



POLICIES AND PROCEDURES FOR ESTABLISHMENT AND OPERATION OF COMPONENT FUNDS

Policies and Procedures for All Funds

Establishment of Funds.

A donor may establish any one or more types of separate, named funds with the Greater Salina Community Foundation ("Foundation"). Because each fund is a component fund within the Foundation, the Internal Revenue Code requires that the Foundation be vested with the ultimate authority and control over the property of each fund. Requests to establish funds are subject to approval by the Foundation's board of directors, with a view toward consistency with the Foundation's charitable purposes.

Minimum Size Levels for Permanent Funds.

The Foundation requires that minimum size levels be attained in order to establish a particular type of fund. Generally, donors have five years to reach the minimum size level, with interim growth and earnings in the fund counting toward the minimum. If the minimum is not reached within five years, the fund balance is transferred to an existing fund in the Foundation, generally the Foundation's community grant fund, The Fund for Greater Salina. A general description of the types of funds, including minimum required size levels, follows:

- **Donor-Advised Funds** (\$10,000 minimum) allow the donor and/or the donor's specified family members to request and recommend possible grant recipients to the Foundation, without incurring any administrative responsibility. Although donor-advised funds are designed with permanently endowed giving in mind, donors may also request grants that would invade principal, so long as a minimum of \$10,000 remains in the fund. All such requests are advisory only, and the Foundation retains the ultimate authority to determine grant recipients and amounts.

- **Designated Funds** (\$10,000 minimum) are created by a donor exclusively for one or more specific charitable organizations. If the minimum is not reached within five years, the fund is transferred to the pertinent organization fund, if one exists, or to the Foundation's community grant fund. The Foundation makes annual grants to specified recipients annually, according to the fund agreement, as long as the fund maintains the \$10,000 minimum,
- **Organization Funds** (\$10,000 minimum) are created by or for charitable organizations exclusively for the benefit of those organizations. Individuals, businesses, and other third parties may establish or contribute to an organization fund. Every organization fund is comprised of two separately maintained funds within the Foundation. All donations contributed by the organization are placed in the organization's named fund. All donations made to the fund by third-party donors are placed in the organization's endowed fund. The total of both funds are combined to achieve the minimum balance. As long as the minimum fund balance is maintained, organizations can request grants that invade the principal of the organization's named fund, but not the endowed fund. All such requests are advisory only, and the Foundation retains the ultimate authority to determine grant amounts. Contributions from third party donors to an organization fund will be placed in the endowed fund and the organization can only request grants of up to 5% of the fund balance, without invading the principal gift, unless specified differently in writing by the donor.
- **Scholarship Funds** (\$25,000 minimum) are funds created to provide scholarships for deserving students. Such funds may bear either the donor's name or the name of someone in whose honor the fund is established. Scholarship funds may be used to benefit students attending a particular school or studying a particular field. Scholarships are paid out according to the individual fund agreement.
- **Field of Interest Funds** (\$25,000 minimum) are funds with a restricted charitable purpose. The Foundation is responsible for determining the actual grant recipients. The specified purpose may be broad, such as support of education, health care, arts and humanities, or narrow, such as relieving illiteracy or preventing child abuse. The Foundation then seeks out and selects the community agency, agencies or program that best serve the purpose specified by the donor. The Foundation sometimes uses advisory committees to determine grant recipients. Payout from Field of Interest Funds is governed by the individual fund agreement.
- **Provisional Funds** may be established at the discretion of the Foundation's board of directors for charitable groups or organizations with a specific fund-raising need. The Foundation may establish a provisional fund where donors to an approved cause or campaign can "park" gifts until such time as the campaign either succeeds or fails. Meanwhile, the charitable group or organization would be able to count the dollars in the provisional fund toward the fundraising goal. If the campaign fails, the Foundation would disburse the provisional fund to other qualified charitable entities requested by the donors. Provisional funds have separate, negotiable fees.
- **Pass-through Funds** are created by donors who desire the Foundation to administer their charitable grants, but who do not wish to maintain a permanent, endowed fund. Pass

through funds can be classified as Advised Funds, Field of Interest Funds or Scholarship Funds, and are assessed fees separately from other funds in the Foundation according to the following policy:

Contributions made to the GSCF with a view toward delayed or deferred "pass-through" payments to one or more other charities, will be imposed a 1% fee at the time the gift is received, with a minimum annual fee of \$100. The minimum size of any one grant check to any charity is \$250.00.

Contributions to the Foundation.

Donors may contribute cash or property to the Foundation at any time during the year. A contribution is deemed made at the time of its "delivery" to the Foundation, in accordance with applicable law. With regard to contributions in kind (stocks, bonds, real estate, etc.), the Foundation's policy is to sell such property as soon as practical after receipt, so as to minimize market risk. For more information, see the Foundation's Gift and Fund Acceptance Policy.

Donors who make a gift of \$5,000 or more to the Foundation's unrestricted community grant fund receive permanent name recognition. The Foundation may use the fund for any charitable purpose. Undesignated contributions to the Foundation are added to this fund.

Additions to the Funds.

Although the Foundation will accept contributions at any time, it will invest such contributions monthly. At the discretion of Foundation staff, significant gifts may be invested at a point other than the regular monthly deposit.

Investment Policy.

Of paramount importance to the Foundation and to the community as a whole is that the investment portfolio be managed with a view toward maximization of total return considering inflation risk, interest rate risk, and business or economic risk, while at all times being prudently diversified. Toward this end, the Foundation's investment committee directs the investment of the various funds. For more information, see the Foundation's investment policy.

Outside Fund Management.

