



## PROCEDURES FOR ESTABLISHMENT AND OPERATION OF FUNDS AND SUPPORTING ORGANIZATIONS

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# PROCEDURES FOR ESTABLISHMENT AND OPERATION OF FUNDS AND SUPPORTING ORGANIZATIONS

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GREATER HORIZONS has established the following procedures in order to carry out its mission:

To increase charitable giving, educate and connect donors to community needs they care about, and lead on critical community issues.

## **PART A. RULES GOVERNING ALL FUNDS AND SUPPORTING ORGANIZATIONS**

### **Section 1. *Types of Donors, Funds, Supporting Organizations and Split-Interest Arrangements***

A Donor may establish with Greater Horizons one or more Funds, Supporting Organizations and Split-Interest Arrangements. A Fund is a component part of Greater Horizons; grants are made from each Fund to carry out the charitable purposes specified by the Donor. Supporting Organizations and Split-Interest Trusts are not Funds and generally constitute separate legal entities. Split-Interest Arrangements are ways to make a deferred gift to establish a Fund. Included within these categories are:

#### a. Eligible Donors

Greater Horizons will accept contributions from the following types of Donors:

1. Individuals and family members
2. Corporations/Partnerships/Limited Liability Companies
3. Nonprofit Organizations
4. Private Foundations
5. Various Branches of Government
6. Collective private groups of concerned citizens and associations
7. Bequests and Trusts

#### b. Funds

1. Donor Advised Funds
2. Designated Funds
3. Nonprofit Organization Funds
4. Field of Interest Funds
5. Scholarship Funds
6. Unrestricted Funds

#### c. Supporting Organizations

#### d. Split-Interest Arrangements

1. Charitable Gift Annuities
2. Charitable Remainder Annuity Trusts
3. Charitable Remainder Unitrusts
4. Charitable Lead Trusts
5. Retained Life Estate

## **Section 2. *Acceptance of Contributions***

### **a. General Policies and Approval**

Requests to establish Funds, Supporting Organizations or Split-Interest Arrangements with Greater Horizons will be reviewed by the staff (and by the Board of Directors (or a designated committee) if the staff determines such a review is necessary) for consistency with Greater Horizons' charitable purposes and specific charitable needs. The senior management officers of Greater Horizons (i.e., President and Senior Vice Presidents) have the authority to approve the establishment of individual Funds and affiliated relationships/agreements/contracts. With respect to supporting organizations, the senior management officers have the authority to recommend approval of a particular supporting organization relationship to the Board of Directors, but the Board of Directors (or a designated committee) shall have the final authority to formally approve the relationship by appointing the requisite number of directors to the supporting organization's board.

### **b. Review and Approval of Contributions**

All contributions are subject to the review and approval by Greater Horizons prior to acceptance. Greater Horizons' staff generally has the authority to accept contributions of cash and marketable securities (those that are actively traded and sellable on the open market). A senior management officer of Greater Horizons (i.e., President or Senior Vice President) before acceptance will review contributions of all other assets that are not readily marketable and shall consider the value of the asset, the likelihood that the asset can be quickly liquidated, the charitable nature of the gift, potential risks to Greater Horizons, carrying costs, and unrelated business income tax consequences. Contributions of illiquid assets include but are not limited to closely held securities, limited liability companies (LLC's), limited partnerships and tangible personal property and require prior approval per gift acceptance policies as established and approved by the Board of Directors (or a designated committee). Contributions of real estate shall be handled by the Real Estate Charitable Foundation, a supporting organization of the Greater Kansas City Community Foundation, and are subject to the review and approval by the board of directors of the Real Estate Charitable Foundation.

Contributions that would violate the excess business holdings rule for donor advised funds under the Pension Protection Act of 2006 are generally prohibited, but may be accepted in special circumstances if reviewed and approved by a senior management officer of Greater Horizons. Any interest in an entity in which any interest is owned by a donor or advisor to a donor advised fund, by a family member of any such person, or by an entity in which any of the foregoing persons has an interest shall be referred to Greater Horizons' senior management and corporate counsel for an opinion on the possible application of Code section 4943. *See Appendix: Section 5 for treatment of excess business holdings.*

For hard-to-value assets, the Donor will be required to sign a gift agreement whereby the Donor agrees to indemnify and reimburse Greater Horizons for, from and against all taxes owed or expenses and liabilities incurred because of Greater Horizons' ownership of the asset. The Donor must also agree to contribute additional funds to their Fund as necessary to cover such obligations should sufficient liquidity not be available in their Fund.

### **c. Written Acknowledgment of Acceptance of Contributions**

Greater Horizons will provide written confirmation at the time of acceptance of any contribution that is required by the IRS to be documented by an acknowledgment for the Donor's tax return. Greater Horizons, in its discretion, may also provide written confirmation of contributions that are not otherwise required by the IRS to be acknowledged. Contributions not accepted will be returned as soon as practical. The confirmation will include the dollar amount of the contribution of any cash gifts and marketable securities such as publicly traded stocks, bonds and mutual fund shares. Acknowledgement of private securities and other illiquid assets will only include a description of the gift but will not include a dollar value of the donated asset. Donors should obtain a qualified independent appraisal prior to making such a contribution. (The IRS generally requires a donor to obtain a qualified appraisal for illiquid assets no earlier than 60 days

before the date of the gift and no later than the due date (including extensions) for the income tax return where the donor first claims a deduction for the gift.)

d. Donor's Counsel

Greater Horizons encourages each prospective Donor to have the terms of all proposed agreements reviewed by the Donor's legal and/or financial advisors. Greater Horizons does not provide legal, tax or financial advice. The Donor is advised that it is the Donor's responsibility to obtain any necessary appraisals, file appropriate tax returns, and defend against any challenges to claims of tax benefits.

e. Minimum Initial Contributions

Generally, there is no minimum amount to establish a named Fund with the exception of Scholarship Funds, which require a minimum contribution of \$25,000 to establish.

The minimum amounts to establish a Split-Interest Arrangement are:

- |                                       |           |
|---------------------------------------|-----------|
| 1. Charitable Gift Annuity            | \$100,000 |
| 2. Charitable Remainder Annuity Trust | \$250,000 |
| 3. Charitable Remainder Unitrust      | \$250,000 |

The minimum amounts necessary to establish a Supporting Organization will be mutually agreed upon by the Board of Directors (or its designated committee) and the Donor or the governing body of the Supporting Organization.

f. Additional Contributions

Additional contributions of cash and actively traded marketable securities to an established Fund may be made in any amount at any time. Gifts of other assets (illiquid assets) require advanced approval per gift acceptance policies approved by the Board of Directors (or a designated committee) (see Section 2.b. above). However, federal tax laws prohibit additional contributions to a charitable remainder annuity trust or a charitable gift annuity. In these cases, a new trust or annuity agreement will be necessary.

g. Contributions are Irrevocable

Any contribution made to Greater Horizons, once accepted, represents an irrevocable charitable contribution to Greater Horizons. Contributions to Greater Horizons are not refundable.

h. Donor Restrictions on Use of Property

Federal tax laws provide that a Donor to Greater Horizons may not impose any "material restriction" (a term defined in the Treasury Regulations), which prevents Greater Horizons from freely and effectively employing the contributed assets, or the income derived there from, in furtherance of its charitable purposes. Any restriction (beyond the specified charitable purposes stated in the instrument of transfer) sought to be imposed by a Donor is subject to review and approval by Greater Horizons.

i. Policy to Sell Contributed Property

The general policy of Greater Horizons is to sell all contributed property as soon as practical after receipt so as to minimize market risk. For non-publicly traded securities or other assets for which no readily liquid market exists, Greater Horizons will exercise discretion as to the timing and price of sales. Closely held stock or other assets for which no readily liquid market exists that are retained for any reason and that are valued in excess of \$1,000,000 (or, in the aggregate, are of material value compared to the other assets of Greater Horizons), shall be revalued using a qualified appraisal every three (3) years from the date of the gift to Greater Horizons. The cost of the qualified appraisal shall be an expense of the Fund, Supporting Organization or Split-Interest Arrangement holding such asset. Any costs incurred by Greater Horizons

necessary for the disposition of securities and other assets (i.e., legal and appraisal fees) and for the management of such assets prior to disposition will be an expense of the Fund. Exceptions to this general policy will be made only in unusual circumstances and only with the prior approval of a senior management officer of Greater Horizons (i.e., President or Senior Vice President) and in accordance with policies as established and approved by the Investment Committee.

j. Tax Deduction vs. Net Proceeds from Sale of Contributed Property

An individual for income tax purposes can deduct a charitable contribution only in the year in which the contribution is actually paid or ownership has transferred (excess contributions above adjusted gross income percentage limitations may be carried forward for up to five additional years). Tax laws generally provide rules on how the value of the contribution deduction is to be determined. Gifts to Greater Horizons are deductible at the highest "public charity" level allowed by law. Please see the Appendix for a further explanation of tax laws governing charitable contributions.

