

Terms and Conditions for Component Funds

The Delaware Community Foundation (“the DCF”) is a public charity exempt from taxation under Section 501(c)(3) and Section 170(b)(1)(A)(vi) of the Internal Revenue Code of 1986 (the “Code”). The DCF administers donor advised and other types of charitable funds for charitable and educational purposes.

The DCF has developed the following Terms and Conditions for Component Funds (the “Terms”) regarding administration of its component funds, which are assets of the DCF and under the legal control of the DCF, as required by the Code.

Management of Funds.

The DCF shall hold, manage, invest and reinvest its component funds, collect income and pay and disburse the net income and principal exclusively for general charitable uses and purposes, in accordance with the provisions specified in the Certificate of Incorporation and Bylaws of the DCF, and as regulated by the Internal Revenue Service, the Code and any future provisions in the Code. The phrase “charitable uses and purposes” is defined as all of those activities, uses and purposes described in Section 501(c)(3) of the Code.

The Articles of Incorporation and Bylaws adopted by the Board of Directors of the DCF, and their provisions, as they may be amended from time to time, are hereby incorporated by reference.

Variance Power

To protect funds from obsolescence and maintain the continuity of funds, all component funds are subject to the DCF’s variance power, which provides the DCF’s Board of Directors the power to modify any restriction or condition on the distribution of a fund if, in the sole judgment of the DCF, such restriction or condition becomes unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community served by the DCF.

When exercising variance power, the DCF shall, to the extent feasible, distribute grants from the fund for purposes consistent with the Founder’s original intent.

All grants and other distributions from the DCF and its component funds must be made in compliance with the Code and approved by the DCF. Recommendations and requests to the DCF are not binding upon the DCF and the DCF reserves the right decline a request if it believes the distribution or action is not in the best interest of the fund, the community and/or may jeopardize the DCF’s legal status as a public charity.

Fund Permanence

The DCF offers both endowed and non-endowed funds. Endowed funds are permanent assets of the DCF, are subject to the DCF’s Spending Policy and shall remain at the DCF for the benefit of the community in perpetuity. Non-endowed funds, which may have a special purpose and/or be temporary, are not subject to the DCF’s Spending Policy.

Fund Types

The following types of component funds may be established at the DCF:

- Endowed Funds: Donor Advised, Committee Advised, Designated, Field of Interest, Unrestricted, Scholarship and Nonprofit Endowment

- Non-endowed: Donor Advised, Committee Advised, Designated, Scholarship, Nonprofit Reserve, Pass-through, Memorial, Bridge and Fiscal Sponsorship.

Naming of Fund

The Founder of a fund may select the name for the fund. Fund names should not include “Foundation” unless it appears in the founding organization’s legal name. The DCF may not approve a fund name if it finds it objectionable.

General Advisory Privileges

The Founder of a fund may retain certain ongoing privileges with respect to that fund. For a fund established by one or more individuals, the Founder(s) is/are the signer(s) of the agreement and typically the primary donor(s) to the fund. For funds established by nonprofits or other organizations, the designee(s) of the founding organization’s leadership, named by position or title, who sign the agreement on behalf of the organization may be treated as the Founder

The Founder may retain the following ongoing privileges :

- Distributions - The Founder of a Donor Advised, Pass-through, Nonprofit or Fiscal Sponsorship fund may recommend permissible distributions from the fund (see Making Grants and Other Distributions), as provided for the fund type. The Founder or Founding Organization may also recommend other individuals be given this same privilege (each a “Grant Advisor”)
- Fund Statements and Information – The Founder or Grant Advisor of any fund may discuss the fund established with the DCF and view the financial activity of that fund (see Fund Reporting). The Founder may recommend other individuals be permitted to discuss or view fund activity or receive statements (each an “Associate”).
- Investment Allocation - The Founder or Founding Organization of a Donor Advised, Designated, Committee Advised or Nonprofit fund may recommend changes to the pool(s) in which the fund is invested (see Investment of Fund Assets).
- Additional privileges – The Founder may retain additional privileges otherwise described in these Terms.

All advice, requests and recommendations to the DCF must be made in writing in accordance with the procedures of the DCF, or electronically as instructed by the DCF.

At any time, an individual may cede all advisory privileges regarding the fund to the DCF. The DCF reserves the right to terminate advisory privileges if it determines the individual is unable or unwilling to act in that capacity.

