

MIND & HEART
DONOR ADVISED FUNDSM

PROCEDURES FOR
DONOR ADVISED FUNDS

RTS
FOUNDATION



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ARTICLE I DESCRIPTION OF FUNDS

1.1 Endowment Donor Advised (EDA) Funds. The EDA Fund enables a Donor to either:

a. specify, in the tax year of contribution, as recipients one or more exempt organizations to receive all or stated proportions of the EDA Fund's principal, and direct that some or all of the principal not be distributed for a specified period (Type 1); or

b. recommend, either in or after the tax year of contribution, as recipients one or more exempt organizations to receive all or stated proportions of the EDA Fund's income and principal each year (Type 2).

1.2 Regular Donor Advised (RDA) Funds. The RDA Fund enables a Donor to recommend, but not to require, distribution from that RDA Fund to one or more specific beneficiaries in furtherance of the Foundation's exempt purposes. The recommended beneficiaries must be exempt organizations with goals and purposes compatible with the stated goals and purposes of the Foundation. The Donor may also recommend, but not require, specific amounts for these distributions, and specific times for these distributions. The recommendation does not have to be made during the tax year in which the Donor's contribution was made.

1.3 General (GF) Fund. The GF enables a Donor to make contributions to the Foundation exclusively for its exempt purposes without any specification or recommendation.

1.4 Definition of "Exempt Organizations" and "Charitable Activities." "Exempt organizations" refer to public charities that are tax exempt under section 501(c)(3), to which contributions are tax deductible under sec-

tion 170(c), which are public charities under section 509(a)(1)-(3), of the Internal Revenue Code as amended. Examples are almost all churches, Reformed Theological Seminary, and other such charities. "Charitable activities" refer to a contribution under section 170(c)(2) (B) or 170(c)(1), which is a contribution to or for the use of a corporation, trust, or community chest, fund, or foundation organized and operated exclusively for religious, charitable, educational, scientific, or literary purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals; or to or for the use of a state, a possession of the United States, or any political subdivision of the foregoing, or the United States or the District of Columbia, but only if the contribution or gift is made for exclusively public purposes.

ARTICLE II PURPOSES OF THE FOUNDATION

2.1 Charitable Purposes. As stated in the Foundation's Articles of Incorporation, its purposes are exclusively for religious, charitable, scientific, literary and/or educational purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, as amended. As indicated above, these purposes include grants to eligible Christian exempt organizations and other eligible section 501(c)(3) exempt organizations approved by the Foundation's Board of Trustees, such as the following:

a. Grantees. Christian churches, schools, colleges, universities, and seminaries; Christian missionary organizations, evangelistic ministries, and other religious ministries; Christian public forums or panels, public lectures or similar programs,

museums, fine art institutions, and other educational organizations or functions; the advancement of the principles of the Christian religion; the advancement of Christian education; the advancement of science; the relief of the poor or distressed or underprivileged; the defense of human and civil rights secured by law; the combating of community deterioration; the erection or maintenance of public monuments or buildings; the lessening of the burdens of government; the obtaining of scientific information to be made available to those of the general public interested in such information; the aiding of the discovery of cures for diseases; and grants to exempt organizations as defined above; all within the sole discretion of the Board of Trustees.

b. Definition of Christian. The standard that the Board of Trustees shall apply in determining if grantees are Christian shall be the following, though the Board of Trustees shall not be required to approve a recommendation or grant simply because the grantee holds the following beliefs:

- (1) That there is one true God;
- (2) That the Bible is the infallible Word of God delivered to man through Divine inspiration;
- (3) That Jesus Christ is the Son of God and is equal with God the Father and the Holy Spirit; and
- (4) That the only hope for the salvation of any person is faith in the shedding of Christ's blood as an atonement for sins, Christ's death on the cross, and Christ's bodily resurrection.

ARTICLE III TAX LAW REQUIREMENTS FOR DONOR ADVISED FUNDS

3.1 No Material Conditions or Restrictions. There shall be no material conditions or restrictions upon donations to the Foundation. In order to avoid material conditions or restrictions by the Donor:

a. General Requirements.

(1) The Foundation shall be the owner in fee of all assets it receives.

(2) All assets shall be held and administered by the Foundation in a manner consistent with one or more of its exempt purposes.

(3) The Board of Trustees of the Foundation shall have the ultimate authority and control over all assets and the income therefrom.