The value of the contribution for tax deduction purposes may vary from the net proceeds realized by Greater Horizons upon the sale of the contributed property. Donors are encouraged to consult with their professional tax advisors to determine the appropriate value for tax deduction purposes.

k. Confidentiality

All agreements with Donors and all information concerning Donors and prospective Donors shall be held in strict confidence by Greater Horizons, subject to legally authorized and enforceable requests for information by government agencies and courts. All other requests for or releases of information concerning a Donor will be honored or allowed only if permission is obtained from the Donor prior to release of such information.

**Section 3. *Investment Policies***

Greater Horizons' investment program shall seek to provide competitive market returns with reasonable levels of risk. The officers of Greater Horizons so empowered or the Investment Committee shall direct the investments of these Funds consistent with the objective. Copies of Greater Horizons' investment program and policies are available to any interested party upon request.

Generally, if a particular investment portfolio is not recommended by the Donor, Donor Advisor(s) or Advisory Committee as provided below, Funds shall be invested in Greater Horizons' money market pool. If a Donor, Donor Advisor(s) or an Advisory Committee is interested in having all or a portion of a Fund invested in a particular investment portfolio provided by Greater Horizons, then the current Donor, Donor Advisor(s) or Advisory Committee may make an appropriate recommendation to Greater Horizons in accordance with the policies and procedures approved by the Investment Committee. Such recommendations are advisory, and Greater Horizons will exercise independent authority over the investments of the principal and income of each Fund. Segregated asset accounts may be permitted, with advanced approval. The Fund holding such accounts shall pay the direct costs of such arrangements, including additional administrative costs.

**Section 4. *Administrative Expenses***

Each Fund, Supporting Organization and Split-Interest Arrangement will be charged in accordance with the current administrative fee schedule as approved by the Board of Directors (or a designated committee). If an expense is directly associated with a specific Fund, Supporting Organization or Split-Interest Arrangement, then the expense will generally be directly charged to the applicable fund. The current Greater Horizons fee schedule is available to any interested party upon request.

## **Section 5. *Charitable Purpose***

For purposes of these Procedures, a "charitable purpose" is an educational, religious, scientific, literary, public or other purpose permitted to be carried on by organizations described in Sections 170(c)(1) and 170(c)(2)(B) of the Internal Revenue Code of 1986, as amended.

## **Section 6. *Educational Program***

Greater Horizons' mission and activities and the needs of the community will be well served by active promotion and community education concerning such activities and needs. Greater Horizons shall conduct educational programs that help connect donors to the priorities they care about and the needs of the community.

## **Section 7. *Amendments***

The Procedures for Establishment and Operation of Funds and Supporting Organizations may be amended by a majority vote of the Board of Directors (or a designated committee) at any regular or special meeting.

# **PART B. FUNDS**

## **Section 1. *Types of Funds***

Funds are categorized by their charitable purpose.

- a. *Donor Advised Funds*: the Donor, Donor Advisor(s) or Advisory Committee may recommend charitable grant recipients from time to time.
- b. *Designated Funds*: this type of fund is created to ensure that support will be provided to one specific charitable organization named by the Donor(s).
- c. *Organization Funds*: this type of fund (also referred to as an agency fund) is established by an organization that is recognized as a public charity described in Section 509(a)(1), (a)(2) or (a)(3) for the benefit of that organization.
- d. *Field of Interest Funds*: this type of fund allows the Donor to support multiple named organizations or an area of charitable interest, defined broadly (such as education) or narrowly (such as cancer research). A Donor can also select a defined geographic area or specific community to benefit from grant distributions.
- e. *Scholarship Funds*: Donors can support worthy students at an institution (high school, college, technical), students in a particular field of study, students from a particular geographic area, or students who have attended a specific high school or school district, provided that the students are selected through an objective and non-discriminatory competitive selection process.
- f. *Unrestricted Funds*: Donors may choose an unrestricted fund that allows Greater Horizons to determine where annual grant distributions will do the most good.



## **Section 2. *General Policies***

Each Fund, whether administered directly by Greater Horizons or through a separate trust, custodial account or agency agreement, shall be considered part of (and legally owned by) Greater Horizons and shall be governed by its Articles of Incorporation, Bylaws and by these Procedures. Greater Horizons is vested with ultimate authority and control over the principal and income of each Fund.

## **Section 3. *Donor May Select Name of Fund***

Each Fund will be named as the Donor wishes. However, Greater Horizons reserves the right to reject names that it finds objectionable.

## **Section 4. *Distributions***

### a. Grants Shall Follow Donor's Intent

Grants will be made from each Fund consistent with the instructions given by the Donor at the time that the Fund was established. If, however, (1) the Donor's instructions are contrary to the Articles of Incorporation, Bylaws or Procedures, or (2) the "variance power" (described below in Sections B.5; B.8(b); B.9(b); B.10(c); and B.11(d)) is exercised, then the Donor's instructions shall be modified to a degree that is necessary for compliance with these Procedures. To the extent practicable or feasible, the Board of Directors shall distribute amounts for purposes that are consistent with the Donor's charitable interests. Greater Horizons is vested with ultimate authority and control over the principal and income of each Fund.

### b. Grants Will Normally Identify the Name of the Fund

Unless otherwise requested by the Donor Advisor, any distribution shall identify the name of the Fund from which it is made.

### c. Grants Must Not Provide More Than an Incidental Benefit to Donor

Greater Horizons will not make a grant that provides a financial benefit to a Donor, Donor Advisor, Advisory Committee member, any person in whose honor a Fund is created or named, or any related party to such a person (for purposes of this Manual, a "related party" shall include (i) any family member of such person (i.e., such person's spouse, ancestors, children, grandchildren, great-grandchildren, brothers, sisters, nieces, nephews and any of their spouses) and (ii) any entity in which such a person or a combination of such persons owns more than 35% of the combined voting power, profits interest or beneficial interest). (The preceding sentence does not apply to grants made out of an Organization Fund to the Organization for which the Fund was established.)

Distributions from Greater Horizons may not be used in whole or in part for any pre-existing legally binding pledge or for any private benefit such as dues, benefit tickets or tables at fund-raising dinners, or goods and services bought at charitable auctions.

Greater Horizons may make grants that provide a Donor, Donor Advisor(s), Advisory Committee member or related party with name recognition and such other benefits that the Internal Revenue Service has recognized as not providing the Donor with more than an incidental benefit.

### d. Other Limits on Distributions

Additional rules apply to funds classified as "donor advised funds" under the Pension Protection Act of 2006. The legal definition of a donor advised fund under this law is a fund or account that (i) is separately identified by reference to contributions of a donor or donors; (ii) is owned and controlled by a "sponsoring organization" (i.e., Greater Horizons); and (iii) the donor (or any person appointed or designated by the donor – a "donor advisor") has, or reasonably expects to have, advisory privileges with respect to the distribution or investment of amounts held in the fund or account by reason of the donor's status as a donor.

This definition could include funds that Greater Horizons has classified as Donor Advised Funds, Designated Funds or Field of Interest Funds.

Greater Horizons will not make any grant, loan, compensation or similar payment (including expense reimbursement) to a Donor, Donor Advisor, Advisory Committee member, any person in whose honor a Fund is created or named or any related party from any fund.

Greater Horizons will also not make any grant directly to an individual or to an organization for the benefit of a specified individual from any fund other than a Scholarship Fund or a disaster relief fund.

If a distribution is proposed from any fund that is classified as a donor advised fund under the law to a non-charitable entity or to a Type III supporting organization that is not “functionally integrated” with its supported organization as defined by law, then such distribution will not be allowed until it has been reviewed by a senior management officer of Greater Horizons (i.e., President or Senior Vice President) and, if required by law, procedures are in place so that Greater Horizons can exercise “expenditure responsibility” over such distribution. Expenditure responsibility generally requires Greater Horizons to exert all reasonable efforts and establish adequate procedures to (i) see that the distribution is spent solely for the charitable purpose for which it is made, (ii) obtain full and complete reports from the distributee regarding the use of such distribution and (iii) make full and detailed reports regarding such distribution to the Secretary of the Treasury.

