

DONOR ADVISED FUND PROGRAM

PROCEDURES FOR OPERATION UNIVERSITY FOUNDATION, CSU, CHICO

Section 1. Authorization, Establishment, and Purpose

- 1.1 **Authorization:** The University Foundation, California State University, Chico (hereinafter “Foundation”) has authorized and ratified the establishment of a Donor Advised Fund Program (DAF) by Resolution of the Board of Directors (hereinafter “Board”) adopted March 4, 1998. This Resolution authorizes the adoption of these procedures for the administration of DAFs. These procedures may be amended from time to time, when deemed necessary or desirable by the Board.
- 1.2 **Establishment of Funds:** DAFs may be established by the donation or transfer by any person, foundation or corporation (hereinafter “Donor”) to the Foundation of money or property, whether by contribution, gift, bequest, or devise or by transfer from a charitable or other organization (hereinafter “contribution”), to further or carry out the purposes of the Foundation, as set forth in its Articles of Incorporation, By-Laws and or other Governing Document(s). DAFs shall be administered as component funds of the Foundation. These procedures are in recognition of the particular purpose for which this program has been initiated, which is to broaden the base of both current and deferred support of the Foundation and the public purpose it serves. These funds are desirable to supplement and extend the programs and interest of the foundation in the fields of health, social welfare, education, culture and other charitable purposes for the benefit of California State University, Chico, its constituents and the general California State University system as well as the geographical community of Chico, California and its neighboring communities.
- 1.3 **Nature and Terms of Funds:** Each DAF shall be the property of the Foundation owned by it in its normal corporate capacity. In such 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 and records of the Foundation as an identifiable or separate fund and may be given a name or other appropriate designation as requested by the Donor.
- 1.4 **Forms:** The support staff of the Foundation is authorized to provide forms for the establishment of DAFs and such other forms as are necessary or desirable for administration in accordance with these procedures.

Section 2. Acceptance of Funds

- 2.1 **Authorization:** The Secretary or Treasurer of the Foundation (or such additional officers or members of the foundation as the Board may from time to time authorize) shall have the authority to accept, on behalf of the Foundation, contributions to establish or add to a DAF. A Donor may not impose any material restriction or condition that prevents the Foundation from freely and effectively employing the contributed assets or the income derived therefrom, in furtherance of a charitable purpose of the Foundation.
- 2.2 **Value:** The minimum amount to establish a DAF is \$10,000 in cash or other property. Notwithstanding the minimum, the Foundation will not certify to the donor the value of a contribution of any property.
- 2.3 **Separate Account:** The DAF established shall be held as a separately identified account in accordance with Generally Accepted Accounting Procedures (GAAP). The DAF shall be named in the Donor Agreement.

Section 3. Investment of Funds Assets

- 3.1 **Responsibility:** The Foundation has the sole responsibility and authority for the investment of the assets of each DAF. The assets of any Fund may be commingled with those of other DAFs, or with other funds of the Foundation, or may be invested in units of a common investment fund, which may be established or utilized by the Foundation. However, the Foundation shall have no obligation to commingle the assets for investment purposes and may, in its discretion, retain any assets received or hold the assets of a fund as a separate unit for investment purposes.

The Foundation may seek the advice of its donors or their advisors with regard to the investment of DAFs. The Donor Agreement may contain investment objective options as a means of seeking such investment advice. However, it is understood that such advice shall not be binding upon the Foundation and it has the full right and authority to manage and invest the assets in any manner appropriate for a prudent fiduciary.

- 3.2 **Administration:** Decisions with respect to the retention, investment, or reinvestment of assets and with respect to commingling of assets shall be made by the Board, or by a committee, agent or director authorized by the Board, in accordance with regular procedures. All Funds may be charged an appropriate allocation of direct and indirect expenses attributable to the creation and maintenance of such funds as determined by the Board from time to time.

Section 4. Distribution from the Fund

4.1 **In General:** The Board of the Foundation, upon the recommendation of staff or a Grants Allocation Committee, has the right to direct all distribution of income or principal of DAFs. The donor or his/her designee(s) may, after the contribution of money or other property to a DAF, recommend to the Foundation the making of distributions from a Fund which distributions are consistent with the charitable needs and purposes of the foundation as set forth in these procedures, Articles of Incorporation, By-laws, and Amendments thereto. The Foundation shall consider and evaluate all such donor recommendations, but such recommendations will be solely advisory and the Foundation is not bound to follow them.

4.2 **Donors and Their Designees Accorded the Privilege of making Recommendation:** The privilege of making recommendations (as described in section 4.1 above) shall be extended to Donors and their designees, subject to the following corporation or foundation maintains a continuing charitable involvement with the Foundation. Such corporation or foundation, or those acting on its behalf, shall designate one person (and may designate his or her successor) to submit the recommendations for grants to the Foundation.