(4) The Board of Trustees of the Foundation shall, at all times, be organized and operate independent from all Donors to the Foundation.

b. Independent Governing Board. Members of the Board of Trustees of the Foundation shall not be selected by any Donor or any disqualified person with respect to any Donor, and shall not themselves be such disqualified persons.

c. Factors That Are Not Material Restrictions.

(1) *Name.* Funds may be given names or other designations which are the same as or similar to those of the Donors, or which otherwise memorialize the funds' creators or their families.

(2) *Specified Purpose.* The income and assets of the funds may be used for a specified purpose or for one or more particular section 509(a)(1), (2), or (3) organizations (other than a disqualified supporting organization under Section 4966(d)(4)), so long as such uses are consistent with the religious, charitable, and educational purposes of the Foundation that are the basis for its exempt status under section 501(c)(3).

(3) *Administration as a Subaccount.* Funds may be administered in an identifiable subaccount, some or all of the principal of which is not to be distributed for a specified period, so long as the Foundation is the legal and equitable owner of the funds and the Board of Trustees exercises ultimate and direct authority and control over the funds.

(4) *Limits on Restrictions on Disposition.* Donors may transfer property the continued retention of which by the Foundation is required by the Donor only if such retention is important to the achievement of charitable or other similar purposes because of the peculiar features of such property, and Donors may not require retention of property otherwise. Such a requirement for retention may not apply to an investment asset or to the distribution of income.

d. *Factors That Are Prohibited.*

(1) *No Control Over Distribution.* (A) Donors may not reserve the right, directly or indirectly, to name (other than by designation in the instrument of transfer of particular section 509(a)(1), (2), or (3) organizations) the persons to which the Foundation must distribute, or to direct the timing of such distributions (other than by direction in the instrument of transfer that some or all of the principal, as opposed to specific assets, not be distributed for a specified

period). Advice offered by the Donor may not be the only criterion considered by the Foundation in making a distribution of income or principal from the Donor's fund.

(B) However, the presence of some or all of the following factors will indicate that the reservation of such a right does not exist:

(i) An independent investigation shall be conducted by the Foundation's staff evaluating whether the Donor's advice is consistent with specific charitable needs most deserving of support by the Foundation (as determined by the Foundation), when a Donor's advice is received about a charity with which the Foundation is not knowledgeable. Whenever possible or feasible, such investigation shall include site visits to recipient charities.

(ii) The Foundation will promulgate guidelines enumerating specific charitable needs consistent with the charitable purposes of the Foundation, and the Donor's advice must be consistent with those guidelines.

(iii) The Foundation will institute an educational program publicizing to Donors and other persons the guidelines enumerating specific charitable needs that are consistent with the charitable purposes of the Foundation.

(iv) The Foundation may distribute funds in excess of amounts distributed from the Donors' funds to the same or similar types of organizations or charitable needs as those recommended by the Donors.

(v) The Foundation's solicitations (written or oral) for funds shall specifically state that the Foundation will not be bound by the advice offered by Donors.

(vi) The Foundation shall consider the advice of persons other than the Donor of a particular fund with respect to distributions of such fund.

(vii) The Foundation shall not be required to take or withhold action, with respect to a particular fund, which is not designed to further one or more of the exempt purposes of the Foundation, and which action or withholding of action would, if performed by the Donor with respect to such assets, subject the Donor to tax under chapter 42 (other than with respect to minimum investment return requirement of section 4942(e)).

(C) The following factors are prohibited for funds, because they might indicate that the reservation of such a right to name the persons to which the Foundation must distribute, or to direct the timing of such distributions, does exist:

(i) Solicitations (written or oral) of funds by the Foundation may not state or imply, and a pattern of conduct on the part of the Foundation may not create an expectation, that the Donor's advice will be followed.

(ii) Advice of Donors may not be limited to distributions of amounts from the Donor's fund.

(iii) A procedure may be provided for considering advice from persons other than the Donor with respect to the Donor's fund.

(iv) The Foundation will not follow the advice of all Donors with respect to their funds substantially all the time.

(2) *Other Action or Withholding of Action.* The terms of the transfer agreement with the Donor shall not require the Foundation to take or withhold action with respect to the

transferred assets which is not designed to further one or more of the exempt purposes of the Foundation, and which would in the case of a private foundation transferor subject it to tax under chapter 42 (other than with respect to minimum investment return requirements of section 4942(3)), nor shall there be any expressed or implied understanding requiring the same.