#### e. Donor Generally Cannot Control Timing of Grants

The ultimate right to direct the timing and amount of all distributions of income or principal from any Fund is vested in the Board of Directors. As is required by federal tax regulations, a Donor may not reserve the right to direct the timing of distributions from the Fund. However, a Donor can specify in the establishing document or instrument of transfer:

1. That some or all of the principal (as opposed to income or specific assets) may not be distributed for a specified period of time.
2. That distributions are limited to income only.
3. That distributions should be made annually (or more frequently).

If distributions are limited to income, and unless otherwise specified in the instrument of transfer, income shall be annually computed based on the current spending policy of Greater Horizons. The current spending policy of Greater Horizons is 5% of the average past three year-end Fund asset balances.

#### f. Board May Identify Specific Charitable Needs of the Community

In fulfilling that part of Greater Horizons’ mission of providing leadership on critical community issues, the Board may enumerate specific charitable needs and specific organizations that it deems are most deserving of support.

### **Section 5. Variance Power And Monitoring Function**

#### a. Greater Horizons to Follow General Donor Intent if Variance Power is Exercised

If the Board of Directors exercises the variance power described in Section B.8(b), B.9(b), B.10(c), or B.11(d) to modify a Designated Fund, Organization Fund, Field of Interest Fund, or Scholarship Fund, or if the privilege of the Donor, Donor Advisor(s) or Advisory Committee and other persons designated to make recommendations from a Donor Advised Fund has been terminated in accordance with Section B.7, then the Board of Directors shall convert the Fund into its choice of either an Unrestricted Fund or a Field of Interest Fund. To the extent practicable or feasible, the Board of Directors shall distribute charitable grants from the converted Fund for purposes that are consistent with the original Donor's charitable interests.

b. Fund To Keep Donor's Name If Variance Power Exercised

Generally the Fund shall retain the name given by the Donor unless the Board of Directors, in its discretion, has chosen to deposit all of the Fund's assets into the General Fund.

c. Greater Horizons to Monitor Beneficiary's Performance of Terms of Grant

In addition to the Monitoring Functions hereinafter stated, the Board of Directors through the Board Committees and the Staff may periodically review the effectiveness with which agencies that receive grants from Funds and Supporting Organizations are performing their responsibilities in the utilization of these grants toward attainment of Greater Horizons' and the Donor's objectives. Where necessary, the Board shall initiate corrective action.

**Section 6. *Advisory Committees of Funds***

a. General Rules

A Donor or the Board of Directors may appoint an Advisory Committee for a Donor Advised, Designated, Nonprofit Organization or Unrestricted Fund.

With respect to a Field of Interest Fund, the Donor may recommend an Advisory Committee (which may include the Donor) to be appointed by Greater Horizons in which case the senior management officers of Greater Horizons (i.e., President and Senior Vice Presidents) shall have the authority to appoint the Advisory Committee on behalf of the Board of Directors of Greater Horizons.

The rules governing an Advisory Committee for a Scholarship Fund are set forth in Section B.11(a)(3) below.

The Advisory Committee may make recommendations to the Board of Directors concerning grants from the Fund and any other matters that it deems of importance. Generally, each Advisory Committee should select one person who will have the authority to transmit the Advisory Committee's recommendations to Greater Horizons.

b. Usually Majority Vote Is Required

Unless contrary instructions have been made by the Donor or by Greater Horizons, whenever two persons are designated to make recommendations they shall act by unanimous consent; whenever more than two persons are so designated, then a recommendation by a majority of such persons shall constitute an effective recommendation for consideration by Greater Horizons. Otherwise, each committee may operate under such procedures as it finds appropriate.

c. Authority to Act as Agent of Greater Horizons Restricted

Greater Horizons generally encourages Donors to contribute to Greater Horizons and its Funds. However, no person has the authority to act as the agent of Greater Horizons unless he or she has received express written authority from Greater Horizons. In particular, Greater Horizons does not authorize any volunteer or advisor to accept contributions on its behalf, to commit Greater Horizons resources to any activity, or to engage in fundraising activities in the name of Greater Horizons or on behalf of any of its Funds without written permission from the Board of Directors or an authorized employee.

Greater Horizons is generally supportive of charitable activities that benefit the residents of this region. The restrictions in this section are necessitated, in part, because of compliance with tax and other laws that require disclosure of benefits associated with charitable contributions as well as contemporaneous written acknowledgements to certain Donors of contributions (the failure for which could subject Greater Horizons and its Funds to fines and penalties). We need to be informed about activities being done in the name of Greater Horizons (and its Funds) and to monitor any obligations associated with those activities.

d. Fundraising

Greater Horizons will not sponsor any fundraising or other events for any Fund, and will not be responsible for the collection of any amounts from any benefit, ball, banquet or athletic event but will only be responsible for the proper disbursement of funds actually received. Any advertising, promotional or other materials must be consistent with this policy.

e. Divorce/Separation of Current Donor Advisors

This policy generally will only affect current Donor Advisors whereby either spouse may request grant distributions from a Fund.

In the event spouses serve as the only Advisors to a Fund, and a legal action for divorce, separation or annulment is pending between the spouses, Greater Horizons may, upon receiving notice of such action:

1. suspend processing any grant distribution recommendation for such Fund(s) unless and until the spouses both agree in writing to approve the grant distribution recommendation, or
2. suspend processing any grant distribution recommendations for such Fund(s) unless and until the spouses have jointly agreed in writing to an alternative procedure, acceptable to Greater Horizons, to provide for the future administration of such Fund(s). Subject to the approval of Greater Horizons, the spouses may jointly authorize Greater Horizons to bifurcate any Fund(s), designating one spouse or other successor Advisor to serve as the Advisor to one of the successor Fund(s) and designating the other spouse or other successor Advisor to serve as the Advisor to the other successor Fund(s) created as a result of bifurcation.

In the event that the spouses cannot jointly agree as provided above and no divorce decree, order of legal separation, order of annulment, property settlement agreement, agreement of the parties or other legal order has been entered or approved which would otherwise resolve the issue to the satisfaction of Greater Horizons, Greater Horizons may, in its sole discretion, bifurcate any Fund(s) so affected into equal shares and designate one spouse to serve as the Advisor to one of the successor Fund(s) and designate the other spouse to serve as the Advisor to the other successor Fund(s) created as a result of bifurcation. However, Greater Horizons shall not take such action until at least six months have transpired since the date upon which the action for divorce, separation or annulment was filed with the court of record.

**Section 7. *Special Rules for Donor Advised Funds***

a. Establishment and Purpose

A Donor may establish a Donor Advised Fund whereby the individual Donor(s) and/or designated Advisors, retain a lifetime privilege to recommend charitable grant recipients to Greater Horizons. Corporate Donor Advised Funds may continue to advise on charitable distributions as long as the Corporation continues to operate.

b. Distributions from Donor Advised Funds

Donors and/or Donor Advisors may make written recommendations of grants to tax exempt charitable organizations described in Section 501(c)(3) of the Internal Revenue Code, other than private non-operating foundations. Charitable organizations must be public charities as described in Sections 509(a)(1) or 509(a)(2) of the Internal Revenue Code, supporting organizations described in Sections 509(a)(3) of the Internal Revenue Code that are Type I, Type II or Type III functionally-integrated or private operating foundations. As provided in the Internal Revenue Code and Regulations, the Board of Directors has the absolute right to direct all distributions of income and/or principal from Donor Advised Funds.

### c. Minimum Grant Amount from Donor Advised Funds

The Board of Directors may designate a minimum grant amount for Donor Advised Funds.

### d. Grant Activity Policy

As the legal owner of assets contributed to Greater Horizons and held in its funds, Greater Horizons is responsible for ensuring the funds are used for grantmaking, exclusively for charitable purposes, and do not confer any private benefit on the Donor or any other person. With donor advised funds, Greater Horizons works with the Donor and/or Donor Advisor(s) to determine when grants will be made from those funds. To that end, Greater Horizons monitors the use of donor advised funds to ensure their activity leads to charitable distributions.