(In the following Section, the “Donor” will apply to all persons having the privilege of making recommendations as provided above).

4.3 **Charitable Needs for Which Distributions May be Made:** The Board, with the assistance of the staff, shall enumerate specific charitable needs or areas to which distributions from DAFs may be made. There is attached, as Exhibit A, a list of such specific charitable needs or areas of need which were enumerated at the time of approval of these procedure (see “List of Charitable Needs”). It is the policy of the Foundation to encourage recommendations from all sources, including from persons other than Donors, for inclusion of qualified charitable organizations and/or programs, projects, and activities of qualified organizations in the list of specific charitable needs. Staff shall maintain a list of organizations, which have been so included, and said list shall be made available to all interested persons.

4.4 **Limitations:** The following limitations apply to all distributions from Advised Funds:

(a) **Minimum Distribution:** The minimum amount of any one distribution from an Advised Fund shall be four percent (4%) although the Board may from time to time, change the limitation

(b) **Distributions from Income or Corpus:** A Donor of a DAF shall have the privilege of making recommendations as to distributions out of income or the corpus of a DAF. However, it is the general policy of the Foundation that at least ten percent (10%) and as much as fifty percent (50%) of all distributions from a DAF shall be either to the University

Foundation, CSU, Chico Foundation, other related CSU, Foundations, its constituents or for educational purposes in or about the Chico, California area.

(c) The Foundation as a public charity, will not make any distribution from a DAF except as a distribution from the Foundation for its charitable purposes, and no such distribution may be used to discharge or satisfy a legally enforceable pledge or obligation of any person, including the Donor of a DAF.

(d) Neither a Donor to a DAF nor any other person making grant recommendations may receive any tangible benefit or privilege in return for a distribution.

4.5 Procedure:

4.5.1 Recommendations by Donors: Recommendations by a Donor with respect to distributions from a DAF shall be made in writing, addressed to the Foundation. Donor(s) limitations:

(a) **Donor and Spouse:** Ordinarily, if an individual establishes a DAF, the privilege of making recommendations is limited to the donor and his or 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 other 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) **Other Persons:** An individual Donor may designate in the instrument establishing a Fund a person or persons other than or in addition to the Donor and his or 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 the spouse, unless earlier terminated as describe in (a) above or unless extended by the Foundation where it is deemed to be in the Foundation's best interest.

By establishing a DAF program the Foundation seeks to encourage intergenerational philanthropy and to forge links to the next generation. As such, the instrument establishing a DAF may designate a child or children, niece, nephew, grandchild of a donor, grand niece, or grand nephew to have the privilege of making grant recommendations after the termination of the privilege of the Donor and spouse. In the event that a donor fails to make such designation at the time he/she establishes the Fund the Donor may recommend to the Board at a later time that such others be given the privilege. If the Board believes that it is in the best interest of the foundation to grant such privilege to such others, it may do so, but it is not bound to follow the

recommendation of the Donor. Where persons in addition to the original Donor or his or her spouse make recommendation, the foundation may require those persons to designate a representative to act for them in submitting recommendations to the Foundation.

In the event that a Donor designates such others as successor to have the privilege of making grant recommendations, the foundation may require that a certain percentage (not more than 50%) of the principal balance remaining in the fund at the death of the last surviving spouse be dedicated as an endowment to the Foundation's unrestricted Endowment Fund, or to a Field of Interest Endowment or Designated Endowment reflecting one or more charitable interests of the Donor. In such an event, the endowment shall bear the name of the Donor or such other names as the Donor may select.

- (c) **Corporations/Foundation:** A corporate Donor or Foundation that establishes a DAF will have the privilege of making recommendations for a period not to exceed 15 years from the date of the establishment of the Fund. The privilege to make recommendations may be extended beyond the 15 year limitation if, in the discretion of the Board, it is in the best interest of the Foundation and they are encouraged to make recommendations with respect to the charitable needs or fields of charitable interest enumerated by the Foundation. Donors shall regularly be furnished with the updated List of Charitable Needs.

4.5.2 **Staff Investigation:** With respect to each recommendation by a Donor, the staff of the Foundation will determine whether the recommendation is consistent with the charitable purpose of the Foundation. The degree of formality employed by the staff in making an evaluation will depend upon the nature and category of the grantee organization and information already available to the staff with respect to the grantee and purposes of the grant. In considering a recommendation by a Donor, the staff is not limited to organizations already reviewed by the Foundation but may consider and make an independent investigation of any recommended grantee with a view to assisting the Grants Advisory Committee (described in Section 4.5.3) and the Board in determining whether such grantee is deserving of support by the Foundation and whether the particular grant should be made. If the staff determines that the recommendation is not consistent with the specific charitable purposes of the Foundation, the Donor shall be advised that the recommendation does not meet the standards for distributions.