(3) *No Assumption of Leases Etc.* The Foundation shall not assume leases, contractual obligations, or liabilities of the Donor, or take the assets thereof subject to such liabilities (including any obligations under commitments or pledges to donees of the Donor) for purposes inconsistent with the purposes or best interests of the Foundation, other than if the Donor is a private foundation then the liability of payment of the Donor's chapter 42 taxes incurred prior to the transfer to the Foundation to the extent of the value of the assets transferred.

(4) *No Requirement of Retention of Investment Assets.* The Foundation shall not be required by any restriction or agreement (other than a restriction or agreement imposed or required by law or regulatory authority), express or implied, to retain any securities or other investment assets transferred to it by the Donor.

(5) *No Right of First Refusal.* The Foundation shall not enter into any agreement in connection with the transfer of securities or other property which grants directly or indirectly to the Donor or any disqualified person a right of first refusal with respect to the transferred securities or other property when and if disposed by the Foundation, unless such securities or other property was acquired by a private foundation which is the Donor subject to such right of first refusal prior to October 9, 1969.

(6) *No Irrevocable Relationships.* The Foundation shall not enter into any agreement with a Donor which establishes irrevocable relationships with respect to the maintenance or management of assets transferred to the Foundation, such as continuing relationships with banks, brokerage firms, investment counselors, or other advisors with regard to the investments or other property transferred to the Foundation, other than a relationship with a trustee, custodian or agent for the Foundation acting as such.

(7) *No Other Condition.* No other condition shall be imposed on action by the Foundation which prevents it from exercising ultimate control over the assets received from the Donor for purposes consistent with the Foundation's exempt purposes.

3.2 Administration of Funds.

a. *Common Governing Instrument.* All funds donated to the Foundation shall be subject to the Articles of Incorporation and these Procedures of the Foundation (the "governing instruments").

b. *Common Governing Body.* The Foundation has a common governing body and distribution committee for all funds (the Board of Trustees (sometimes called the "governing body") and the Committee), which either directs or in the case of an Endowment Donor Advised Fund monitors the distribution of all of the funds exclusively for charitable purposes (within the meaning of section 170(c)(1) or (2)(B)).

c. *Common Financial Reports.* The Foundation shall prepare periodic financial reports treating all of the funds held by the Foundation as funds of the Foundation.

ARTICLE IV OTHER REQUIREMENTS FOR DONOR ADVISED FUNDS

4.1 Five Percent Distributions to Charity.

The Foundation expects that its grant distributions for the year will equal or exceed 5 percent of its average net assets on a fiscal year rolling basis. If this level of grant activity is not attained, the Foundation will identify the named accounts from which grants over the same period totaled less than 5 percent of each account's average assets. The Foundation will then contact the Donors of these accounts to request that they recommend grants of at least this amount. If a Donor does not provide the qualified grant recommendations, the Foundation is authorized to transfer up to 5 percent of assets from the Donor's named account to the charity selected by the Foundation.

4.2 No Private Benefit.

a. *Investigation of Improper Use.* All of the Foundation's solicitations (written or oral) for funds shall state that the Foundation will investigate allegations of improper use of grant funds for the private benefit of Donors. Such private benefit is prohibited.

b. *Private Benefit.* All grantee letters shall state that grants shall be used by grantees exclusively in furtherance of charitable purposes, and cannot be used for the private benefit of the Donors or the grantees.

4.3 Restrictions on Distributions. No distribution shall be approved or made that directly or indirectly violates any of the following restrictions:

a. *Exclusive Furtherance of Exempt Purposes.* No distribution shall be approved or made that does not exclusively further, and that is not fully consistent with, one or more of the exempt purposes of the Foundation.

b. Conformity to Governing Instruments. No distribution shall be approved or made that contravenes the governing instruments of the Foundation.

c. No Private Benefit to Donor. No distribution shall be approved or made that inures directly or indirectly to the benefit of, or is for any private purpose such as payment of any legal obligation of the Donor, the Foundation's Trustees, the Foundation's Officers, or the Foundation's other Donors.

d. No Economic Benefit to Donor's Family. No distribution shall be approved or made that results in any economic benefit directly or indirectly being received by or inuring to the benefit of the natural objects of the Donor's bounty including immediate family members by blood or marriage as defined in Internal Revenue Code Section 4946, or to disqualified persons as defined in that Section.

e. Limitation for Foreign Beneficiaries. No distribution shall be approved or made to a charitable beneficiary organized in a foreign country, and not enjoying tax-exempt and tax-deductible status under applicable United States tax treaties, unless such a distribution will comply with applicable Internal Revenue Service rules governing distributions by domestic exempt organizations to foreign charitable organizations, which includes compliance with the expenditure responsibility requirements under IRC § 4945(h).

