



The Valley Foundation

Caring for the Community since 1991

Policies and Procedures for Restricted Funds

As approved by the Board of Trustees on March 19, 2008
Revised December 16, 2010

Introduction

A principal aim of the Foundation is to add to its financial resources so it may better serve the needs of the community. To this end, and to preserve maximum flexibility in the use of its resources, it seeks to increase its endowment mainly through unrestricted contributions. But it recognizes that occasionally there will be donors who, for various reasons, will wish to restrict the use of their contributions, either by advising the Foundation from time to time as to the beneficiaries they wish the income from the contributions to benefit, or by designating one or more beneficiaries when the gift is made.

The Foundation, taking into account the circumstances, may accept such restricted contributions provided they are in accordance with its established purposes and policies as set out here.

DONOR ADVISED FUNDS

Definition

A Donor Advised Fund is an endowed fund established under an Agreement with the Foundation by an irrevocable gift to the Foundation for the benefit of non-profit organizations as recommended by the Donor from time to time.

POLICIES FOR DONOR ADVISED FUNDS

1. Establishment of Donor Advised Funds

Advised Funds may be established under an agreement between the Donor and the Foundation for the donation of cash or securities from an individual or an organization to further or carry out the charitable purposes of the Foundation.

Each advised fund shall be the property of the Foundation. 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 shall be recorded on the books of the Foundation as a separate fund and may be named by the Donor.

2. Acceptance of Funds

The Board of Trustees of the Foundation (or such officers or employees of the Foundation as the Trustees authorize) may accept contributions to establish or add to a Donor Advised Fund at the Foundation. 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 the charitable purposes of the Foundation.

3. Investment of Assets

The Foundation has the responsibility and authority for the investment of the assets of each advised fund. The assets of any fund may be commingled with those of other funds of the Foundation for investment purposes.

Decisions with respect to the retention, investment, or reinvestment of assets or commingling of assets shall be made by the Board of Trustees or by a committee or agent authorized by the Board, in accordance with the Foundation's investment policies.

4. Distribution from Advised Funds

The donor or advisor may recommend distributions from the net income earned from the fund, which are consistent with the charitable purposes of the Foundation. The Foundation shall consider and evaluate all such recommendations, but such recommendations will be solely advisory and the Foundation is not bound by such recommendations.

5. Limitations

Since the Foundation's principal geographic areas of concern are the Santa Ynez Valley and Los Alamos Valley, fifty percent (50%) of its recommendations for distribution must be to organizations within these geographic areas. In the case of a scholarship, the student must be a resident of these areas.

Distributions may be made from interest income or from interest and principal. The Foundation, as a public charity, shall not make any distributions from an advised fund except as a distribution from the Foundation for charitable purposes; the Foundation may not be legally bound by any pledge made by a donor

The minimum amount to establish an advised fund is \$10,000. Following IRS regulations, the Foundation cannot certify to a Donor the value of a contribution of property.

6. Designated Advisors

The privilege of making recommendations shall be extended to donors and their designees, subject to the following limitations:

6.1 Ordinarily, if an individual establishes an advised fund, the privilege of making

recommendations is limited to the donor and his or her spouse. Unless otherwise specified in the Agreement, recommendations may be made by them separately or jointly. Such privilege of a donor or donor's spouse will be continuous with the existence of the fund unless terminated by a) death, b) written notice to the Foundation of resignation and release, or c) a finding by the Foundation that the donor or advisor is not available or is incompetent to exercise the privilege.

- 6.2** 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 or her spouse to exercise the privilege of making recommendations. This privilege will exist only during the lifetime of the donor or donor's spouse, unless earlier terminated as described above. However, the instrument establishing a fund may designate a donor's child or children (and children's spouses) to have such privilege after the termination of the privilege of the donor and donor's spouse, provided the children have attained the age of 18 by the time of such termination; and such designation of a successor or successors to the original donor or spouse will be recognized for a period not to exceed ten years. Where persons in addition to the original donor and his or her spouse may make recommendations, the Foundation may require those persons to designate one person to act for them submitting recommendations to the Foundation.
- 6.3** A corporate donor or other non-individual donor will have the privilege of making recommendations for a period not to exceed fifteen (15) years from the date of the establishment of a Donor Advised Fund. The privilege to make recommendations may be extended beyond the fifteen (15) year limitation if substantial additional contributions are made and the corporation or other non-individual donor maintains a continuing charitable involvement with the Foundation. A corporation or other non-individual donor shall be limited to establishing only one advised fund within such fifteen (15) year period. Such corporations, or other non-individual donor, or those acting on its behalf, shall designate one person to submit recommendations of the corporation or other non-individual donor to the Foundation.