1. Examples of Fund Activity. The following are examples of Fund activity that lead to distributions. If this policy ever conflicts with federal law or state law (including the Uniform Prudent Management of Institutional Funds Act, commonly known as UPMIFA), the relevant law controls. A Fund is considered active when there is regular communication between a Donor, Donor Advisor(s) (or named successors) and Greater Horizons regarding the existence and purpose of that Fund. Examples of some of the activities that would deem a Fund active include, but are not limited to:
  - a. Regular Grant Recommendations. Donor advisor generally recommends grants at least annually to qualified charitable organizations. The amount of grantmaking can vary from year to year.
  - b. Developing a Philanthropic Program. Donor makes a substantial contribution to a Fund, for example upon the sale of his or her business, and refrains from recommending grants for a given initial period while the Donor consults with Greater Horizons and/or does his or her own research to determine what types of grants will best meet community needs and/or the Donor's philanthropic goals.
  - c. Long-term Giving Plan. Donor Advisor deliberately reduces the frequency or size of grant recommendations from the Fund, for example:
    - i. During his or her working years, with the intention of increasing the Fund balance to support grantmaking during retirement when the Donor Advisor expects his or her income to change.
    - ii. To build a Fund over time so the Donor's children can make grants later (the idea being the Donor is leaving a charitable legacy for the next generation to administer).
    - iii. When the Fund is invested in an illiquid or undervalued investment and the Donor Advisor intends to begin making grant recommendations when the investment can be sold at a reasonable price.
  - d. Project Grants. Donor makes a substantial contribution to a Fund and determines to recommend grants to a specific qualified charitable organization over a period of years so that the Donor can monitor how the charitable organization performs, and to consider whether another organization would better achieve the Donor's charitable objectives.
  - e. Starter Fund. Donor wants to build the Fund balance to make substantial grants to the community. Therefore, there may be no distributions made until the Fund balance reaches an amount stated in the Fund file based on Greater Horizons' conversations with the Donor and/or Donor Advisor(s).

- f. Specific Occasion Grant. Donor Advisor refrains from recommending grants for a number of years with the specific charitable goal of recommending a grant upon a specific occasion. Examples may include, but are not limited to:
    - i. Donor is incapacitated with no successor Advisor(s) named so Greater Horizons waits until the Donor's death to distribute the Fund according to the Donor's original intent on file with Greater Horizons;
    - ii. The Fund has transitioned to named successor Advisors but they are minors and no adult representative is named to represent them (so grants resume when successor Advisors are adults);
    - iii. Founders of Fund who are also the Donor Advisors are getting divorced so that grants are suspended until both the spouses agree on grants, which may include splitting the Fund into two separate funds, one for each spouse to advise, or eventually dissolving the Fund by the making of charitable grants;
    - iv. Grants are suspended during litigation involving a Fund (e.g., the Donor left his/her estate to a Fund, but the Donor's heirs are disputing the bequest so Greater Horizons does not allow grants until the litigation is resolved); or
    - v. Donor leaves a bequest to a Fund and distributions are made periodically to the Fund during the estate settlement process, but grants are not made until the estate is fully settled and the Fund receives a final distribution from the estate.
2. Re-Activating Grantmaking. Should there be no grant activity in a donor advised fund for at least three years, steps will be taken by the staff of Greater Horizons to activate the Fund. These steps may include, but are not limited to:
- a. Notifying the Fund Advisor regularly and periodically (at least annually over a period of three years) to encourage the Advisor to activate the fund.
  - b. Distributing grants from the Fund to qualified grant recipients that align with the Donor's intent, but if Greater Horizons determines such intent is obsolete, incapable of being fulfilled, impractical, or inconsistent with the community's charitable needs, then Greater Horizons shall exercise its variance power to enable Greater Horizons to continue to use its resources to meet the needs of the community and to address the charitable purposes for which the funds were committed.

e. Eligible Advisors During the Donor(s)' Lifetime

Recommendations for distributions shall be subject to the following rules:

- 1. Generally the Donor(s) may designate any adult (i.e., at least age 18) person(s) to have the privilege of making recommendations throughout the lifetime of the Donor or his or her spouse, unless earlier terminated by resignation or incapacity. Donor(s) may designate additional and/or alternative Advisors at any time during the Donor(s)' lifetime.
- 2. A Donor other than an individual, such as a corporation, partnership or trust, will not be subject to a time limit for its privilege to make recommendations.

f. Successor Advisors After the Death of Donor(s)

- 1. The Donor(s) may designate one or more adult (i.e., at least age 18) person(s) to have the privilege of making recommendations throughout their lifetimes, unless earlier terminated by resignation or

incapacity. If more than one person is named, then the successor Advisors shall operate under the rules governing Advisory Committees described in Section B.6.

2. Subject to the terms of the instrument of transfer, each successor Advisor to the Fund that was designated by the Donor may likewise designate a successor Advisor to act in his or her place (who in turn may designate a successor Advisor to act in his or her place, and so on).
3. After the Donor's death (or Donors' deaths), Greater Horizons will contact the successor Advisors in writing to inform them that they have been named as successor Advisors for the Fund. If after three years from the date of Greater Horizons' initial written correspondence to the successor Advisor(s) there has been no response or action from the successor Advisor(s), and Greater Horizons has tried to contact the successor Advisors at least annually during that three-year period, then Greater Horizons will become the successor Advisor for the Fund. In that case, Greater Horizons will endeavor to use the Fund in a way that is consistent with the original Donor's/Donors' charitable interests that may be known to Greater Horizons.

g. Option to Split Funds for Successor Advisors

If a Donor has designated successor Advisors and if the charitable interests of the successor Advisors are sufficiently diverse, then Greater Horizons may, with the consent of the successor Advisors and subject to the terms of the Donor's instrument of transfer, divide the Donor Advised Fund into multiple Donor Advised Funds and limit each successor Advisor's advisory privilege to a separate Fund.

h. Conversion of Donor Advised Fund After Advisory Privilege Ends

Upon termination of the advisory privilege, a Donor Advised Fund will be converted at the discretion of Greater Horizons to an Unrestricted Fund or a Field of Interest Fund as provided for in Part B, Section 5.

**Section 8. *Special Rules for Designated Funds***

a. Establishment and Purpose

A Donor may establish a Designated Fund for one public charity described in Sections 509(a)(1) or (a)(2) of the Internal Revenue Code or supporting organizations described in Sections 509(a)(3) of the Internal Revenue Code.

b. Monitoring Function and Variance Power

Greater Horizons shall monitor the performance of the designated charitable organization to determine that it is using payments for charitable purposes consistent with Greater Horizons' purposes and the Donor's intention at the time the contribution was made. If the Board of Directors determines that continued payments for the designated organization have become unnecessary, obsolete, incapable of fulfillment, impractical or inconsistent with the community's charitable needs the Board may, in its discretion, select an alternative public charity with a similar mission and charitable purpose of the original Designated Charity as specified in the instrument of transfer or convert the Designated Fund to an Unrestricted Fund or Field of Interest Fund. The Fund shall then continue in accordance with the provisions of Section B.5.

**Section 9. *Special Rules for Organization Funds***

a. Establishment and Purpose

An Organization described in Section 509(a)(1), (a)(2) or (a)(3) may establish an Organization Fund (also referred to as an agency fund) for its benefit.

b. Monitoring Function and Variance Power

Greater Horizons shall monitor the performance of the designated charitable organization to determine that it is using payments for charitable purposes consistent with Greater Horizons' purposes and the Donor's intention at the time the contribution was made. If the Board of Directors determines that continued payments for the designated organization have become unnecessary, obsolete, incapable of fulfillment, impractical or inconsistent with the community's charitable needs the Board may, in its discretion, select an alternative public charity with a similar mission and charitable purpose of the original Designated Nonprofit Charitable Organization as specified in the instrument of transfer or convert the Organization Fund to an Unrestricted Fund or Field of Interest Fund. The Fund shall then continue in accordance with the provisions of Section B.5.

c. Back-Office Services for Community Foundations

Other community foundations wanting to utilize Greater Horizons' services may do so through an Organization Fund.

**Section 10. *Special Rules for Field of Interest Funds***

a. Establishment and Purpose

A Donor or Greater Horizons may establish a Field of Interest Fund from which payments are made to multiple named organizations or for a specific charitable purpose (field of interest). The specified purpose may be broad, such as support of education, health care or arts and humanities; or narrow, such as the prevention of child abuse. Field of Interest Funds may also be established for specific geographic areas such as a neighborhood, section of city, county or metropolitan area. Any proposed Field of Interest Fund that is intended to provide aid to individuals who have suffered loss as a result of a catastrophic disaster shall be reviewed and approved in advance by Greater Horizons' corporate counsel to ensure compliance with additional Internal Revenue Service rules governing disaster relief funds. In short, disaster relief funds must have a sufficiently large or indefinite pool of grantees and recipients must be selected based on a written and objective determination of need that is reviewed by an independent selection committee that is controlled by a staff member of Greater Horizons in a manner similar to that described for Scholarship Funds below.

b. Geographic Affiliates

Greater Horizons' governing body will maintain oversight and control over any geographic affiliates. A geographic affiliate is a component fund (or collection of component funds), established within or by Greater Horizons, serving a defined geographic region under a common advisory board. Grants recommended by the advisory board of a geographic affiliate shall be subject to the same due diligence process exercised by Greater Horizons for all other Field of Interest funds.

c. Monitoring Function and Variance Power

The Board of Directors shall periodically evaluate all Field of Interest Funds. If the Board determines that continued payments for the specified charitable purpose have become unnecessary, obsolete, incapable of fulfillment, impractical, or inconsistent with the community's charitable needs, the Board in its discretion, may change the field of interest of the Fund or convert it to an Unrestricted Fund. The Fund shall then continue in accordance with the provisions of Section B.5.