f. No Discrimination in Grants or Distributions. No distribution shall be approved or made in a manner that discriminates in violation of federal or applicable state law on the basis of race, color, or national origin.

g. Contingent Restrictions if Private Foundation. If any Fund of the Foundation is determined by the Internal Revenue Service to constitute

a private foundation, then during the time of such private foundation treatment such Fund shall comply with the restrictions in Sections 4941 through 4945 of the Internal Revenue Code as amended.

h. Limitation for Non-Exempt Beneficiaries. No distribution shall be approved or made to a non-exempt beneficiary without complying with the expenditure responsibility requirements under IRC § 4945(h), or if such grant does not exclusively further the Foundation's exempt purposes.

i. Prohibition on Incidental Benefits. No donor, donor advisor, or related person (any person described in IRC § 4958(f)(7) with respect to the donor advised fund) shall be allowed to recommend any distribution which results in such a person receiving, directly or indirectly, a more than incidental benefit as a result of such distribution. The Foundation shall take appropriate steps to educate donors about this prohibition and to prevent such incidental benefits from occurring.

j. Prohibition on Excess Benefit Transactions. Pursuant to IRC § 4958(c)(2), any grant, loan, compensation, or other similar payment from a donor advised fund to a donor, donor advisor, or related person (any person described in IRC § 4958(f)(7) with respect to the donor advised fund) is prohibited.

4.4 Restrictions on Contributions. The Foundation shall not accept any contribution that directly or indirectly violates any of the following restrictions:

a. Limitation for Assumed Liabilities. The Foundation shall not assume any liability, contractual obligation, or lease, or take any asset subject to such liabilities, for any purpose inconsistent with the purposes or best interests of the Foundation, and shall strictly

scrutinize any offered contribution involving such liabilities.

ARTICLE V OPERATION OF THE FUNDS AND DISTRIBUTIONS

5.1 Procedure for Recommendations for Gifts from Endowment Donor Advised (EDA) Funds. While Endowment Funds may be established to benefit a particular exempt organization, donor recommendations may be made for the amounts and frequency of distribution from the funds as follows, using either of a or b (but not both).

a. Donors to EDA Funds shall have a right of specification as follows:

(1) The right to specify, at the time of contribution (but not after), as recipients of specific grants, from the principal of the EDA Fund, any one or more specific approved “exempt organizations,” in exclusive furtherance of the Foundation’s exempt purposes. The Donor may specify an RDA Fund of the Foundation as the recipient of a specific grant.

(2) The right to specify the amounts or proportions to be received by specific exempt organizations, and to recommend the times for distribution within the period of ten years from the date of establishment of the Fund.

(3) Grants made pursuant to specifications shall be “to” and not “for the use of” specific exempt organizations, unless the specification expressly directs a grant “for the use of” the exempt organization.

(4) All specifications must be in writing and signed by the Donor, and the Foundation shall not be required to follow speci-

cations that do not comply with this Section.

(5) Specifications or recommendations are not effective until actually received by the Foundation in writing and signed by the Donor.

b. Donors to EDA Funds shall have a right of recommendation as follows:

(1) The right to recommend (but not specify), either in or after the tax year of contribution, as recipients of specific grants, from the principal or income of the EDA Fund, any one or more specific approved “exempt organizations,” in exclusive furtherance of the Foundation’s exempt purposes. The Donor may recommend an RDA Fund of the Foundation as the recipient of a specific grant.

(2) The right to recommend the amounts or proportions to be received by specific exempt organizations, and the times for distribution within the period of ten years from the date of establishment of the Fund.

(3) Grants made pursuant to recommendations shall be “to” and not “for the use of” specific exempt organizations, unless the recommendation specifies a grant “for the use of” the exempt organization.

(4) All recommendations must be in writing and signed by the Donor, and the Foundation shall not be required to follow recommendations that do not comply with this Section.

(5) Recommendations are not effective until actually received by the Foundation in writing and signed by the Donor.

c. Foundation Ownership of Endowment Donor Advised Funds. The Foundation shall be the owner in fee of all EDA Funds.

d. *Investigation and Approval of Distributions.* Specifications for grants may be investigated by the Foundation's staff, and approved by the Foundation's Board of Trustees in order to determine eligibility and approval for distributions.

