the original Donor or the spouse will be recognized if it furthers continued family participation, support and involvement by such successors. The privilege of making such recommendations will not go beyond the second generation, with the original Donor as the first generation. However, the recommending privileges may be extended beyond the second generation by amendment of the original agreement upon termination of the privileges of the donor and their spouse as stated in the Fund Agreement. Alternatively, relatives of the Donor who are not direct descendants, persons who are friends of the Donor, or an Advisory Committee may be appointed by the Donor to have the privilege to make recommendations concerning distributions from such Fund after the termination of the privilege of the Donor and the spouse. Such Advisors shall continue to have the privilege of making recommendations for a period of up to 15 years after the death of the Donor, unless Advisors choose to surrender such privilege or for any other reason cease to function. The 15-year period concludes at the start of the calendar year of the 15th year. The decision of the Board of Directors that an Advisor has ceased to function shall be final and binding on all parties concerned.

In order to permit familiarity with conditions prevailing in Stark County, successor advisors must either reside in the Stark County community or maintain active contact with the Foundation. The successor advisors to the Donor Advised Fund shall have the privilege of making recommendations only to the distribution of the income of the Donor Advised Fund.

DESIGNATION OF FUND'S ASSETS AFTER LIFETIME(S) OF ADVISOR(S)

Endowments generate grants in perpetuity. To provide the greatest flexibility to meet future community needs, when the advising ceases, funds become part of the Community Charitable Fund. Donors may also request in their fund agreement that their fund support grantmaking in a broad field of interest or a designated area. All grants will be made at the Board's discretion in the fund's name.

FUND RECOGNITION

When a grant is made, SCF lets the recipient organization know the name of the fund providing the grant and the donor advisor recommending the grant, unless the donor requests to remain anonymous. The recipient organization is asked to thank the donor for recommending the grant. It is SCF's practice to list all funds in its publications, unless donors request otherwise.

FOR FURTHER INFORMATION, CONTACT:

Bridgette L. Neisel, Vice President of Advancement
Stark Community Foundation
400 Market Avenue N, Suite 200 · Canton, Ohio 44702-2107
bneisel@starkcf.org · direct line 330-454-7992 · fax 330-454-5855