4.5.3 **Grants Advisory Committee:** At the discretion of the Board it may appoint a Grants Advisory Committee, which shall consist of at least three persons none of whom shall be a Donor whose recommendations are being considered and all of whom may be staff members. The Grants Advisory Committee shall meet from time to time as it is notified by the staff of the Foundation that there are recommendations to consider. The Committee shall review each staff report considering among other matters the propriety of the

staff recommendation and the extent of support to be provided for the recommended purpose. If the Committee desires further information it may direct the staff member working with the particular DAF to obtain it. A report of advice of the Grants Advisory Committee shall be forwarded promptly to the Board. Notwithstanding the aforementioned, the Board may delegate the duties of the Grants Advisory Committee to staff, in which case staff would perform its due diligence as noted in 4.5.2 above and issue a report directly to the Board for further action.

- 4.5.4 **Board Action:** The Board shall act upon all staff reports and/or Grants Advisory Committee determinations as presented to it and shall allocate funds from DAFs in accordance with regular Board grantmaking procedures. The Board shall meet regularly in order to facilitate distributions provided, however, that the Executive Committee of the Board may act for it in all matters under these procedures in accordance with authority delegated to such Executive Committee.
- 4.6 **Notification to Grantee as to Source of Distribution:** Any distribution from a DAF unless otherwise requested by the Donor of the Fund shall identify to the grantee organization the name of the fund from which the distribution is made.
- 4.7 **Requirement of Current Distribution:** It is the general policy of the Foundation that an amount in the range of three percent (3%) to seven percent (7%) of the then current market value of each DAF be distributed during the current fiscal year or before the end of the sixth month of the next fiscal year, at least ten percent (10%) of which shall be directed to the University Foundation, California State University, Chico uses and purposes. In the event that distributions from a DAF equal to the aforementioned minimum are not made as provided for herein, the Board, at its discretion, may take an amount up to fifty percent (50%) of the said minimum to be used for its charitable purposes in accordance with these procedures and allow the remaining fifty percent (50%) of said minimum to accumulate to the credit of the DAF.
- 4.8 **Meetings with Recommenders:** Staff or the Grants Advisory Committee may meet periodically with the persons making recommendations to assist in developing appropriate guidelines to meet charitable objective.

Section 5. Reports and Educational Program

- 5.1 **Annual Reports:** A report of all distributions from Advised Funds shall be included in the annual report of the Foundation. Additional reports of Advised Funds may be made as prescribed by the Board to include investment objective, investment performance, receipts and disbursements of income and principal.
- 5.2 **Educational Program:** The Foundation shall publicize to Donors and other interested persons in the community these procedures and the specific

charitable needs as identified from time to time. This educational program may be part of a larger effort of the Foundation to educate the public with regard to the scope of the charitable services of the Foundation. As an integral part of this program, these procedures, including the List of Charitable needs, shall be disseminated in order to encourage additional contributions to the Foundation. The purposes of the educational program shall include (i) acquainting potential donors in the community with specific charitable needs determined by the Foundation to be worth of support through its various types of funds; (ii) demonstrating the expertise and knowledge of the Board and staff in evaluating and serving such needs; (iii) developing donor confidence in the Foundation, an organization effectively serving the charitable needs of California State University, Chico and the community of the greater Chico, California area; (iv) encouraging a creative and meaningful interaction between the Foundation and members of the community to utilize the broadest base for ascertaining and evaluating the changing charitable needs of the community; and (v) attracting funds from a wide segment of the Foundations' constituents, the general California State University system as well as the geographical community of Chico, California and its neighboring communities for the charitable purposes of the Foundation.

The Board and staff shall always be alert to the views of Donors and others who call attention to charitable needs of organizations, which may not have been served in the past but which is currently most deserving of support.

Section 6. Continuity of Funds

- 6.1 **Upon Death, etc., of Donor:** Upon the termination, by death or otherwise, of the privilege of a Donor of a DAF to make recommendations, as provided in Section 4.2 above, the Fund may continue as part of the unrestricted permanent endowment funds of the Foundation, unless previously designated at the time of formation to become (or be added to) unrestricted or designated operating or capital funds, or unless the privilege to make grant recommendations has been extended as provided herein.
- 6.2 **Memorial Funds:** If the principal of such Fund exceeds the sum of \$10,000 when the foregoing privilege to make recommendations terminates, and the Fund becomes a permanent endowment fund, the Fund will continue as an identified memorial fund named for the Donor (or for such other person or designation as the Donor may have requested in writing at the time of formation).

Exhibit A:

List of Charitable Organizations and Needs Identified by the University Foundation as Fulfilling Its Charitable and Educational Purposes

Charitable Organizations

Charitable Purposes:

1. Education of students of all levels
2. Specific educational projects, such as:
 - a. Health and health education
 - b. Culture and cultural education
 - c. Art education
 - d. Music education
 - e. Science education
3. Other purposes for which CSU, Chico exists and expends its own funds