5.2 Procedure for Recommendations for Gifts from Regular Donor Advised (RDA) Funds.

Donor recommendations may be made for distributions from Regular Donor Advised Funds, so long as the fund's balance before the recommendation is at least \$250. Distributions normally will be made within 30 days of recommendations that are approved, and periodic gifts to exempt organizations should be made quarterly rather than monthly. Donor recommendations may be made at any time within 10 years after establishing an RDA Fund, and successors may be named by a donor to be empowered to make recommendations during that 10 year period if the donor becomes incapacitated or dies.

a. *Donors to RDA Funds shall have a privilege of recommendation as follows:*

(1) The privilege to recommend, but not require, that the Foundation make distributions of principal of the RDA Fund to recommended beneficiaries, in recommended amounts, and at recommended times of distribution, in furtherance exclusively of the Foundation's exempt purposes.

(2) This privilege of making recommendations may be exercised for a period of ten years from the date of establishment of the Fund, and the Foundation may extend in writing the privilege of making recommendations beyond said ten year period if the Foundation determines in its sole discretion that substantial additional contributions have been made and the Donor has maintained a continuing charitable involvement with the Foundation.

(3) Specifications and recommendations for RDA Funds shall be in writing and signed by the Donor.

(4) Specifications or recommendations are not effective until actually received by the Foundation in writing and signed by the Donor.

b. *Foundation Ownership and Control of Regular Donor Advised Funds.* The Foundation shall be the owner in fee of all RDA Funds, and shall retain ultimate and full authority and control over such Funds.

5.3 Fund Earnings and Losses.

a. *EDA Funds.* Endowment Funds shall, at the discretion of the Foundation Board of Trustees, accrue earnings and losses from the pool of EDA Funds investments into which gifts to the Foundation are placed. Such earnings shall be first subject only to the usual and customary charges for investment management. Earnings and losses accruable, based on the EDA Fund's asset value and time in place will be credited to individual EDA Funds.

b. *Foundation Ownership and Control of Earnings.* The Foundation shall be the owner in fee of the earnings from investments of Donor gifts, and shall retain ultimate and full authority and control over such earnings. Ordinarily, attributable earnings shall accrue to EDA Funds, but the Foundation Board of Trustees retains the right to insure that such earnings be distributed exclusively in the furtherance of and fully consistent with the Foundation's exempt purposes.

c. *Board of Trustees Right to Grant a Portion of Earnings.* The Foundation Board of Trustees has the right to grant up to 25% of the earnings attributable to Endowment Donor Advised Funds to the RTS Foundation General Fund.

d. RDA Funds. Regular Donor Advised Funds shall accrue no earnings and the Foundation will only be accountable for principal amounts and distribution of said principal amounts.

5.4 Contributions to and Distributions from General Fund.

a. No Donor Right of Designation or Privilege of Recommendation. Donors to the General Fund may not designate or recommend distributions to specific beneficiaries, in specific amounts, or at specific times of distribution.

b. Foundation Ownership and Control of General Fund. The Foundation shall be the owner in fee of the General Fund, and shall retain ultimate and full authority and control over such Fund.

c. Investigation and Approval by Foundation. The Foundation shall investigate and approve all distributions from the General Fund, to insure those distributions are in furtherance of and fully consistent with the Foundation's exempt purposes.

5.5 Additional Procedures.

a. Foundation Maintenance of Priority List. The Foundation shall establish and maintain a priority guideline list of specific charitable needs and particular causes that exclusively further one or more of its exempt purposes, based on investigation by the Foundation and recommendations to the Foundation by its staff, Officers, Board of Trustees, Donors, and other sources. The Foundation shall not honor recommendations that are not consistent with such guidelines, and shall make this priority guideline list available to Donors to assist Donors in making recommendations for RDA Funds or specifications for EDA Funds. The Foundation shall ordinarily consult this

priority guideline list and the advice reflected therein, in addition to advice from the Donor, in approving distributions from the fund created through Donor's contribution.

b. Foundation Receipt of Other Recommendations and Applications. The Foundation shall ordinarily welcome and encourage recommendations from Donors, Foundation Staff, Officers, Board of Trustees, or other interested parties exclusively in furtherance of its exempt purposes. Such recommendations shall be reviewed by the Foundation's Board of Trustees for inclusion in the priority list described in above paragraph.

