



ERIE COUNTY COMMUNITY FOUNDATION

*A community leader and catalyst for
positive change in Erie County through the
innovative development and use of
charitable resources.*

Donor Advised Fund Program Description

January 1, 2014



About Erie County Community Foundation

Founded in 1995, the mission of Erie County Community Foundation (the “Foundation”), is to operate exclusively for public charitable uses and purposes, principally for the benefit of the citizens of Erie County, Ohio, including by developing a permanent endowment for such uses and purposes.

The Foundation identifies important needs, particularly in Erie County, Ohio communities, including philanthropic initiatives in:

- Arts & Humanities
- Community/Economic Development
- Education
- Environment
- Health
- Social Services
- Youth Services



The Foundation provides simple, smart and meaningful ways to direct charitable giving to meet individual family goals. Donors can create a Erie County Community Foundation Donor Advised Fund (the “Fund”) and use it like a reservoir for their charitable giving. Because the Fund is part of a public charity, contributions qualify for the maximum tax benefits.



What is a Donor Advised Fund?

A Donor Advised Fund is a tax-wise tool that provides a simple, flexible, efficient way to manage your charitable giving. You, and your family, can enjoy immediate and maximum tax advantages, make grants on a flexible time table, build your charitable legacy, and increase your philanthropic funds for future grantmaking.

Setting up a Donor Advised with the Foundation is simple and straightforward. The Foundation's model Donor Advised Fund Agreement can be completed by the Foundation, using information you provide. Usually a Donor Advised Fund can be established in a few days.

Save Taxes in Four Ways

1. Your gift qualifies for an immediate income tax deduction (the highest available).
2. You avoid capital gains on gifts of appreciated property.
3. Since these gifts are no longer in your estate, they are not subject to estate taxes.
4. The assets in the Donor Advised Fund grow tax-free.

How Erie County Community Foundation's Donor Advised Fund Works

A Donor Advised Fund is established with a minimum initial contribution of \$10,000. Additional contributions in any amount can be made at any time. If the Fund is reduced to a value of less than \$5,000, the Foundation may suspend distributions or require the Fund to be terminated.

You can be instrumental in choosing which charitable organizations will receive grants, when and in what amounts grants will be made (subject to a minimum of \$250 per grant unless the Foundation waives such minimum regarding a specific grant).



If you are able to establish a Donor Advised Fund of a value of more than \$100,000, you may be able (1) to have your recommended investment manager be involved in the investment management of your Donor Advised Fund and (2) to make recommendations to the Foundation regarding the investment of such assets.

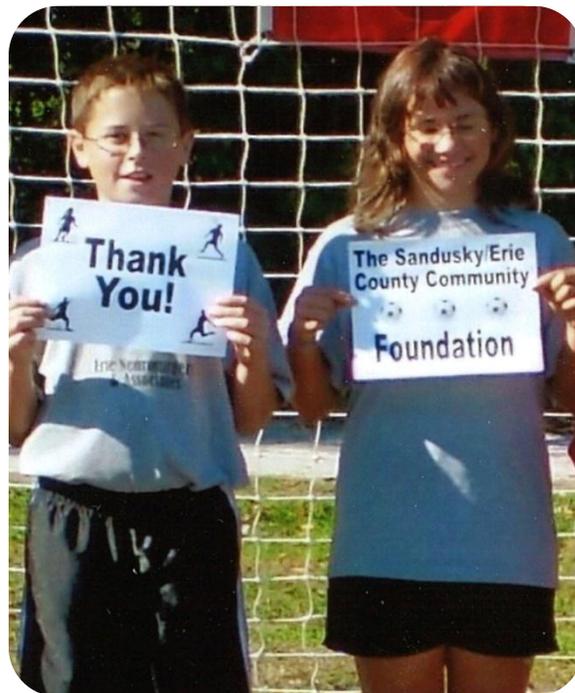
After a grant recommendation is approved, the Foundation issues a check to the charitable organization in the name of your Donor Advised Fund. Anonymous grants can also be arranged.

Advantages

The benefits of Donor Advised Funds have become apparent to individuals wishing to channel their charitable giving in the most effective and efficient ways possible, thus making them one of the fastest growing vehicles for giving in the United States.

