

# **CENTRAL ALABAMA COMMUNITY FOUNDATION POLICIES GOVERNING ADVISED FUNDS**

## **SECTION 1. ESTABLISHMENT AND PURPOSE**

- 1.1 Purpose. The Central Alabama Community Foundation, Inc. ("Foundation") has authorized the establishment of Advised Funds as a means of broadening the base of endowment support and of encouraging the meaningful interchange of ideas with living donors. The Foundation has adopted the following procedures for the establishment and administration of Advised Funds. These procedures may be amended from time to time by the Board of Directors of the Foundation.
- 1.2 Establishment of Funds. Advised Funds may be established by the donation or transfer by any person ("Donor") to, and acceptance by, the Foundation of money or property to further or carry out the charitable purpose of the Foundation in accordance with its Articles of Incorporation and with the requirements of the Internal Revenue Code. Advised Funds are governed by a written agreement between the Foundation and the Donor, of which these policies are a part.
- 1.3 Nature and Terms of Funds. Each Advised Fund shall be the property of the Foundation, owned by it in its normal corporate capacity. The Foundation shall have the ultimate authority and control of all property in the Fund, and the income derived therefrom, for the charitable purposes of the Foundation. Each Fund may be recorded on the books of the Foundation as an identifiable or separate fund and may be given a name as requested by the Donor.
- 1.4 Forms. The Executive Director of the Foundation is authorized to provide forms for the establishment of or additions to Advised Funds and any other forms needed for Fund administration.

## **SECTION 2. ACCEPTANCE OF FUNDS**

- 2.1 Authorization. The Executive Director of the Foundation (and such additional officers or employees of the Foundation as the Board of Directors may from time to time authorize) shall have the authority to accept, on behalf of the Foundation, contributions to establish or add to an Advised Fund. A Donor may not impose any material condition that prevents the Foundation from freely using the contributed assets or income therefrom to further a charitable purpose of the Foundation.
- 2.2 Value. A \$5,000 deposit is required for creation of an Advised Fund. Additional contributions in any amount may be added after the fund is established.
- 2.3 Form of Contributions. Contributions may be in the form of cash, marketable securities, insurance policies or proceeds, real estate, and any other property as approved by the Foundation's Board of Directors.

## **SECTION 3. INVESTMENT OF FUND ASSETS**

- 3.1 Responsibility. The Foundation has the responsibility and authority for the investment of the assets of each Advised Fund. Separate accounting for each fund will be maintained. However, the assets of any Fund may be commingled with those of other Advised Funds, or with other endowment funds of the Foundation, or may be invested in units of a common investment fund which may be invested in units of a common investment fund which may be established by the Foundation or its agent. The Foundation shall have no obligation to commingle the assets for investment purposes and may, in its discretion, retain any assets received or hold assets of a Fund as a separate unit for investment purposes. Any investment or reinvestment of assets shall be made only in such investments as are appropriate for a prudent fiduciary.
- 3.2 Investment Evaluations. The Board of Directors or a committee thereof will review all fund investments on an annual basis and make recommendations, if necessary, for the adjustment of assets to meet the investment objectives of each fund.
- 3.3 Administration. Decision with respect to the retention, investment, or reinvestment of assets and with respect to commingling of assets shall be made by the Board of Directors, or by a committee, agent, or trustee authorized by the Board, in accordance with regular procedures. Funds with a corpus of less than \$5,000 will generally be held in individual interest-bearing accounts.

#### **SECTION 4. DISTRIBUTIONS FROM THE FUND**

- 4.1 In General. The Board of Directors has the right to direct all distributions of income or principal of Advised Funds. The Donor (or his designee, as permitted in Section 4.2 below) may, after the contribution of money or property to a Fund, recommend to the Foundation the making of distributions from the Fund which are consistent with the charitable interests of the Foundation. The Foundation shall consider and evaluate all such advisory recommendations, but it shall not be bound by such recommendations.
- 4.2 Advisors. The privilege of making recommendations (as described in Section 4.1 above) shall be extended to Donors and their designees, subject to the following limitations:
  - (a) If an individual establishes an Advised Fund, the privilege of making recommendations is limited to the Donor and his/her spouse; and, unless otherwise specified in the instrument establishing the Fund, recommendations may be made by them separately or jointly. Such privilege of a Donor or his/her spouse will be continuous with the existence of the Fund unless earlier terminated by (i) death, (ii) written notice to the Foundation of resignation or release, or (iii) a finding by the Foundation that the person involved is not available or is incompetent to exercise the privilege.
  - (b) An individual Donor may designate in the instrument establishing a Fund a person or persons other than, or in addition to, himself or herself and his/her spouse to exercise the privilege to make recommendations; but in such case the privilege will exist only during the lifetime of such

Donor or Donor's spouse, unless earlier terminated as described in Section 4.2 (a) above.