c. Sole Donors to EDA or RDA Funds. A sole Donor to a Type 2 EDA Fund or RDA Fund whose spouse is not a Donor shall have the privilege, by a signed writing delivered to the Foundation, to give his or her non-Donor spouse the privilege to make recommendations for the EDA Fund or for the RDA fund after the death of the Donor spouse, instead of recommendation by the executor or administrator of such Donor spouse's estate.

d. Joint Donors to EDA Funds. In the case of two or more Donors to an EDA Fund, whether or not husband and wife:

(1) Specifications and recommendations may be made by either Donor except if the Foundation is notified in writing of disagreement, and in that case the Foundation shall honor specifications and recommendations only to the extent of agreement, and if agreement is not reached by the end of the tax year in which the disagreement occurs, remaining sums in the EDA Fund shall transfer automatically into the General Fund.

(2) If one of two or more Donors of a Type 2 EDA Fund dies or becomes incompetent, the remaining Donor(s) may make such

recommendation, and the executor or administrator or personal representative of the deceased Donor shall not take part in such recommendation.

(3) If the Donors divorce and send the Foundation a complete copy of the final decree before transfer into a General Fund, the Foundation shall have the discretion to divide the Fund into two equal EDA Funds (one per ex-spouse), regardless of the sources of the contributions.

e. Joint Donors to RDA Funds. In the case of two or more Donors to an RDA Fund:

(1) Recommendations may be made separately, and in the event of written notice of disagreement, the Foundation shall investigate and consider all such recommendations and make the distribution that in its sole discretion best furthers its exempt purposes.

(2) If one of two or more Donors dies or becomes incompetent, the remaining Donor(s) should make recommendations jointly with, but may make recommendations separately from, the executor or administrator or personal representative of the deceased or incompetent Donor.

(3) If the Donors divorce and send the Foundation a complete copy of the final decree before distribution by the Foundation to further its exempt purposes, the Foundation shall have the discretion to divide the Fund into two equal RDA Funds (one per ex-spouse), regardless of the sources of the contributions.

f. Definitions Regarding Incompetency. The term “incompetency,” as used in these Procedures, shall denote legally adjudicated incompetency or insanity. The term “personal representative,” as used herein references to in-

competency, shall include a guardian, conservator, or any other legally appointed personal representative of an incompetent individual.

g. Corporate Donors to Funds. In the case of corporate Donors or other non-individual Donors, the right of specification or privilege of recommendation under all terms and conditions herein shall pass to successors or assigns of such Donors.

5.6 Investigation and Approval of Beneficiaries.

The Foundation shall independently investigate and approve beneficiaries of gifts from EDA Funds, and beneficiaries and amounts and timing of distributions from RDA Funds, to the extent necessary in the Foundation’s sole discretion to evaluate whether a Donor’s advice is consistent with specific charitable needs most deserving of support by the Foundation, as follows: In the case of “exempt organizations,” the Foundation shall independently investigate only to ascertain that such organizations actually are exempt under Section 501(c)(3) and identified in Section 170(b)(1)(A) (other than a disqualified supporting organization under Section 4966(d)(4)), and that contributions to them are deductible under Section 170(c)(1) or (2)(B) of the Internal Revenue Code, that grants or distributions would be consistent with and exclusively further the exempt purposes of the Foundation, and that such grants or distributions would otherwise conform to these Procedures. In the case of “non-exempt organizations,” the following provisions shall apply:

a. Investigation by Foundation Staff.

(1) The Foundation’s staff shall independently investigate all recommendations and prepare a report of its determination whether the recommendation furthers the

exempt purposes of the Foundation and otherwise meets charitable needs most deserving of support by the Foundation, both as to beneficiary and amount and timing.

(2) The extent of investigation and degree of formality of this evaluation will depend on the nature and category of the recommended beneficiary, the information already available to the staff about the recommended beneficiary, and information obtained about the proposed beneficiary. It is anticipated that investigation in many cases will include obtaining annual reports or recent tax filings for corporate or other non-individual beneficiaries, obtaining credit reports with consent or recent tax filings provided voluntarily by individual beneficiaries, employing or contracting with investigators in the vicinity of recommended beneficiaries for further information, requesting statements from the proposed beneficiaries about religious beliefs and specific projects and financial needs, and other forms of information, to the extent necessary in the sole discretion of the Foundation staff.

(3) The Foundation's staff shall in particular seek to determine whether the recommended distribution will be consistent with and exclusively further one or more of the exempt purposes of the Foundation, that the recommendations from other persons besides the Donor are considered, that the proposed distribution will be consistent with the governing instruments of the Foundation, and that the proposed distribution will conform to the restrictions on distributions.

