



## **Policies and Procedures for Advised Family Foundations**

Family Legacy Fund\* is a charitable foundation that is available to support a wide variety of health, educational, scientific, children's welfare and other charitable needs throughout the United States. A joint undertaking of Children's Hospital Medical Center Foundation and Philanthropy International, Family Legacy Fund aims to create a community of philanthropists who invest in programs that enhance the health and well-being of our nation's most precious resource – our children – and the families and communities to which they belong. To accomplish its mission, the Family Legacy Fund promotes and facilitates the creation of Advised Family Foundations (also called Donor Advised Funds) as a component of prudent and values-based financial and estate planning. These Advised Family Foundations help distribute social capital to worthy causes.

Family Legacy Fund offers a variety of charitable services including, but not limited to, the development of component funds, herein referred to as Advised Family Foundations. These component funds are commonly known as Donor Advised Funds.

Family Legacy Fund is structured to operate as a charitable foundation that supports any qualified charitable cause. Because the founders of Family Legacy Fund are strong advocates for children, donors are encouraged to use their Advised Family Foundations or Donor Advised Funds to support causes that provide some positive impact on the lives, health or well-being of children. Family Legacy Fund will set up these funds as named family foundations, and will maintain separate internal accounting for all contributions, net investment growth, net investment

**\*The corporate name of Family Legacy Fund is the Foundation for Children's Care. Foundation for Children's Care is a nonprofit corporation organized according to the laws of California.**

income and distributions to qualified charitable organizations. Since assets are contributed directly to Family Legacy Fund, they are treated as charitable contributions to a public charity rather than gifts to a private foundation. Assets contributed by a donor are held in an account referred to as an Advised Family Foundation. This account of the Family Legacy Fund (that is, the Advised Family Foundation) is not required to file separate tax returns or accountings, and it is not subject to private foundation rules.

Because it is classified as a public charity under the Internal Revenue Code, generally speaking, gifts to the Family Legacy Fund are treated more favorably from a tax standpoint than contributions to a private foundation. However, the donor should consult with his/her own legal or tax advisor about tax matters. Family Legacy Fund does not provide tax advice to donors, each of whom is responsible for making an independent evaluation of the tax consequences to them of a contribution to Family Legacy Fund.

Since a gift to charity must be complete and irrevocable to qualify as a charitable contribution for tax purposes, the donor's relationship to the family foundation is advisory only. Thus the name "Advised Family Foundation" reflects the advisory nature of the donor's relationship to Family Legacy Fund. All charitable contributions to Family Legacy Fund become assets of, and are subject to the ultimate control of, Family Legacy Fund. Donors have no ownership interest in or control of these contributed assets. They have the right, however, to recommend which charities or special interest areas receive the annual distributions.

### **The Advised Family Foundation**

#### **(also referred to as a Donor Advised Fund or Fund)**

Family Legacy Fund will determine in its sole discretion whether to hold or sell donated securities. If securities are sold, Family Legacy Fund will make good faith efforts to obtain a reasonable sales price under current and prevailing market conditions. For non-publicly traded securities, or other property for which there is not a readily liquid market, Family Legacy Fund will exercise discretion as to the time and price of sale in an attempt to maximize the sale proceeds. Any costs incurred by Family Legacy Fund in the process of selling the property or

making the property ready for sale will be applied to reduce the net proceeds to the account, that is, the Advised Family Foundation of the donor.

Once the assets have been liquidated, the financial advisor (recommended by the donor) may make recommendations to Family Legacy Fund regarding the replacement assets to be purchased for the Advised Family Foundation. All investment recommendations need to adhere to Family Legacy Fund's Investment Guidelines. Fees charged by any recommended advisor shall be charged against the assets of the Advised Family Foundation.

Family Legacy Fund does not determine the value of assets other than cash and publicly traded securities that are donated to the fund. Obtaining a proper valuation is the responsibility of the donor. Family Legacy Fund will simply send the donor a letter confirming receipt of the gift, which will include a description of the assets transferred.

All Family Advised Foundations will be set up as separate accounts within Family Legacy Funds. Five percent (5%) of the net fair market value of the account each year must be distributed to qualified charities, inclusive of 1% to be paid to Family Legacy Fund for administration. To fulfill the 5% grant rule, grant distributions will be made first from interest, dividends and realized capital gains, and from principal if necessary to achieve the 5%. Advised Family Foundations may have a term of one life, two successive lives or for a term of years not to exceed 30 years. At the end of the term, all assets in the account (that is, all assets remaining in the Advised Family Foundation) will be distributed for charitable purposes by the trustees of Family Legacy Fund.