## Section 11. *Special Rules for Scholarship Funds*

### a. Establishment and Purpose

A Donor or Greater Horizons may establish a Scholarship Fund from which grants are made for study or other similar purposes to support one or more worthy recipients, provided that the recipients are selected through an objective and non-discriminatory competitive selection process.

Scholarships must be awarded in accordance with a selection process that is consistent with Greater Horizons' tax-exempt status and consistent with the allowance of tax deductions for individuals making contributions to Greater Horizons. In addition, the selection process must include the following:

1. A sufficiently broad pool of potential grantees. The pool of scholarship applicants must be sufficiently broad so that the making of grants to the members of the group will be considered as furthering a charitable purpose and not merely benefiting private interests. However, if the scholarship program requires the selection of an exceptionally qualified individual to carry out its purposes and the pool of such individuals is small, the Fund shall include documentation of the efforts made to determine qualified members of the class of potential recipients. Any proposed limitation on the pool of grantees that is based on race or any other characteristic that the Internal Revenue Service might deem to be counter to public policy and inconsistent with Greater Horizons' tax exempt status shall be reviewed by Greater Horizons' corporate counsel.
2. Objective and non-discriminatory selection criteria. The criteria used in selecting scholarship recipients shall be objectively related to the purpose of the scholarship and applied equally to all applicants. Criteria might include, but need not be limited to: prior academic performance, recommendations from professors, financial need, or evidence of an applicant's motivation, character, ability and potential. The specified criteria may be broad, such as attending any institution of higher learning at the discretion of the student, or narrow, such as a specific major at a specified named institution. Scholarship Funds may also be established for specific geographic areas such as a section of city, county or metropolitan area. Scholarships may be awarded for students to attend a specific institution (elementary through high school, college, technical); students in a particular field of study or major; students from a particular geographic area; or students who have attended a specific high school or school district.
3. A sufficiently independent selection committee. The Donor may designate Greater Horizons to serve as the selection committee to review scholarship applications and select recipients. Alternatively, the Donor may recommend an Advisory Committee (which may include the Donor) to be appointed by Greater Horizons in which case the senior management officers of Greater Horizons (i.e., President and Senior Vice Presidents) shall have the authority to appoint the Advisory Committee on behalf of the Board of Directors of Greater Horizons. The Advisory Committee will review scholarship applications and select scholarship recipients, and, if needed, the manager of scholarship funds for Greater Horizons shall control the Advisory Committee by having the equivalent of a supermajority vote on the Advisory Committee. The manager of scholarship funds for Greater Horizons shall have the ultimate authority to select the scholarship recipients and the Donor, Donor Advisor(s) and any persons related to the Donor or Donor Advisor(s) shall not directly or indirectly control the Advisory Committee. Donors who recommend Advisory Committees for Scholarship Funds shall strive to recommend individuals who are familiar with the community and who have expertise related to the scholarship being awarded.

### b. Employer-Sponsored Scholarship Funds

Any proposed Scholarship Fund that will be sponsored by an employer and awarding scholarships to employees or family members of employees shall be reviewed and approved in advance by Greater Horizons' corporate counsel to ensure compliance with additional Internal Revenue Service rules governing such scholarship programs.

c. Other Permitted Grants to Individuals

In addition to scholarship grants for study at an educational institution described in Section 170(b)(1)(A)(ii) of the Internal Revenue Code (i.e., an educational institution which normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of students at the institution), Scholarship Funds may also provide for (1) grants to individuals that constitute a prize or award if the recipient is chosen from the general public and without any action on the recipient's part, the recipient is not required to render substantial services as a condition of receiving the prize or award and the prize or award otherwise complies with Section 4945(g)(2) of the Internal Revenue Code; or (2) grants to individuals that are made for the purpose of achieving a specific objective, producing a report or other similar product, or improving or enhancing a literary, artistic, musical, scientific, teaching or other similar capacity, skill or talent of the recipient as provided in Section 4945(g)(3) of the Internal Revenue Code.

d. Monitoring Function and Variance Power

The Board of Directors shall periodically evaluate all Scholarship Funds. If the Board determines that continued payments for the specified charitable purpose have become unnecessary, obsolete, incapable of fulfillment, impractical, or inconsistent with the community's charitable needs, the Board in its discretion, may change the scholarship criteria of eligibility or convert it to an Unrestricted Fund. The Fund shall then continue in accordance with the provisions of Section B.5.

e. Conflict of Interest

No scholarship award shall be made to a Donor's family member including direct ancestors and direct lineal descendants, spouse, and other relatives including brothers, sisters, nieces, nephews, aunts, uncles, cousins, and their respective spouses and children. Non-donor Advisory Committee members shall also adhere to the same policy regarding scholarship recipients awarded to Advisory Committee family members.

**Section 12. *Special Rules for Trusts Created as Component Funds***

The tax regulations provide that in order for a trust to be treated as a component part of a community foundation (rather than a separate trust), the following requirements must be met:

- a. The terms of the trust instrument and the Donor's instrument of transfer must subject the trust to the operation of the Articles of Incorporation and Bylaws of Greater Horizons;
- b. Greater Horizons must have the power to modify any restriction or condition on the distribution of assets for any specified charitable purpose or to any specified organization if, in the sole judgment of the Board of Directors, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served;
- c. Greater Horizons must have the power to replace the trustee for breach of fiduciary duty under state law;
- d. Greater Horizons must have the power to replace any participating trustee for failure to produce a reasonable return of net income over a reasonable period of time;
- e. The Donor may not impose any "material restriction" (as that term is defined in the Treasury regulations) with respect to the transferred assets; and
- f. Greater Horizons must accept the contribution.

## PART C. SUPPORTING ORGANIZATIONS

### Section 1. *Establishment and Purpose*

#### a. Definition and Tax Status

A supporting organization is:

1. A charitable corporation or trust
2. Classified by the IRS as:
  - (a) a Section 501(c)(3) charity, and
  - (b) as a public charity (rather than a private foundation) because it supports a publicly supported charity, such as a community foundation.

The tax laws provide that a supporting organization will be a public charity, even if all contributions have come from related parties or even if it has not received any contributions over a period of years (either situation would normally cause a charity to be a private foundation).

#### b. Technical Requirements Under The Tax Laws

In order to be a supporting organization of Greater Horizons under Section 509(a)(3) of the Internal Revenue Code, the establishing Donor seeking supporting organization status must prove to the IRS that it:

1. Is organized to support Greater Horizons,
2. Is not controlled by "disqualified persons",

Disqualified persons include substantial contributors to the supporting organization (donors who gave more than 2% of the organization's total contributions), members of that person's family and businesses controlled by the person. By law, they cannot have 50% or more of the voting power of the governing body or a veto power over the actions of the organization since that would constitute "control."

3. Is operated, supervised, or controlled "by" or "in connection with" Greater Horizons.
  - (a) "by" means that Greater Horizons appoints a majority of the governing body of the supporting organization,

-or-

- (b) "in connection with" is a much more complicated procedure by which the supporting organization must show that:
  - i. Greater Horizons appoints at least one member of the governing body of the supporting organization, and
  - ii. Through its operations, the supporting organization does either one of the following:
    1. Engages in activities that Greater Horizons would otherwise do itself but for the supporting organization, or
    2. Distributes 85% or more of its income to or for the use of Greater Horizons in such a way that Greater Horizons is "attentive" to the supporting organization.

### c. Tax Advantages of Supporting Organization

#### 1. Avoid Private Foundation Taxes and Administrative Requirements

A supporting organization is treated as a public charity and is free from private foundation excise taxes and administrative requirements of a private non-operating foundation.

#### 2. Greater Tax Benefits for Donors

A donor to a supporting organization can frequently claim greater tax benefits than if the same property was given to a private non-operating foundation:

- a. A larger tax deduction for gifts of real estate or closely held stock (fair market value vs. cost basis).
- b. A larger deduction can be claimed each year, if the donor is subject to the annual charitable deduction limitation.