(4) The Foundation's staff shall also be responsible for exercising appropriate expenditure responsibility in accordance with IRC §§ 4966(c)(1)(B) and 4945(h).

(5) If the staff determines that the recommendation is not consistent with said

exempt purposes or said restrictions, the Foundation shall advise the Donor that the recommended distribution cannot be made, and shall invite a new recommendation from the Donor.

(6) If a Donor's privilege of making recommendations terminates under Section 5.6(a) or if a Donor contributes property to the Foundation other than to a particular EDA Fund or RDA Fund, the staff shall recommend one or more beneficiaries for distribution after appropriate investigation as above.

b. Consideration by Board of Trustees. A favorable report by the Foundation's staff shall be referred to the Foundation's Board of Trustees for review and consideration. The Board of Trustees shall review each staff report on a recommendation, considering among other matters the correctness of the staff report and the amount of support to be provided for the recommended purpose. If the Board of Trustees desires further information, it may direct the staff to obtain it.

c. Action by Board of Trustees. A favorable staff report shall not constitute approval by the Board of Trustees for action. The Board of Trustees shall approve or disapprove all specifications and recommendations, and shall make all allocations of sums from EDA and RDA Funds, in accordance with regular grant-making procedures that it establishes.

5.7 Certification and Accounting by Non-exempt Beneficiaries.

Prior to and after making a distribution to a nonexempt beneficiary, the Foundation shall exercise expenditure responsibility in accordance with Sections 4966(c)(1)(B) and 4945(h), which shall include requiring the following:

a. *Prior Written Certification.* The beneficiary shall certify that it will use the distribution exclusively in furtherance of one or more exempt purposes of the Foundation, with a list of proposed projects or activities in furtherance of said exempt purposes; and that such beneficiary agree in writing to provide:

b. *Subsequent Written Accounting.* The beneficiary shall provide a subsequent written accounting upon expending the amount distributed to demonstrate that the entire sum was actually used exclusively in furtherance of said exempt purposes, if one or both such certifications are necessary in the Foundation's sole judgment.

5.8 Minimum Amounts for Contributions.

The minimum amount of any initial contribution of cash or cash equivalents to the Foundation to establish a Fund is \$10,000, and the minimum addition thereof to any Fund of the Foundation is \$500. The minimum amount of any initial contribution of property that is not a cash equivalent is \$10,000, with a minimum accompanying cash contribution of \$500; the minimum addition thereof to any Fund is \$500. These amounts may be changed from time to time, and exceptions may be made, by the Board of Trustees of the Foundation. "Cash equivalents" shall be defined by the Foundation in its sole discretion.

5.9 Minimum Distributions.

a. *Minimum Amounts for Distribution.* The minimum amount of any distribution from a Fund of the Foundation shall be \$250, as may be changed from time to time by the Board of Trustees of the Foundation.

b. *Board of Trustee Right to Grant a Portion of the Fund.* The Foundation Board of Trustees has the right to grant up to 25% of the Fund

principal to the RTS Foundation General Fund. If the Board of Trustees chooses to exercise this right it must be stipulated in the original donor agreement.

5.10 Suggested Minimum Balance in Funds.

The minimum balance in any Fund ordinarily should be at least \$1,000, as may be changed from time to time by the Board of Trustees of the Foundation.

a. *Closing Funds Below Minimum Amount.* The Foundation may, but is not required to, close any Fund on or after the end of the fiscal year if the Fund's balance is not, at that time, at least \$1,000.

b. *Distribution on Closing Funds.* Upon closing any Fund, any remaining balance shall transfer automatically to the General Fund for exclusively exempt purposes of the Foundation.

5.11 Disclosure of Contribution Source.

Unless otherwise requested by the Donor of the Fund, any grant or distribution shall be given with reference to the name of the Fund from which the distribution is made. In any event, the Foundation shall identify the sources of distributions as necessary in its annual report and to federal and state tax authorities.

5.12 Frequency of Distribution.

a. *From EDA Funds.* Distributions from Endowment Donor Advised Funds shall be made quarterly, semi-annually or annually. Such advice regarding distributions must be in the office of the President 30 days prior to the end of each calendar quarter. Any Donor advice received during the last 30 days of each quarter shall be considered for distribution in the next quarter.

b. *From RDA Funds.* Distribution from Regular Donor Advised Funds shall be made by the 10th business day of each month for Donor advice received by the 20th of the previous month. Any Donor advice received after the 20th of any month shall be considered for distribution in the month after the current pending distributions.