### **Grant Making Recommendations and Distributions**

Recommendations for distribution of funds to favored charities can be made to Family Legacy Fund by the donor. These "distributions" are grants to a recognized 501(c)(3), 509(a)(1) or 509(a)(2) public charity from the Fund using the Grant Recommendation Form. Long-term or ongoing recommended distributions to certain charities may be designated on the above-mentioned form. However, all recommendations are subject to review and approval by the

trustees or appointees of Family Legacy Fund. Upon approval of the recommendation, Family Legacy Fund will distribute the funds by March 15<sup>th</sup> of each calendar year. If the grant recommendation is denied, or if the charity does not qualify as a 501(c)(3), 509(a)(1) or 509(a)(2) public charity, Family Legacy Fund will notify the donor to obtain a recommendation for the grant to an alternative charity.

To make a grant recommendation, complete the Grant Recommendation form and mail or fax to Family Legacy Fund. Each time a recommendation is made, Family Legacy Fund will verify that the organization is a valid charity with current 990's on file with the IRS. If they are too new to have current information through normal channels, Family Legacy Fund will do further research to verify them as a qualified public charity. Family Legacy Fund must approve and make the final decision on all gifts. Once verification is complete, Family Legacy Fund will send a grant letter with a check to the approved charity during the granting time.

Family Legacy Fund will decline or prohibit grant distributions to tax-exempt organizations that lack social conscience or that are otherwise inappropriate in the view of Family Legacy Fund. Issues of concern would be discrimination on the basis of race or sex, as well as cruelty or abuse to the human race or the environment. Family Legacy Fund has ultimate discretion and control over the distribution of grants from Advised Family Foundations.

### **Grant Distributions to Public Charities**

Only charitable organizations, which are tax-exempt under Code Section 501(c)(3) and which are also public charities under Code Section 509(a)(1) or (2), can benefit from Grant Distributions from the Fund. Additionally, any qualifying charitable program or project sponsored by a qualified charity and approved by Family Legacy Fund may receive these monetary benefits. Private foundations (or organizations deemed to operate as private foundations) cannot be recipients of these grant distributions.

## **Variance Power**

Please note that if the designated charities or programs become obsolete or go out of business, or if they significantly change in operation or mission, Family Legacy Fund may make changes that will more appropriately fulfill the Donor's purposes. If this does occur, Family Legacy Fund will first contact the donor for recommendations for any change or modification. Family Legacy Fund prefers donor involvement as much as the law allows.

## **Family Fund Advisor**

Each donor, upon origination of the Fund, has the opportunity to designate and authorize another person or people in writing to recommend grant distributions. These Family Fund Advisors, from the time the Fund is established until written revocation, possess authority to recommend grant distributions. If no Family Fund Advisor is selected, Family Legacy Fund will determine (without the benefit of donor advice) the amount of and the recipient of all distributions from an Advised Family Foundation.

## **Successor Fund Advisor**

A Successor Fund Advisor will additionally be named by the donor to become the Advisor of the Family Fund upon the donor's death or incapacity during the term of the Advised Family Foundation. However, if the Fund were managed jointly, the remaining donor would assume all responsibility for all grant recommendations and to designate successors. It is only after the deaths of all donors named on the account that the Successor Fund Advisor would assume the Advisor capacity.

If the Successor Fund Advisor is a minor, the Trustees of Family Legacy Fund reserve the right to involve the minor's legal guardian in grant recommendations for distributions. Additionally, Successors may in turn assign successors in the event of the successors death. In the absence of a successor advisor, Family Legacy Fund will determine all future distributions to qualified charities and programs.

When the donor has more than one adult child, and they are the successor fund advisors, the principal gift can be split upon the death of the donor, giving each child his/her own fund to advise. The value of each individual fund must be a minimum of \$20,000.

### **Asset Contribution Types**

Gifts of cash, mutual fund shares, stocks, bonds, real estate, life insurance, personal property and other securities, including certain private and restricted stock, are eligible for contribution to Family Legacy Fund.

### **Minimum Contribution and Balances**

To establish an Advised Family Foundation the original gift must be equal to or greater in value than \$20,000. A Fund must keep an average minimum balance of \$20,000 for each year to keep the status as an Advised Family Foundation. If the balance falls below \$20,000, the remaining balance may be dedicated to a Field of Interest Fund or any specific Fund, or contributed outright to a qualified public charity, as determined by Family Legacy Fund in its sole discretion.