- (c) The instrument establishing a Fund may designate a child or children (and spouses) of a Donor to have such privilege after the termination of the privilege of the donor and his/her spouse; and such designation of a successor or successors to the original Donor or spouse will be recognized so long as the successor advisors continue to recommend grants primarily for the benefit of the Montgomery area. Where persons in addition to the original Donor and his/her spouse may make recommendations, the Foundation may require those persons to designate one person to act for them in submitting recommendations to the Foundation.

4.3 Scope. Distributions will be consistent with the Foundation's general grantmaking principles; specifically, grants for a wide range of philanthropic purposes in social services, education, religion, health, human welfare, cultural enrichment, and other areas of interest that are primarily of benefit to the Montgomery area or its citizens. Final decisions on all grants will be made by the Foundation. The Foundation is not bound by the advice of donors or advisors. The Foundation will advise donors on community needs, giving basic information on local, not-for-profit, and charitable organizations.

#### 4.4 Process

- (a) Process for Recommendations. Recommendations by a Donor or designee with respect to distributions from an Advised Fund shall be made in writing, addressed to the Foundation. Requests must be received by the first day of the month for distribution in that month.
- (b) Staff Investigation. With respect to each recommendation by a Donor or designee, the staff of the Foundation will determine whether the recommendation is consistent with the charitable needs and organizations considered deserving of support by the Foundation. The formality of a staff evaluation will depend upon the nature of the grantee organizations, and the information available to staff about the grantee and the purposes of the grant.
- (c) Approval. The Board of Directors, or a committee thereof, shall review and approve all distributions before such distributions are made. The donor or designee will be advised when distributions have been made.
- (d) Identification. Unless otherwise requested by the Donor, any distributions will identify to the grantee organization the name of the Fund from which the distribution is made.

#### 4.5 Limitations.

- (a) The minimum amount of any one distribution shall be \$100.
- (b) No distribution will be knowingly made to satisfy a legally enforceable pledge or obligation of any person, including the donor.
- (c) Distributions for the purpose of purchasing tickets to special events (e.g., galas, balls, roasts, or dinners honoring people or institutions, etc.) will be disallowed. An advisory may request that a distribution be made from a fund for the "elevated" or charitable portion of a ticket over the fair

market value. *(See the accompanying CACF Policies and IRS Regulations regarding Special Events.)*

- (d) The Foundation may decline to make distributions as recommended if the Foundation finds that the recipient does not meet the general guidelines for grantmaking.

## **SECTION 5. RELEASE OF ADVISED FUNDS**

- 5.1 At any time, a donor or designee has the privilege of converting his advised fund to an unrestricted or field-of-interest fund.
- 5.2 Upon the termination, by death or otherwise, of the privilege of a Donor or Donor designee of an Advised Fund to make recommendations as provided in Section 4.2 above, the Fund shall continue as part of the unrestricted endowment funds of the Foundation. Funds of \$25,000 or more shall continue as permanent named endowment funds in the Foundation.
- 5.3 Funds of \$5,000 or less which are inactive for a period of five years or more may be converted into part of the MACF Endowment, by action of the Board of Directors and upon written notice to the advisor.
- 5.4 Funds of up to \$25,000 that are inactive for a period of ten years or more may be converted into part of the MACF Endowment, by action of the Board of Directors and upon written notice to the advisor.
- 5.5 Funds of \$25,000 or more that are inactive for a period of ten years or more may be converted into permanent named endowment funds in the CACF, by action of the Board of Directors and upon written notice to the advisor.
- 5.6 A fund shall be deemed "inactive" if, during the period of time specified above, both: (a) no contributions have been made to it; and (b) no advised distributions have been made from it. **In no event shall any fund be converted except after 30 days written notice to the donor or his/her designee.**

## **SECTION 6. ADMINISTRATION**

6.1 Annual Fund Statement. The Foundation shall provide to the advisor in an annual statement all contributions, distributions, and charges to the fund. The Foundation shall include all distributions made by the fund in the CACF Annual Report.

6.2 Fees.

- (a) CACF Administrative Fee. The Foundation shall charge an annual fee as determined and adjusted from time to time by the Board of Directors.
- (b) Bank Fee. The Foundation shall from time to time establish the bank trustee fee. Funds shall incur a bank trustee fee based on a pro-rata share of the bank trustee fee of all CACF Funds within a bank's Trust Department.