DAF Program

PURPOSE, PUBLIC CHARITY STATUS & ELIGIBLE DONORS

The following sections describe policies, rules and regulations of the Donor Advised Fund. An application is also included.

Hudson Community Foundation (HCF) is classified as a 501 (c) (3) public charity under the Internal Revenue Code. As such, contributions to HCF offer immediate and maximum tax benefits.

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

CONTRIBUTION ACCEPTANCE INFORMATION

The minimum initial contribution is $5,000. Acceptable asset types include: cash, marketable securities, life insurance policies, closely held stock (both "C" and "S" corporations), real estate (not subject to a mortgage), limited partnership and LLC interests.

Note that the IRS requires donors to obtain an independent, qualified appraisal of contributions for assets other than cash or marketable securities.

Before accepting a contribution, Hudson Community Foundation reviews 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 HCF prior to arranging for transfer of the assets.
Upon receipt and acceptance of a contribution, HCF sends the donor an acknowledgement letter containing information necessary to document the contribution for tax purposes.

Additional contributions, with a minimum value of $1,000, may be made at any time.

FUND MAINTENANCE

Maintenance of a Donor Advised Fund is subject to a $2,500 minimum balance. If the balance falls below $2,500, the Donor/Advisor may be asked to arrange a contribution to restore the balance to the minimum, or recommend a liquidating grant to close out the fund.

NAMING THE FUND

Most donors name their Donor Advised Funds 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 Hudson Scholarship 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 Hudson, Ohio." Note that HCF will not treat the Statement of Purpose as a restriction on the fund.

DONOR/ADVISOR

Each Donor Advised Fund has at least one person serving as initial Donor/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 should be identified.

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The Donor/Advisor is entitled to advise HCF concerning certain aspects of the fund. These include:

- Submitting grant recommendations
- Naming a Successor Advisor, or selecting another disposition plan
- Recommending fund investments
- Identifying liquidation strategies
- Succession/Fund Disposition Plan

The Donor/Advisor may specify a disposition plan for the Donor Advised Fund. The death of the initial Donor/Advisor, or another event if so specified, may trigger the enactment of the fund's disposition plan.

Most donors choose a disposition plan that allows the fund to continue by either naming a Successor Advisor of the fund or naming charitable organizations to receive annual distributions from the fund. Another option is to terminate the fund and name charitable organizations that will receive liquidated distributions. Others choose to submit a more customized disposition plan. Donor/ Advisors should discuss complicated disposition plans with HCF to avoid confusion or potential problems.

INVESTMENTS

Hudson Community Foundation's investment objective is the prudent management of assets to provide a long-term total rate of return that maintains and even enhances each Donor Advised Fund's grant making power. In recognition that donors share this objective, HCF's investment policy is flexible to accommodate a variety of donor strategies, perspectives, and grant making objectives.

The Donor/Advisor may recommend a financial professional to work with HCF to invest the assets of his or her Donor Advised Fund.

For liquidity purposes, 1% of the assets of each fund will be held by HCF in a pooled Liquidity Account. HCF will track each fund's individual ownership of this pool and credit related earnings on the Liquidity Account to individual funds.

STATEMENTS

HCF distributes a Donor Advised Fund statement to Donor/Advisors on a quarterly basis. Information contained in the statement includes:

- 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

Donor/Advisors may submit grant recommendations at any time. Some Donor/Advisors 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, HCF will contact the Donor/Advisor if the fund has made no grants in the preceding 36-month period.

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GRANTS TO CHARITABLE ORGANIZATIONS

Grants will only be made to organizations that are tax-exempt public charities, or to local government entities (e.g. public schools or park systems) for charitable purposes. Non-operating private foundations are not eligible to receive grants.

The Internal Revenue Code prohibits grants to individuals from donor advised funds. Also prohibited are grants for political contributions or to support political campaigns. Grants may not result in benefits, goods, or services to the donor, the fund advisor, members of their families, and businesses they control. Failure to observe this restriction can subject the fund advisor to tax penalties. Benefits include the payment of pledges, event tickets, meals, sponsorships, registration fees, discounted merchandise, preferred parking and/or seating, and memberships unless the membership confers nothing of value.

Hudson Community Foundation only approves grants that are used exclusively in furtherance of charitable purposes. HCF is unable to approve a grant that would confer an impermissible private benefit on a Donor/Advisor or other specific person. Grants may not be used for any pre-existing pledge (under IRS 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. Grants may not be used for lobbying, political contributions, or for support of political campaign activities.

GRANT PROCEDURE

When a fund is established, Hudson Community Foundation provides the Donor/Advisor with a supply of Grant Recommendation Forms. When the Donor/Advisor is ready to recommend a grant, he or she fills out a form and mails or faxes it to HCF. The minimum grant amount is $100.

HCF reviews each grant recommendation. Upon approving a recommendation, HCF liquidates fund investments, prepares a check, and sends it to the charitable organization. A letter attributing the grant in the name of the fund accompanies the check. A copy of this letter is also sent to the Donor/Advisor. If the Donor/Advisor prefers anonymity, grants can be sent without identification of the fund or Donor/Advisor.

Grants are processed on an ongoing basis. Normally, HCF distributes checks within 14 days of receiving a Grant Recommendation Form. If HCF experiences a problem approving a particular grant recommendation, it will notify the Donor/Advisor in a timely manner to discuss the matter.

ADMINISTRATIVE FEE

HCF charges each fund an administrative fee at the annualized rate as follows below. A minimum annual fee of $200 applies to each fund.

ASSETS	FEE
First $500,000	1.00 %
Next $500,000	0.75 %
Next $1,500,000	0.50 %
Above	0.25 %

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In rare circumstances, HCF may deem a fund to be pass-through in nature – that is, contributions are quickly distributed from the fund. In these cases, HCF reserves the right, in any particular quarter, to substitute the above-described fee approach with an administrative fee equal to 1% of grants made from the fund during that quarter.

INVESTMENT CHARGES
Professional investment management fees, commissions, transaction expenses, etc. are charged directly to the relevant funds.

OTHER CONSIDERATIONS
Although the Donor Advised Fund program provides the Donor/Advisor a great deal of latitude in tailoring a fund to meet his or her 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 or family member receiving more than an incidental benefit, could result in federal tax penalties to the donor and HCF.

Funds will be administered in accordance with the provisions of this Program Description and the terms and conditions of HCF's Articles of Incorporation and Code of Regulations.

Each fund will be treated as a component fund of Hudson Community Foundation.

Contributions, once received and accepted by HCF, become the property of HCF and cannot be returned to the donor.

HCF's Board of Trustees 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 need.

All recommendations from the Donor/Advisor concerning grants, investments or administration of any fund are advisory only, and HCF's Board of Trustees is free to accept or reject, in whole or in part, all such recommendations. Hudson Community Foundation reserves the right to modify the Donor Advised Fund program.

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