### **Section 2. *Policies Applicable to a Supporting Organization***

The terms of the relationship to become a supporting organization of Greater Horizons and the benefits and services that one organization may provide to the other shall be mutually agreed upon by the governing bodies of both organizations. In general, this relationship requires the active oversight and involvement of Greater Horizons. Consequently, the following information must be obtained from the supporting organization:

1. Copies of the organization's articles of incorporation and bylaws, if in corporate form, or trust instrument, if in trust form, and tax exemption letter from the Internal Revenue Service.
2. Copies of all board meeting notices and minutes of the board meetings;
3. Notification when any board member appointed by Greater Horizons finishes his or her term, resigns or otherwise ceases to serve;
4. Financial reports at least quarterly (unless all of the supporting organization's assets are already held at Greater Horizons);
5. Copies of all account statements upon request of Greater Horizons (if the supporting organization's assets are not all held at Greater Horizons);
6. Copies of the annual 990 reports to the Internal Revenue Service; and
7. Information concerning all grants so that the grants can be processed through Greater Horizons.

In return, Greater Horizons' role is to provide the supporting organization with the following primary services (additional services may be separately negotiated):

1. Appointment of the requisite number of members to the supporting organization's board as required by the organization's governing document(s);
2. Periodic financial statements;
3. Access to on-line tools provided to donors by Greater Horizons;
4. Information upon request regarding grant-making opportunities; and
5. The processing of all grants.

The tax laws require that organizational documents (articles of incorporation or trust instrument) of the supporting organization must (1) specify that Greater Horizons will be the supported organization and (2) specify charitable purposes that are supportive of, and not broader than, those of Greater Horizons. In addition, the supporting organization's activities must support Greater Horizons. This does not mean that the supporting organization must pay all (or any) of its income to Greater Horizons. It may, instead, make grants to other charities and for charitable programs that are in furtherance of Greater Horizons' charitable purposes. However, as discussed above, Greater Horizons generally requires a supporting organization to process all grants through Greater Horizons.

### **Section 3. *Termination of Relationship***

Either the Board of Directors or the Governing Body of the supporting organization may terminate the relationship upon such notice as is prescribed in the agreement between Greater Horizons and the supporting organization. Termination may cause the supporting organization to lose its public charity tax status and be reclassified as a private non-operating foundation.

## **PART D. SPLIT-INTEREST ARRANGEMENTS**

### **Section 1. *Definitions***

Split-interest arrangements are sometimes referred to as "deferred gifts". They generally pay income to a Donor (or someone else who is named by the Donor) over the person's life and then distribute the assets to a charity upon death.

- a. Charitable Gift Annuity (Immediate or Deferred) - A contract with Greater Horizons to receive a fixed dollar amount each year over a person's life; the annuity contract must meet the tax requirements of Section 514(c)(5) of the Internal Revenue Code. Payments are generally based upon the American Council on Gift Annuities approved tables in effect at the time that the gift is made.

The rate of return the Donor(s) receives depends upon the age (and, if applicable, the age of the spouse) at the time of the gift. The older the Donor, the higher the rate of return will be. Payments may be made annually or in more frequent intervals. The remaining proceeds are distributed to a named charitable Fund established by the Donor at Greater Horizons, excluding an Organization Fund. (See Part B, Section 1)

- b. Charitable Remainder Annuity Trust - A trust that pays a fixed dollar amount (at least 5% of the value of the property contributed to the trust). Payments are made annually (or more frequently) to one or more income beneficiaries for life (or for a fixed term of years -- maximum 20). The remaining proceeds are distributed to a named charitable Fund established by the Donor at Greater Horizons, excluding an Organization Fund. (See Part B, Section 1)
- c. Charitable Remainder Unitrust - A trust that pays a fixed percentage (at least 5%) of the value of the trust's assets each year (as valued at the beginning of each year) to one or more income beneficiaries for life (or for a fixed term of years -- maximum 20). The remaining proceeds are distributed to a named charitable Fund established by the Donor at Greater Horizons, excluding an Organization Fund. (See Part B, Section 1)
- d. Charitable Lead Trust - This is the inverse of a charitable remainder annuity trust or unitrust. Income is distributed to Greater Horizons, into a named charitable Fund established by the Donor, (over a period of years or the lifetime of the Donor) and the remainder is usually distributed to members of the Donor's family. Such a trust can be a useful part of an estate plan to keep a rapidly appreciating asset (such as real estate or stock) within a family.

Currently, Greater Horizons does not trustee charitable lead trusts. However, Greater Horizons will be pleased to work with the Donor to help find an appropriate trustee.

- e. Retained Life Estate - Donors may leave their principal residence, vacation home or farm to a named charitable Fund established by the Donor or to an existing Fund at Greater Horizons and retain the right to live in the house or farm for the Donor's lifetime (the life of a surviving spouse can also be added). The Donor receives a sizable charitable income tax deduction the year the property is donated through the Retained Life Estate. The amount of the tax deduction is dependent on the age(s) of the Donor and the value of the home or farm. A gift of a personal residence now, with retained life residency for the Donor and/or spouse, gives the Donor the same estate tax benefits as a gift by will plus an immediate income tax deduction.

## Section 2. *Greater Horizons as Trustee; Minimum Contributions; Other Conditions*

### a. Greater Horizons as Trustee of Split-Interest Gifts

Greater Horizons offers Charitable Gift Annuities to Donors. Greater Horizons can also serve as trustee for charitable remainder annuity trusts and charitable remainder unitrusts. Greater Horizons will not trustee Charitable Lead Trusts. However, Donors may designate a named charitable Fund at Greater Horizons as the income beneficiary of the lead interest.

### b. Minimum Contributions

1. Charitable Gift Annuity	\$100,000
2. Charitable Remainder Annuity Trust	\$250,000
3. Charitable Remainder Unitrust	\$250,000

### c. Other Conditions

#### 1. Charitable Gift Annuities

Under the tax laws, the entire remainder interest of a charitable gift annuity must be distributed to Greater Horizons. A Donor may recommend that the proceeds be used to establish a Donor-Advised, Designated, Field-of-Interest Scholarship or Unrestricted Fund or be added to any existing Fund. In the absence of such a recommendation, the proceeds will generally be used to establish (or be added to) a named Unrestricted Fund.

#### 2. Charitable Remainder Trusts

In order for it to serve as the trustee, Greater Horizons must be named as the beneficiary of the remainder interest of a charitable remainder annuity trust or a charitable remainder unitrust. A Donor may establish or add to an Unrestricted, Designated, Field-of-Interest, Scholarship or Donor-Advised Fund with the remainder proceeds of the charitable remainder trust. In the absence of such a designation, the proceeds will generally be used to establish (or be added to) a named Unrestricted Fund.

#### 3. Policies Concerning Contributions

The general rules described in Part A (concerning contributions to Greater Horizons) generally apply to contributions to split-interest arrangements (particularly Section A.2 which gives Greater Horizons the authority to reject assets that are hard to sell or carry potential liabilities).

#### 4. Independent Review by Legal Counsel

A Donor is advised to consult independent legal counsel concerning contributions to Split-Interest Arrangements including the drafting and review of all documents establishing the split-interest gift.

## APPENDIX

### TAX LAWS THAT GOVERN INCOME TAX CHARITABLE CONTRIBUTIONS

#### Section 1. *Timing of Income Tax Deductions*

The tax laws generally provide that a contribution is deductible in the year that the property is delivered to Greater Horizons. Delivery is considered made under the following circumstances:

- (1) Unconditional delivery or mailing of a check to Greater Horizons which subsequently clears in due course will constitute an effective contribution on the date of delivery or, if the check is received in the ordinary course of the mails, on the date of mailing.
- (2) Unconditional delivery or mailing of a properly endorsed stock or bond certificate will constitute an effective contribution on the date of delivery or, if such certificate is received in the ordinary course of the mails, on the date of mailing.
- (3) If a contribution is made subject to compliance with certain conditions, then the contribution is not effective until Greater Horizons agrees to comply with such conditions.
- (4) Except as provided in paragraph (5), if a Donor delivers a stock certificate to his bank, broker, other agent or the issuing corporation for transfer to Greater Horizons, or instructs his bank, broker, other agent or the issuing corporation to transfer stock to Greater Horizons, then the gift is effective on the date the stock is transferred on the books of the issuing corporation.
- (5) If stock is registered in a nominee name by a bank, broker or other agent and such bank, broker or other agent agrees to hold the stock in such nominee name on behalf of Greater Horizons, so that the stock will not be transferred on the books of the issuing corporation, then the gift of such stock is effective on the earlier of the date on which such bank, broker or other agent (i) acknowledges in writing that it holds the stock on behalf of Greater Horizons, or (ii) makes the appropriate entry in its books and records to reflect that it holds the stock on behalf of Greater Horizons.
- (6) Delivery to Greater Horizons will be effective upon receipt by a senior management officer of Greater Horizons (i.e., President or Senior Vice President), or the employee or agent authorized by any such officer to accept the contributions.