7. Continuity of Funds

Upon termination, by death or otherwise, of the privilege of a donor of an advised fund to make recommendations, the fund shall continue as part of the endowment funds of the Foundation. The donor may request at the time the fund is established that, when they the advisory period ceases, the fund be used for grants made within one of the Foundation's stated fields of interest.

8. Additional Contributions

A donor may make additional contributions to an established Donor Advised Fund at any time.

9. Exceptions

Any exceptions to these policies require approval by the Board of Trustees.

PROCEDURES FOR DONOR ADVISED FUNDS

1. Preliminary Discussion with Potential Donor

When a potential donor expresses an interest in establishing a Donor Advised Fund, the staff will ascertain the donor's wishes and objectives and will acquaint the Donor with the Foundation's current policy and procedures, including the requirement for an appropriate Agreement to establish a Donor Advised Fund.

2. Approval in Concept

If the Donor wishes to proceed, the staff will notify the Finance Committee and request approval in concept and authority to proceed with processing the proposal.

3. Staff Review and Report

The staff will prepare a report of its findings and recommendations, including a draft Agreement, for the recommendation of the Finance Committee (or the chairperson acting on its behalf) and subsequent submission to the Board.

4. Board Approval and Authorization

The recommendations of the Committee and staff will be presented to the Board of Trustees for action. If the Board approves the creation of the Donor Advised Fund, it will authorize an officer of the Foundation or its Administrative Director to sign the Agreement and accept the donation on behalf of the Foundation. (If the Agreement calls for the contribution to be paid in installments, this authorization shall cover acceptance of the remaining installments.)

5. Investment Review

The Foundation's Finance Committee shall review the investment of the Fund annually to determine if the asset allocation is appropriate for the purposes of the fund.

At that time, the Donor shall be provided with summary information on the investment of the Fund and shall be accorded the opportunity to express views thereon if desired.

6. Distributions to be Current

An amount approximately equal to the net income of an advised fund shall be distributed during the fiscal year in which such net income is realized or before the end of the next fiscal year, unless the Board of Trustees determines that it is in the best interest of the Foundation to accumulate net income, in whole or in part, for a specific project which will be accomplished in a reasonable period of time.

7. Reports to Donors

Foundation staff shall prepare regular reports to donors regarding the value of the fund and the amount available for distribution.

8. Recommendations by a Donor

Donor advisors shall recommend distributions from an advised fund in writing. They are encouraged to make recommendations for charitable needs indicated by the Foundation to be most deserving of support by the Foundation.

9. Staff Recommendation on Distributions

Foundation staff shall prepare a report of determining whether each recommendation is consistent with specific charitable needs acceptable to the Foundation. If it is determined that the recommendation is not consistent with the charitable purposes of the Foundation, the donor shall be advised that an alternative recommendation may be made.

Donors are requested to consider their funds judiciously so as not to create an undue burden on the Foundation's staff. No minimum grant size is requested; however, the Trustees reserve the right to institute a minimum grant amount for any fund.

10. Board of Trustees Action

The Board of Trustees shall act upon all staff reports and Finance Committee determinations and shall allocate grants from advised funds in accordance with regular Board of Trustees grant-making procedures. Donor recommendations will be considered quarterly.

11. Expenses of Management and Administration

There shall be an annual administrative fee for Advised Funds based on the current fee policies of the Foundation. The fee is payable on January 1st and is based on the preceding December 31st market value. The fee is for the calendar year commencing January 1 and will be drawn from the income of the fund. In addition, the Fund shall pay its proportionate share of the investment fees charged by the Foundation's professional money managers for management.

12. Notification to Grantee as to Source of Distributions

Unless otherwise requested by the Donor, any distribution from an advised fund shall identify to the grantee organization the name of the fund from which the distribution is made.

13. Annual Reports

A report of all distributions from advised funds shall be included in the annual report of the Foundation and may be included in other publications from time to time.