Successor Advisors

The Founder of a Donor Advised fund may name or change the Successor Advisor(s) for the fund at the time the fund is established or at a future date. Upon receipt of sufficient documentation of the death, incapacitation or resignation of the Founder (or last Founder, if more than one), the Successor(s) becomes “active” and may assume the same advisory privileges held by the Founder, except the privilege to alter the fund’s existing final Succession Plan or the Founder’s intent for the fund. The Founder may expressly limit the number of generations of successors or prohibit the future assignment of additional generations of successors.

If at any point, more than two individuals in a generation are named as Successor Advisors, the DCF may require a single spokesperson be selected by the Founder or the members of the generation. This

person shall be identified by the DCF as the Grant Advisor to interact with the DCF on behalf of the other members of the generation.

When the Founder of a Donor Advised Fund desires to name multiple Successor Advisors who have different charitable priorities, the DCF may allow the Founder to request the balance in the original Fund be divided upon their death, with a single Successor Advisor named to each newly created successor fund, if each successor fund balance would meet the current minimum to establish a Donor Advised Fund.

All successor assignments, including documentation of the spokesperson, must be made in writing and be approved by the DCF.

Multiple Grant Advisors

When more than one individual is named as the Founder and/or Grant Advisor for a fund, the DCF shall accept instruction independently from any of these parties, unless a requirement for unanimous or majority consent has been required in writing. The DCF may limit the number or individuals with advisory privileges.

Divorce and Separation

When two individuals who are co-Founders or the only current Grant Advisors for a fund become legally separated or initiate legal proceedings for divorce, the DCF may, upon receipt of notice of such action, take one or more of the following steps:

- Suspend processing any grant recommendations unless approved by both parties
- Suspend processing any grant recommendations until both parties have agreed in writing to a procedure for recommending grants.
- Bifurcate the fund into two equal successor funds, with one individual named to each, provided each successor fund meets the current minimum to establish a fund.

Selection Committees for Funds

All committees formed for the selection of grants or scholarships must be appointed by the DCF. The Founder of a Scholarship, Field of Interest or Committee Advised fund may recommend a selection committee for the fund, other than an existing DCF committee, by identifying the members by name or by position or role within an organization. The DCF may appoint the recommended committee and may continue to appoint a committee with a composition consistent with the Founder's original recommendation.

Any desired changes to the recommended committee must be submitted by the Founder or current committee chairperson to the DCF for review and approval. The Founder or committee chair shall provide the DCF with the committee membership list annually or when requested. At no time may the Founder or any related parties have majority control of the committee.

The chair of the selection committee shall be the individual authorized to communicate the committee selections to the DCF.

Succession Planning

The Founder, where permitted and agreed to by the DCF, may request a specific succession plan be put in place, to be implemented when all advisory privileges regarding the fund have terminated. The Founder, while still an active advisor, may request to change an existing succession plan for the Fund.

Possible plans include granting the remaining balance to the Delaware Forever Fund, becoming an unrestricted named fund within the Delaware Forever Fund, converting to a Designated Fund, or converting to a Field of Interest Fund.

If an advised Fund has no succession plan on file when all advisory privileges have terminated, the DCF shall determine the succession plan. If the balance is less than the current minimum to establish that fund type, it may be added to the Delaware Forever Fund or granted out to organizations consistent with the Fund's intent. If the balance meets the minimum, the Fund may be maintained as an endowed legacy of the Founder to support the DCF's activities or discretionary grants, supplement grants from the Delaware Forever Fund and/or make grants consistent with original intent or grantmaking history of the Fund.

Annual Distribution

The DCF Board of Directors utilizes a Spending Policy to determine the Annual Distribution Amount (the "Annual Distribution") for endowed funds. The Annual Distribution is the dollar amount available for distribution in the current fiscal year from an endowed fund and is intended to maintain the fund's strength over time. The DCF's Spending Policy is subject to modification and may be increased or decreased at the sole discretion of the DCF's Board of Directors.

For Nonprofit Endowment Funds only, the Annual Distribution is cumulative, beginning in 2019. The unspent portion of the Annual Distribution in a given fiscal year shall be carried into the next fiscal year.

The entire balance in non-endowed funds is available for distribution.