Advantages of the Foundation's Donor Advised Funds are:

- **Significant** - You will enjoy the highest level of tax advantages available:
 - An immediate income tax deduction for contributions to your Donor Advised Fund. This is a better deduction than is available with a private foundation.
 - No capital gains taxes are levied on contributions of appreciated assets.
 - Any income or growth of assets within a Donor Advised Fund is not subject to tax.
 - Donor Advised Fund assets are not subject to estate taxes.
- **Timely** - You can take advantage of your tax benefits now, and then support your favorite charitable causes by making grants on your own timeline in the future.
- **Immediate** - Most Donor Advised Funds can be established in a few days. The set-up process is simple and straightforward.
- **Flexible** - The Foundation accepts a wide range of asset types: cash, marketable securities, closely held securities, real estate, and life insurance policies.



- **Confidential** - Grants can be made anonymously.
- **Complementary** - Your Donor Advised Fund integrates well with other financial planning strategies. For example, as the beneficiary of a testamentary gift, life insurance, a qualified retirement plan, as remainderman of a charitable remainder trust, or as income beneficiary of a charitable lead trust.
- **Simple** - The Foundation handles all the administrative tasks, recordkeeping and tax reporting, thus freeing you and your family to concentrate on the more enjoyable side of philanthropy.
- **Independent** - The Foundation operates independently of financial institutions and other charities.
- **Efficient** - The Foundation maximizes funds available for grantmaking by minimizing fees and expenses.
- **Continuous** - Your Donor Advised Fund can become a legacy that continues over successive generations.

Donors are urged to consult their attorneys, accountants, or tax advisors with questions relating to the deductibility of various types of contributions to the Foundation for federal and state tax purposes.

Purpose, Public Charity Status & Eligible Donors

The following pages describe policies, rules and regulations of the Donor Advised Fund.

Sandusky/Erie County Community Foundation (the Foundation) is classified as a 501(c)(3) public charity by the Internal Revenue Service. As such, contributions to the Foundation offer immediate and maximum tax benefits.

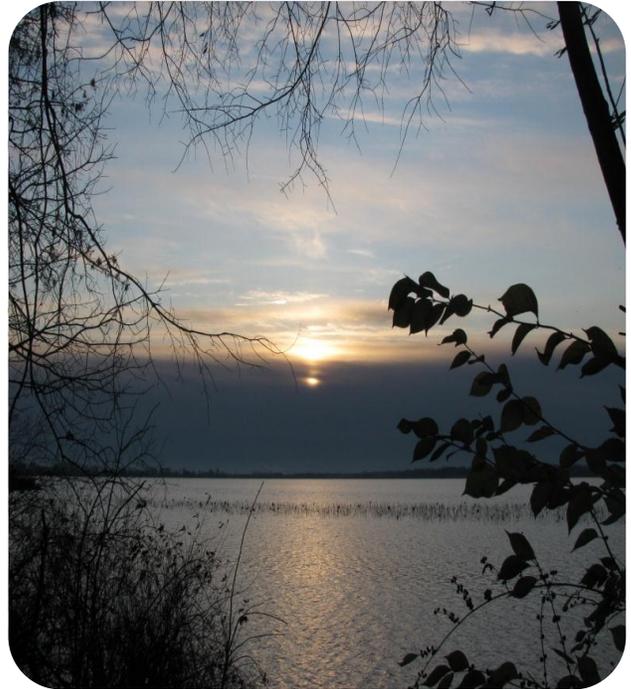
The Foundation accepts contributions from individuals, families, companies, public charities, estates, trusts, and private foundations.

Contribution Acceptance Information

The minimum initial contribution is \$10,000. Acceptable asset types generally include:

- Cash
- Marketable securities
- Life insurance policies*
- Closely held stock*
- Real estate (not subject to a mortgage)*

*subject to Foundation approval



Note that the Internal Revenue Service requires donors to obtain an independent qualified appraisal of contributed assets other than cash or marketable securities.

Before accepting a contribution, the Foundation will review each asset and may ask for additional information. Assets that carry unusual potential liability may be rejected. Any donor who has questions about the acceptability of an intended contribution should contact the Foundation prior to arranging for transfer of the assets.