Donors or organizations may request to use an outside investment manager if the fund maintains a minimum balance of \$25,000. If the request is granted, the fund remains a component fund of the Foundation, but is managed and invested by a bank, trust company or other entity of the donor's choice. In order to manage component funds for the Foundation, outside fund managers are required to sign an investment management agreement with the Foundation, and maintain an investment performance level that is acceptable to the Foundation's Finance Committee.

Spending Policy.

The Foundation strives to preserve capital for long-term charitable endowment purposes. The Foundation's general spending policy for grants is as follows:

- The Foundation will make grants from each fund according to the individual fund agreement. Primarily, fund agreements for Designated, Field of Interest and Scholarship Funds are written to allow the Foundation to pay out up to 5% of the fund balance annually, calculated on a rolling 20 quarter average. With the exception of scholarship funds, if a fund is below the minimum balance, no grant will be issued that year.

Once a scholarship fund is established at the \$25,000 minimum, and invested for a full year, scholarships will be paid as long as the balance of the fund is above \$20,000.

The Foundation uses the 5% spending policy to calculate the available to spend for the administrative fund and the community grant fund.

- The Foundation will take requests and recommendations, in writing or through Donor Central on-line, from donors throughout the year with regard to making grants from their donor-advised funds. Organizations may request, in writing or on line, grants from that organization's fund. The Foundation will try to honor all such requests as long as they meet the applicable charitable requirements. A grant request form is available on line or by contacting the Foundation office.
- The minimum size of any one grant from any fund is \$250.
- Grants are usually processed within 10 days. Unusual circumstances may delay grant processing in some instances.
- Grants may not be made from a fund if the balance therein has fallen below (or would thereby fall below) the minimum size level required for that type of fund, or if the fund agreement specifies that the principal gift shall be permanently endowed and the fund has fallen below that principal fund balance.

Identification vs. Anonymity.

The Foundation values a donor's right to anonymity and honors any such requests. Unless otherwise requested by the donor, any grant shall identify the name of the fund from which it is made.

Administrative Fees.

All component funds are required to share in the administrative costs of operating the Foundation. Although the Foundation has a separate and permanently endowed administrative fund that enables the Foundation to keep fees to a minimum, the Foundation reserves the right to annually assess a fee against each component fund in an amount not to exceed 1% of its average daily fund balance as of June 30; provided, however, that in calculating any such annual fee, the average daily fund balance taken into account for any one fund shall not exceed \$1 million, thus capping the annual fee to a single fund at \$10,000.

Effective July 1, 2001, even if the Foundation opts to exempt (in part or in full) component funds from the maximum 1% annual fee for a given year, the following funds will not be exempt and will be charged the full 1% annual fee for that year on their full (i.e., even if in excess of \$1 million) average daily fund balance:

- *Affiliate funds and component funds within affiliates.* Pursuant to the affiliate fund agreements, all component funds will be assessed the full 1% annual fee to cover administrative support provided by the Foundation.
- *Component funds that designate more than 80% of their annual distributions to charitable organizations whose operations are not principally within the greater Salina area*.* The Foundation recognizes that its generous administrative endowment was created by individuals, families, private foundations, and businesses within the greater Salina area, largely for the betterment of the greater Salina area. Therefore, a fund that does not provide for at least 20% of its annual distribution to go to one or more charitable organizations operating principally within the greater Salina area will be assessed the full 1% annual fee. For scholarship funds, 80% of the annual distribution must go to either students or educational institutions within the greater Salina area.

In addition, each specific component fund will be charged for any extraordinary expenses incurred on behalf of that fund, such as commissions for the sale of contributed securities. Additional fees may be charged for extraordinary services, such as special grant processing, large numbers of transactions, or other non-standard services.

*The "greater Salina area" is defined as Saline County charitable organizations and non-Saline County charitable organizations that are Founding Donors to the Greater Salina Community Foundation.

Monitoring Function and Variance Power

The Foundation will monitor and periodically evaluate all funds to determine that payments therefrom are being used for charitable purposes consistent with the Foundation's purposes and the donor's intent. If the Foundation determines that circumstances are such that continued payments from a fund for the specified charitable purposes or to the specified charitable organizations have become unnecessary, obsolete, inappropriate, incapable of fulfillment, impractical, illegal, or inconsistent with the Foundation's purposes or the donor's intent, the Foundation has the power, exercisable at the sole discretion of its board of directors, to designate an alternative charitable beneficiary or fund (taking into account the donor's intent) as the recipient, or to transfer the property and assets in the fund in question into the Foundation's community grant fund, or to effect some combination of the foregoing. Examples of such changed circumstances include, but are not necessarily limited to:

- Liquidation or dissolution of the specified charitable organization.
- Loss of the specified charitable organization's qualified exempt status under the Internal Revenue Code.

- A recipient organization's use of payments for purposes clearly at odds with the Foundation's charitable purpose, the organization's charitable purpose, or the donor's intent.

The Foundation will use its best efforts to give affected donors and organizations advance written notice of its intent to exercise the variance power outlined above.

Miscellaneous Provisions

Definition of "Charitable Purpose"

As used herein, the term "charitable purpose" is an educational, scientific, literary, public, religious, or other purpose permitted to be carried on by an organization described in Section 170(c)(2) of the Internal Revenue Code of 1986, as amended.

Affiliate Funds

The Foundation has a strong Affiliate program primarily designed to serve rural areas. The terms and conditions of any and all such possible affiliate fund arrangements are subject to the approval of the Foundation's board of directors. A minimum of \$30,000 is necessary to establish an affiliate fund. More information on affiliate funds is available on the Foundation's website at www.gscf.org.