#### Section 2. *Evidence of Deduction Required*

##### a. Any Contribution of \$250 or More

Donors will not be able to claim a charitable deduction for any gift of cash or property of \$250 or more to any charity unless a "contemporaneous written acknowledgement" from the charity can be produced; cancelled checks will not suffice. To meet the requirements, the receipt (1) must contain certain information and (2) must be received within certain time limits.

##### 1. Contents of Acknowledgment

The acknowledgment must state (a) the amount of cash and a description (but not value) of any property contributed and (b) whether the charity had provided any goods or services in exchange for the property described in clause (a) (if so, then it must state the value of the goods and services).

## 2. Time Limits

An acknowledgment will generally be considered to be "contemporaneous" if you obtain it before you file your tax return for that year.

### b. Appraisals Required for Gifts of Property Over \$5,000; Exceptions for Cash and Publicly Traded Securities

Donors who contribute property (other than publicly traded securities) valued at more than \$5,000 in any year must substantiate the value with "qualified appraisals" from "qualified appraisers". The \$5,000 threshold is increased to \$10,000 in the case of non-publicly traded stock. The requirement does NOT apply to contributions of cash or publicly traded stock. By law, the cost of the appraisal must be borne by the Donor.

The Donor must attach a copy of IRS Form 8283 ("Non-cash Charitable Contributions") to the tax return in the year of the contribution. A charitable organization (including a community foundation) that receives such property must sign a copy of the appraisal report (IRS Form 8283), which should then be attached to the Donor's income tax return.

If Greater Horizons sells the property listed on IRS Form 8283 within three years of receipt, it is required by law to disclose the sale price to the IRS and to the Donor on IRS Form 8282.

### **Section 3. Amount of Income Tax Deduction**

Generally the Donor can deduct the amount of cash or the fair market value of the long-term capital gain property contributed to Greater Horizons. Usually the best results are for gifts of appreciated long-term capital gain stock and real estate because a Donor can generally deduct the entire fair market value for gifts of such property to Greater Horizons.

### **Section 4. Annual Deduction Limitations**

#### a. Individuals

The maximum amount of the deduction depends on (1) the type of property contributed (either ordinary income or long-term capital gain property), (2) the nature of the charitable organization (public charity or private foundation), and (3) the amount of adjusted gross income ("AGI") shown on the IRS Form 1040. Deductions for amounts in excess of these annual limitations can usually be carried forward for five additional years.

The annual deduction limitations for INDIVIDUALS are:

<b>Type of Charity</b>	<b><i>Cash and Ordinary Income Property</i></b>	<b><i>Long-term Capital Gain Property (Stock &amp; Real Estate)</i></b>
<b>Public Charity</b> (including a Fund in Greater Horizons)	50% of AGI	30% of AGI
<b>Private Foundation</b>	30% of AGI	20% of AGI

Amounts that exceed the deduction percentage limitation may be carried forward for five additional years.



## b. Business Entities

C Corporations may generally deduct up to 10% of their taxable income. However, the charitable deduction for entities such as S Corporations, Limited Liability Companies and Partnerships generally passes through to its shareholders, members or partners.

## c. Trusts and Estates

Estates and trusts are eligible for an unlimited income tax charitable deduction, provided that the contribution came from income rather than corpus and was made pursuant to the governing instrument.

### **Section 5. *Treatment of Excess Business Holdings***

Under the Pension Protection Act of 2006 (PPA), the private foundation excess business holdings rules now apply to donor advised funds as if they were private foundations<sup>1</sup>. That is, the holdings of a donor advised fund in a business enterprise, **together with the holdings of persons who are disqualified persons with respect to that fund**, may not exceed any of the following:

- Twenty percent<sup>2</sup> of the voting stock<sup>3</sup> of an incorporated business
- Twenty percent of the profits interest of a partnership or joint venture or the beneficial interest of a trust or similar entity.

Ownership of unincorporated businesses that are not substantially related to the fund's purposes is also prohibited.

Donor advised funds receiving gifts of interests in a business enterprise after the date of the PPA's enactment (August 17, 2006) will have five years to divest holdings that are above the permitted amount, with the possibility of an additional five years if approved by the Secretary of the Treasury. Funds that held such assets on August 17, 2006 will have a much longer period to divest under the same complicated transition relief given to private foundations in 1969<sup>4</sup>.

#### **What is a business enterprise?**

A "business enterprise" is the active conduct of a trade or business, including any activity which is regularly carried on for the production of income from the sale of goods or the performance of services. Specifically excluded from the definition are:

- Holdings that take the form of bonds or other debt instruments unless they are a disguised form of equity
- Income from dividends, interest, royalties and from the sale of capital assets
- Income from leases unless the income would be taxed as unrelated business income
- "Functionally-related" businesses and program-related investments
- Businesses that derive at least 95 percent of their income from passive sources (dividends, interest, rent, royalties, capital gains). This will have the effect of excluding gifts of interests in most family limited partnerships, and other types of holding company arrangements.

#### **What is a disqualified person?**

Donors and persons appointed or designated by donors are disqualified persons if they have—or reasonably expect to have—advisory privileges with respect to the donor-advised fund by virtue of their status as donors. Members of donors' and advisors' families are also disqualified, but the section does not define "family" and does not cross-reference either section 4958 or 4946 for the definition. Finally, the term includes 35-percent-controlled entities as defined in section 4958(f)(3).

## **Greater Horizons Policy with regard to assets categorized under the PPA as “excess business holdings”**

Greater Horizons will identify and monitor any new gift to a donor advised fund of any interest qualifying as an “excess business holding” under the PPA. Greater Horizons will exercise its best effort to dispose of the contributed interest at the best possible price within five years of the date of the gift, as required under the PPA. In any event, Greater Horizons will dispose of any excess business holding prior to the five-year time limit, except in the event that the Treasury Department grants an additional five year holding period. Greater Horizons will notify potential donors of such interests of this requirement prior to the contribution of such interest.

<sup>1</sup> The language is clear that it is only the donor advised fund—not the sponsoring charity—that is to be treated as a private foundation. Accordingly, it appears that this section does not apply to assets held by the sponsoring charity’s investment pools, or assets held by funds that are not donor advised.

<sup>2</sup> Thirty-five percent if it can be shown that persons who are not disqualified persons have effective control of the business.

<sup>3</sup> Additionally, the donor advised fund will be barred from holding non-voting stock of an incorporated business unless the disqualified persons collectively own less than 20 percent of the voting stock. Under the *de minimis* rule, the donor-advised fund could continue to hold an interest that did not exceed two percent of the voting stock and two percent of the value. Additional rules apply to cover situations such as mergers, redemptions, and acquisitions.

<sup>4</sup> Excess holdings acquired by purchase must be disposed of immediately. If purchases by disqualified persons cause the donor advised fund to have excess holdings, the donor advised fund will have 90 days to dispose of the excess.

***The above Appendix is intended to provide a general overview of charitable tax law. The above does not constitute tax or legal advice. Donors should consult their professional tax advisor and/or legal counsel before making a charitable gift to Greater Horizons.***

## **GREATER HORIZONS**

### **AMENDED AND RESTATED BYLAWS**

Sections 28 through 40

**EFFECTIVE JANUARY 29, 2014**

#### **GIFTS TO GREATER HORIZONS**

**28. General.** Donors may make gifts to the Foundation by naming or otherwise identifying the Foundation, whether or not a trustee, custodian or agent is designated to receive the property contributed. Gifts shall vest in the Foundation upon receipt and acceptance by it (whether signified by a Foundation officer, employee, or agent).

**29. Administration.** The Foundation has the power and authority to receive, hold, sell, invest, reinvest and distribute property contributed by donors as well as other property of the Foundation. The Foundation will apportion its assets to separately named funds ("directly-held funds") that carry out the charitable purposes specified by its donors and by the Board. Alternatively, a donor may designate one or more trustees, custodians, or agents to have custody of and administer the investment of a gift, and, if more than one, the portions of the gift to be held and administered as to investment by each. Each such fund shall be administered by the Foundation as a "component fund" (a component part of the Foundation as described in Treasury Regulation Section 1.170A-9(f)(11)(ii), or any successor regulation or Code provision). All gifts to component funds shall be subject to the powers of removal vested in the Board and contained in Subsections 10 (g) and (h) of these Bylaws. In the case of failure of a donor to designate a trustee, custodian or agent of such portions, or failure of a designated trustee, custodian or agent to accept custody of a gift, the property will generally be administered by the Foundation although the Board may designate one or more of the trustees, custodians or agents to have custody of and administer the investment of the gift, and if more than one, the portions to be so held and administered by each. The Foundation may enter into agreements with trustees, custodians or agents having custody of funds of the Foundation, specifying additional terms of such custody. No gift shall be separately invested or held unless the donor so directs, or it is necessary in order to carry out any other direction by the donor as to purpose, or in order to prevent tax disqualification, or it is required by law.