Upon receipt and acceptance of a contribution, the Foundation will send the donor an acknowledgment letter containing all of the information necessary to document the contribution for tax purposes.

Additional contributions in any amount may be made into the Fund at any time, by you or others.

A donor may not impose material restrictions or conditions on assets in his Donor Advised Fund.

Naming the Fund

Most donors name their Donor Advised Fund after themselves or family members. For example: The John and Jennifer Smith Fund, or The Jones Family Charitable Fund. Others name their Funds for a purpose, such as: The Hometown Children's Health Fund.



Statement of Fund Purpose

In order to communicate expectations and goals to future successor advisors (if applicable), donors are encouraged to provide a Statement of Purpose for their Donor Advised Fund, for example: "It is our intention that the John and Jennifer Smith Fund be used to support various charitable organizations in Erie County, Ohio." Note that the Foundation will not treat the Statement of Purpose as a restriction on the Fund.

Advisors; Donor as Advisor

Each Donor Advised Fund must have at least one person, usually the Donor, serving as the initial advisor of the Fund. For married donors, typically both spouses are identified. In situations where the original donor(s) envisions an advisory committee, a spokesperson for the committee is to be identified.

An advisor is entitled to:

- Submit grant recommendations
- Name successor advisor(s)
- Name an advisory committee's spokesperson
- Recommend an amended or replacement Termination Plan

When you sign the Foundation's model Donor Advised Fund Agreement referred to on page 3 of this Donor Advised Fund Program Description, you can designate advisors and successor advisors and provide that advisors can name successor advisors by registering successor advisors' names with the Foundation. Accordingly, it is possible for a Donor Advised Fund to continue in existence indefinitely.

Advisors, both before and after assuming responsibility as such, are encouraged to meet with the Foundation's staff, to learn about the operation of Donor Advised Funds.

If the Fund has more than one advisor, the advisors are to advise the Foundation in writing as to the death or mental incapacity of any natural person advisor or the termination of the existence of any entity advisor.

The death or mental incapacity of a natural person sole advisor or the termination of the existence of an entity sole advisor will cause the Fund to be terminated unless one or more of the natural person donors that established the Fund is still living or unless the entity that established the Fund, or its legal successor, is still in existence and in any such event, one or more of such donors may name one or more successor advisors.

Termination

A Donor Advised Fund will be terminated:

- If the Fund no longer has an advisor; or
- If the Foundation has not received a recommendation from an advisor for a distribution from the Fund for five consecutive calendar years; or
- By any other event specified in the Agreement establishing the Fund

A Donor Advised Fund may be terminated or distributions suspended:

- If the Fund is reduced to less than \$5,000 in value

Termination Plan



A donor can recommend a Termination Plan in the Agreement that establishes a Donor Advised Fund. A recommended Termination Plan may be amended from time to time pursuant to approved recommendations made by the donor(s) that established the Fund or by non-donor advisors if the donor(s) that established the Fund is no longer available or able to do so.

Some donors choose a Termination Plan that allows the Fund to continue as a “Designated Fund Agreement” by naming charitable organizations to receive annual distributions from the Fund or as a “Field of Interest Fund” by specifying charitable needs to be fulfilled. Another option is to terminate the Fund, and name charitable organizations that will receive liquidating distributions. Others choose to submit a more customized disposition plan. Donors should discuss complicated disposition plans with the Foundation to avoid confusion or potential problems.

Statements

The Foundation will distribute written Donor Advised Fund statements to donors/advisors. Information contained in the statement will include:

- A summary of the Fund’s financial status
- A record of contributions to the Fund
- A record of grants made from the Fund





Grant Recommendation Timing

Some donors choose to delay recommending grants for a period of time, intending to allow the Fund's balance to grow. However, each Fund must eventually make grants. Accordingly, the Foundation will contact the donor(s) if the Fund has made no grants in the preceding 36-month period. The Fund's Termination Plan will be enacted if the Fund has made no grant during the preceding five calendar years.

Grants to Charitable Organizations

Grants will only be made to U.S. charitable organizations that are tax-exempt public charities, or to U.S., state or local government entities (e.g. state universities, public school systems, and park systems) for charitable purposes. Non-operating private foundations and certain types of supporting organizations are not eligible to receive grants.