### **Minimum Grant Distribution Activity**

All Advised Family Foundations established through Family Legacy Fund are required by Family Legacy Fund to make annual distributions of a minimum of 5% of the net value of the fund principal (determined on January 1<sup>st</sup> of each year) in keeping with the spirit of private foundation guidelines. Donors agree to this requirement by their decision to make a contribution to Family Legacy Fund. Grant recommendations may be made throughout the year, but should be made on or before December 1<sup>st</sup> of each year. Exceptions may be made for those Funds established with specific goals. These exceptions must be made in writing and approved by the Board of Trustees of Family Legacy Fund.

If the donor does not make the recommended distributions of at least 5% of the value of the Advised Family Foundation principal by December 1<sup>st</sup> of a year, the board of trustees of Family

Legacy Fund shall exercise discretion to make the distribution from the Fund account up to the required 5%. Whenever this action is necessary, Family Legacy Fund will use its reasonable judgment to make distributions to qualified charities and programs.

If an Advised Family Foundation remains dormant for three years, that is, if no distributions are recommended by a donor, Family Legacy Fund will make a reasonable effort to contact the donor, providing the donor with the opportunity to activate the Advised Family Foundation with a grant distribution recommendation. If the donor fails to respond, the Advised Family Foundation account will be closed and the funds will be deemed part of the Family Legacy Fund general operating account and distributed to public charities as and when decided by Family Legacy Fund.

### **Field of Interest Fund**

“Field of Interest” funds connect the donor’s gifts to the area of need cared about most. Establishing a Field of Interest Fund focuses the donor’s advice as narrowly or as broadly as desired, on the causes closest to the donor’s passion. The gift is placed in an endowed fund and allows the donor to leave a legacy to the community, while knowing that the gift will be well managed and well used, even as needs change over the years.

### **Investment Policies**

When the initial gift is made to establish an Advised Family Foundation as an account of Family Legacy Fund, the contribution will be allocated to one or more investment accounts. If an investment advisor is not specified by the donor, Family Legacy Fund will manage the account through professional advisors chosen by the Family Legacy Fund. However, if the donor wishes to recommend a particular advisor or broker, Family Legacy Fund will consult with the recommended professional to determine its investment decisions. Fees of any such recommended advisor or broker will be charged against the assets in the account of the Family Advised Foundation.

In keeping with the tax laws and regulations, Family Legacy Fund will establish all investment policies and make final investment decisions, consulting with recommended investment advisors whenever practicable.

Common investments may be utilized and assets may be commingled for contributions valued at less than (\$100,000). Each investment, whether in a common or separate investment, will be accounted for by each Fund, reflecting contributions, investment return and grant distribution activity.

### **Administration**

Each new Advised Family Foundation will incur a one-time \$250 set-up fee to be allocated to the Family Legacy Fund. Additionally, Family Legacy Fund will be the recipient of an annual payment for administration equal to 1% of account value from each Advised Family Foundation. This 1% will count as one of the 5% minimum grant distributions outlined above in the Minimum Grant Distribution Activity section leaving only 4% more for required annual distribution to qualified charities.

### **Tax Compliance and Right to Amend to Conform to Tax Exemption Requirements**

It is intended that each Advised Family Foundation or Donor Advised Fund shall be a component part of Family Legacy Fund and not a separate entity for tax purposes, and that nothing in these Policies and Procedures shall affect the status of the Family Legacy Fund as a charitable organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (hereinafter referred to as the "Code"), and as an organization that is not a private foundation within the meaning of Section 509(a) of the Code. These Policies and Procedures shall be interpreted to conform to the requirements of the foregoing provisions of the federal tax laws and any regulations issued pursuant thereto. The Family Legacy Fund is authorized to amend unilaterally these Policies and Procedures and any Agreement with donors to conform to the provisions of any applicable law or government regulation in order to carry out the tax exempt purposes of the Family Legacy Fund.

## **Record Keeping and Reporting**

Contribution Confirmations — Family Legacy Fund will use its best efforts to provide the donor with confirmations of all initial and subsequent contributions to the donor's Fund within ten business days. These Contribution Confirmations serve as your receipts.

Grant Distribution Confirmations — The donor will receive confirmations of all grant distributions from the donor's Fund within ten business days or as soon as reasonably practicable.

Publicly Traded Securities Gift — Contribution Confirmations for publicly traded securities gifts shows the fair market value. All donors need to consult with their tax advisor before claiming any fair market value deduction.

Financial Reports — Family Legacy Fund will provide donors with all other financial reports or information required by law, as well as quarterly, semi-annual, or annual account reports.