**30. Acceptance of Terms.** Each donor, by making a gift to the Foundation, shall be deemed to have accepted and agreed to all the terms of the Articles of Incorporation and the Bylaws, and shall be further deemed to have agreed that the fund so created shall be subject to the provisions for presumption of donors' intent, for modification of restrictions or conditions, and for amendments and termination, and to all other terms of the Articles of Incorporation and Bylaws of the Foundation and to the terms of any trust, custodian, or agency agreement between the Foundation and directors, custodians, or agents having custody of the funds of the Foundation, each as from time to time amended.

**31. Separation of Non-Charitable Purposes.** If a gift is made to a trustee in trust to make income or other payments to the Foundation, followed by payments to any individuals or for non-charitable purposes, it shall not be treated as a component fund, but rather only the payments to the Foundation shall be regarded as component funds, subject to its Articles of Incorporation and these Bylaws, and then only when the Foundation becomes entitled to their use. If a gift is made to a trustee in trust to make income or other payments for a period of a life or lives or term of years to any individuals or for non-charitable purposes, followed by payment to the Foundation, it shall be treated similarly until such non-charitable interests expire and the fund becomes a component fund of the Foundation. The Board may take such actions as it from time to time deems necessary or desirable to further the Foundation's interest in any such funds, whether components or non-components, or protect its right to receive payments from such funds. The Foundation has the power and authority to act as the trustee or the administrator of a trust. The Foundation also has the power and authority to administer charitable gift annuities as described in Code Section 514(c)(5).

**32. Directions in the Instrument.** Any donor may, with respect to a gift made by such donor to the Foundation to establish a directly-held fund or a component fund and within such limits of policy as the Board from time to time may establish, give directions in the instrument of gift or transfer as to (i) field of charitable purposes or particular charitable organizations or purposes to be supported, (ii) manner of distribution, including amounts, times, and conditions of payments and whether from principal and/or income, and (iii) a name as a memorial or otherwise for a fund given, or addition to a fund previously held, or anonymity for the gift. Notwithstanding the foregoing, any such directions which at any time would cause, or be a material factor in causing, the Foundation to be deemed a "private foundation" as described in Code Section 509, or to be deemed not to be a qualified charitable organization described in Code Section 501(c)(3) or Code Section 170(b)(1)(A)(vi), shall be null and void, but in either such event, to the extent permitted by law and approved by the Board of Directors, any such directions shall be deemed to have been modified or supplemented so as not to affect the status of (i) the Foundation, (ii) any fund or trust held or administered by the Foundation as a "component part" as described in Treasury Regulation Section 1.170A-9(f)(11)(ii), or (iii) any other fund or trust held or administered by the Foundation.

**33. Names of Funds; Memorials.** A donor who establishes a directly-held fund or a component fund may assign any name to the fund. In the absence of contrary instructions from its donors, directions for naming a fund as a memorial or otherwise may be satisfied either by keeping under such name accounts reflecting the interest of such fund in each common investment or by commingling the funds with others but referring in the Foundation's literature and other commemorative communications to the amount of the gift at the time it was received by the Foundation.

**34. Presumptions.** Each fund of the Foundation shall be presumed to be intended (i) to be used only for charitable purposes, (ii) to be productive of a reasonable rate of return over a reasonable period of time which is to be distributed at least annually or, if accumulated, is to be accumulated only in a reasonable amount and for a reasonable period for a charitable purpose or purposes, and (iii) to be used only for such of those purposes and in such manner as not to disqualify the gift from deduction as a charitable contribution, gift, or bequest in computing any

federal income, gift, or estate tax of the donor or his estate and not to disqualify the Foundation from exemption from federal income tax as a qualified charitable organization described in either Code Section 501(c)(3) or Code Section 509 (a)(1) and shall not be otherwise applied. If a direction by the donor, however expressed, would, if followed, result in use contrary to the intent so presumed, or if the Board is advised by counsel that there is substantial risk of such result, the direction shall not be followed but shall be modified by the Board so far as necessary to avoid such result, except that if the donor has clearly stated that compliance with the direction is a condition of the gift, then the gift shall not be accepted unless an appropriate judicial or administrative body first determines that the conditions and direction need not be followed. Reasonable charges and expenses of counsel for such advice and proceeding shall be proper expenses.

**35. Charitable Purposes and Organization.** For purposes of these Bylaws, "charitable purposes" includes educational, religious, scientific, literary, public and other purposes permitted to be carried on by organizations described in Code Sections 170(c)(1) and 170(c)(2)(B) and "qualified charitable organization" means an organization which is described in Code Section 170(c)(1) or (2). Specifically, one of the charitable purposes of this Foundation shall be to provide administrative and other support services to other Code Section 501(c)(3) charitable organizations in order to assist them in carrying out their grant-making programs and their charitable purposes.

**36. Variance Power.** Notwithstanding any provision in these Bylaws or in any instrument of transfer creating or adding to a fund of this Foundation, and in accordance with Article NINTH of the Articles of Incorporation, if a donor has made any request, condition, or directive with respect to property or funds of the Foundation, then if, and only if, the Board of Directors in its sole discretion determines that circumstances are such as to render its execution obsolete, inappropriate, impractical, unnecessary, incapable of fulfillment, or inconsistent with the Foundation's charitable purposes, then the Board shall have the power to modify or override such request, condition or directive so as to provide for the distribution of such property or funds in a manner which is appropriate, practical and consistent with its charitable purposes.

**37. Relationships With Other Charitable Organizations.** In pursuance of the Foundation's charitable objectives, the Board shall have the authority to cause to be formed, or enter into, relationships with other organizations described in Code Section 501(c)(3). The Board may enter into agreements with charitable organizations, including private foundations, to assist them in carrying out their grant-making programs and their charitable purposes. In addition, the Board may agree to relationships with organizations operated for the benefit of and to carry out the purposes of the Foundation, in which case the Foundation may exercise such supervision and control over any organization as is necessary to qualify such organization as an organization described in Code Section 509(a)(3) and the regulations thereunder subject to such organization's approval. If such approval is withheld, the Foundation shall terminate its relationship with such organization without incurring any liability on behalf of the Foundation.

## **DISTRIBUTION AND DISBURSEMENTS**

**38. Determination and Authorization by Board.** The Board, not less frequently than annually, shall (i) determine all distributions to be made from net income and/or principal of this Foundation (including funds held by trustees, custodians or agents of the Foundation) pursuant to provisions of the Articles of Incorporation, these Bylaws, and the donors' directions if, and to the extent applicable as provided herein, (ii) make, or authorize and direct the respective trustees, custodians or agents having custody of funds of this Foundation to make, payments to organizations or persons to whom payments are to be made, in such amounts and at such time and with such accompanying restrictions, if any, as it deems necessary to assure use for the charitable purposes and in the manner intended, and (iii) determine all disbursements to be made for administrative expenses incurred by the Foundation and direct the respective trustees, custodians or agents having custody of funds of this Foundation as to payment thereof and fund to be charged.

**39. Advance Notice; Adjustment of Directions.** Determinations may be made by the Board to distribute capital from funds given without directions as to principal or income as well as pursuant to directions expressly permitting use of principal, but the Board shall inform the trustee, custodian or agent having custody of the funds of this Foundation, as far in advance as the Board deems practicable, so as to permit such trustee, custodian or agent to adjust its investment policies accordingly, and may, upon advice from such trustee, custodian or agent as to how the desired distribution and any necessary liquidation of investments can most economically be accomplished, adjust its directions for distributions so far as it deems appropriate.

**40. Research and Analysis.** The Board may gather and analyze facts and conduct investigation and research, as from time to time is necessary, in order to determine the most effective means for fulfilling its charitable purposes, through application of funds for charitable purposes, and may direct disbursements for such fact gathering and analysis, investigation, and research from funds given for such purposes or from funds given without designation as to purpose. Disbursements for other proper administrative expenses incurred by the Board, including salaries for such professional and other assistance, as it from time to time deems necessary, shall be directed to be paid, so far as possible, first from any funds designated by the donor for such purpose, and any balance out of income of the funds of the Foundation or such of its principal as is not specifically restricted against such use.