The Foundation only approves grants that are used exclusively in furtherance of charitable purposes. The Foundation will not approve a grant that would confer an impermissible private benefit on a donor or other specified person.

Grants may not be used for any pre-existing pledge. Under the Internal Revenue Service rules, a pledge is considered a personal obligation of the maker, and to use a Donor Advised Fund grant to satisfy such an obligation would be considered an impermissible private benefit.

Other impermissible private benefits include grants for school tuition or scholarships sent directly to individuals, certain dues or membership fees, goods bought at charitable auctions, tickets for charitable events that entitle the attendees to any material benefit, or any other non-charitable purpose. Also, grants may not be used for lobbying, political contributions, or to support political campaign activities.

Funds in a donor advised fund cannot be used to make grants, loans, compensation payments or similar payments to any donor or donor advisor to the fund or to members of their families or to entities in which any of such persons hold 35% control of the voting power or profit interest.

Grant Procedure

After a Fund is established, the advisor may submit grant recommendations on Grant Recommendation Forms obtained from and delivered to the Foundation or through the Foundation's website: www.eriefoundation.org. The minimum grant amount is \$250 unless the Foundation waives such minimum requirement as to a specific request applicable only to a specific grant.

The Foundation will review each grant recommendation.

Recommendations by advisors with respect to distributions from a Donor Advised Fund may be made at any time, but unless and until modified by the Foundation's Board of Directors or the Foundation's Executive Director, Donor Advised Fund distributions normally shall be made on or about March 31 and/or September 30 and/or December 15; shall be not less than Two Hundred Fifty Dollars (\$250) each in amount, unless this limitation is waived by the Foundation respecting a specific grant; and shall be not in excess of ten (10) in number (per distribution).

The Executive Director has discretion to authorize grant distributions not in excess of Five Thousand Dollars (\$5,000). Larger distributions require Foundation Board of Directors' or Executive Committee approval. If the Foundation experiences a problem approving a particular grant recommendation, it will contact the donor(s) or the advisor in a timely manner to discuss the matter.

A letter attributing the grant in the name of the Fund will accompany the check. A copy of the letter will also be sent to the donor(s) and/or advisor. {If the donor(s) prefers anonymity, grants can be sent without identification of the Fund and/or donor(s).}

Administrative Fees

The Foundation will charge each Fund a Basic Administrative Fee and when applicable will charge the Fund a Termination Fee. Both fees are subject to change.

- A Basic Administrative Fee will be charged to and deducted from the Fund as of the last day of each month. Currently, such monthly Basic Administrative Fee is one-twelfth of 1.45% of the Fund's value as of the last day of each such month.
- A Termination Fee of \$200 will be charged to a Donor Advised Fund termination that results in assets being withdrawn from the Foundation. A Donor Advised Fund can be terminated, without assets being withdrawn from the Foundation, by transferring assets from a Donor Advised Fund to a Foundation Designated Fund or Field of Interest Fund.



Investment Charges

Professional investment management fees, custodial fees, commissions, transaction expenses, etc. are charged directly to the Fund.

Miscellaneous

Although a Donor Advised Fund provides the donor(s) a great deal of latitude in tailoring a Fund to meet the donor(s) individual needs, it must be understood that:

- Funds will be operated exclusively for charitable purposes. Any non-charitable distribution from a Fund, for example, a grant resulting in the donor(s) or family member receiving more than an incidental benefit, could result in federal tax penalties to the donor(s) and the Foundation. The Foundation will not permit such distributions.
- Funds will be administered in accordance with the provisions of this Program Description, the model Donor Advised Fund Agreement, the Foundation's Donor Advised Fund Policy and the terms and conditions of the Foundation's Articles of Incorporation and Code of Regulations.
- Each Fund will be treated as a component fund of the Foundation.
- Contributions, once received and accepted by the Foundation, become the property of the Foundation and cannot be returned to the donor(s).
- The Foundation's Board of Directors has the right to modify any restriction on any Fund if it determines such restriction becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with charitable needs.
- All recommendations from the donor(s) concerning grants or administration of any Fund are advisory only. The Foundation's Board of Directors is free to accept or reject, in whole or in part, all such recommendations.
- The Foundation reserves the right to modify this Donor Advised Fund Program Description.



For more information, please contact us at:

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