5.13 Excess Business Holdings.

a. *Application of Excess Business Holdings Rule.* Pursuant to IRC § 4943(e)(1), a donor advised fund, together with the holdings of disqualified persons of the fund, shall not hold more than 20 percent of the voting stock in a business enterprise, except as allowed under IRC § 4943.

ARTICLE VI INVESTMENT OF FUNDS

6.1 Investment and Commingling of Funds.

a. *Foundation Authority Over Investment.* Because the Funds are the property of the Foundation, the Foundation has full authority for investments of the principal and interest therefrom of each Fund, and is not bound by the investment restrictions applicable to fiduciaries (except in the case of a trust of which the Foundation is trustee). The Foundation has the authority to retain contributed assets, and to place contributed assets in one or a few investment funds, without any requirement to diversify assets further.

b. *Foundation Authority for Commingling.* Because the Funds are the property of the Foundation, the property and interest therefrom in any Fund may be commingled with other Funds established by Donors or established by the Foundation, and may be invested in a

common investment fund that is established or used by the Foundation. The Foundation will maintain separate accounting records for each Fund until that Fund is closed.

6.2 Disclosure to Donors.

Upon making contributions to Funds pursuant to these Procedures, Donors acknowledge disclosure of and freely consent to the Foundation's authority over investment (including consent to non-diversification) and the Foundation's authority to commingle funds.

ARTICLE VII ADMINISTRATIVE COSTS OF FUNDS

7.1 Provision For Annual Costs.

a. *Annual administrative costs shall be prorated to each Fund as follows:*

(1) Endowment Donor Advised Funds shall be charged an annual fee of 1% of asset value prorated on a quarterly basis. EDA Funds with a value over \$500,000 shall be charged at a reduced rate as set forth by the Foundation Board of Trustees.

(2) Regular Donor Advised Funds shall be charged no fee so long as the number of checks to be cut does not exceed twenty-four (24) per year. All checks required over twenty-four (24) per year will be charged to the RDA Fund at a rate of \$15.00 per check.

b. *Change of Annual Administrative Costs.* The annual costs may be changed from time to time by the Board of Trustees of the Foundation without prior notice to Donors. Exceptions to the annual cost schedule may be made by the Board of Trustees in writing on a prospective basis.

c. *Special Provision for Non-Cash Contributions.* For any contribution that consists of property other than cash or cash equivalents, all costs, to the extent not paid from available cash, shall be accumulated and deducted at such time as the property is either converted to cash or distributed. The Foundation normally requires contributions of property that is not publicly traded stock to be accompanied by contributions of cash (to cover Foundation expenses for property) equal to the greater of \$500 or one percent (1%) of value.

7.2 Provision for Transaction Costs. Transaction cost shall be allocated to each Fund as follows:

a. *Transaction Costs for EDA Funds and RDA Funds.* Except for the transaction costs specified in 7.1(a)(2) there shall be none except such other costs as may be determined on a case by case basis (per 7.1(c)).

b. *No Transaction Costs for General Fund.* No transaction cost shall be charged when the Donor makes a distribution to the General Fund.

c. *Change of Transaction Costs.* The transaction costs may be changed from time to time by the Board of Trustees of the Foundation without prior notice to Donors. Exceptions to the transaction cost schedule may be made by the Board of Trustees in writing with prospective effect.

7.3 Provision for Investigation Fee.

For investigating Donor recommendations, the investigation fee charged to a Fund shall, with minimum of \$100, equal all expenses of investigation of recommended beneficiaries (excluding the overhead for Foundation facilities). An estimate of the total investigation fee may be obtained from the Foundation on

request accompanied by a description of recommended beneficiaries.

ARTICLE VIII ACCOUNTING FOR FOUNDATION AND FUNDS

8.1 Annual Financial Audit or Review of Foundation.

A financial audit or review by an independent certified public accountant of the Foundation including all Funds therein shall be conducted annually. A copy will be sent to Donors on request.

8.2 Foundation Membership in Evangelical Council for Financial Accountability.

The Foundation may participate in and obtain approval from the Evangelical Council for Financial Accountability. By establishing Funds, Donors consent to the Foundation providing such information to said Council as is necessary for participation and approval.

8.3 Reports to Fund Donors.

The Foundation shall send periodic reports to Donors of additions to and distributions or grants from Funds, in order to encourage Donor participation and interest in the Foundation.