Making Grants

Grants, including awards from Scholarship Funds, must meet the following guidelines:

- Grants must be for charitable, scientific or educational objectives, subject to the purpose and intent of the DCF, applicable law and Internal Revenue Service regulation.
- Grants must be a minimum of \$250 per recipient organization per grant.
- Recommendations from advised funds must be submitted to the DCF via the online portal or on a signed Grant Recommendation Form; committee selections must be submitted in writing as required by the DCF with any requested documentation.
- For endowed funds, grants may not exceed the Annual Distribution available for the fiscal year.

Grants may be made to organizations defined as tax exempt public charities under Sections 501(c)(3) and 509(a) of the Code or to governmental divisions such as a schools or libraries.

The DCF may consider recommendations for grants to other U.S. nonprofits or other organizations that are not tax exempt public charities or to an international organization believed to be the equivalent of a qualified public charity, to support a specific charitable project. Grants to these entities require additional due diligence by the DCF and should be discussed with the DCF in advance. If any additional costs are associated with processing the grant, the DCF may charge an additional fee to the fund or decline the recommendation.

Grants shall not be made

- To fulfill any individual's pledge obligation, existing or future,
- To pay for memberships, tickets, or sponsorships which provide any tangible benefit,
- To support political campaigns or for lobbying,

- To any individual directly,
- For the benefit of a specific individual, except as an award from a Scholarship Fund paid directly to the educational institution,
- To private non-operating foundations, or
- That result in any tangible benefit to the Founder, Grant Advisor, Successor, family member or related party.

Grant recommendations from advised funds must be made by a Founder, Grant Advisor or active Successor. Committee selections must be submitted by the chairperson of the Fund's committee. All grants must be approved by the DCF's Board of Directors or its authorized designee(s) prior to payment.

Other Distributions

The DCF shall consider requests for distributions, other than grants described above, from Pass-through and Fiscal Sponsorship funds, when accompanied by appropriate documentation.

- Pass-through and Fiscal Sponsorship Funds may distribute payment of expenses for an approved fundraising activity (see Fundraising for a Fund). These expenses must be reasonable and customary for such an activity and approved by the DCF for payment.
- Fiscal Sponsorship funds may distribute payment of expenses for charitable projects, programs and other activities approved by the DCF.

The DCF has established the following general guidelines for payment of expenses:

- Expenses should be submitted as invoices for payment directly to the vendor. Other arrangements should be discussed in advance. Repeated disregard of this procedure may result in refusal of payment.
- Durable goods needed for fundraising events should be rented rather than purchased. Any requests to purchase such items should be discussed with the DCF in advance for approval.
- Reimbursements
 - The DCF shall not reimburse any individual or organization for fundraising or project expenses without adequate documentation of the purpose of the expenditure and proof the expense was incurred.
 - Advance notice and approval is required for reimbursement of any expense over \$250.
- Any anticipated payment or reimbursement to a Fund's Founder, Grant Advisor, committee member or related individual or business should be discussed with the DCF in advance.
- No distribution shall be made for the personal benefit of a specific individual or family.

The DCF may pay expenses from other fund types when deemed necessary for the acceptance of a complex gift to the fund or appropriate for efficient administration of the fund and its purpose.

Investment Pool Selection

The DCF maintains an Investment Policy Statement (IPS), as amended from time to time, which governs the investment of the DCF's assets. The DCF offers four investment pools: Flagship Long-Term Growth Pool (Flagship Pool), Intermediate-Term Index Pool (Intermediate Pool), Socially Responsible Pool (SR Pool) and Capital Preservation Pool (Cash Pool).

A fund's assets shall be invested in the pool or pools specified in the fund agreement when the fund is established or selected by approved requests to change investment pools. If a pool is not specified, the fund's assets shall be held in the Cash or Flagship Pool, as determined by the DCF.

A fund may be invested in any of the DCF pools, with the following exceptions:

- Pass-through, Fiscal Sponsorship, Memorial and Bridge funds shall be invested in the Cash Pool and are not eligible for other investment pool options.
- Endowed funds may not be invested in the Cash Pool, except in cases where the balance has fallen below \$10,000.

Eligible funds that maintain a minimum balance of \$25,000 may be invested in any one or two of the DCF's pools. Fund balances may not be allocated among more than two pools or in percentages other than 50-50.

If the balance in a fund invested in two pools falls below \$25,000, the DCF may transfer that balance to a single pool until the balance again reaches \$25,000. If the balance in a fund invested in any pool other than the Cash Pool falls below \$10,000, the DCF may transfer the balance in the fund to the Cash Pool until the balance again reaches \$10,000.

Requests for changes to the investment pool allocation of a fund, where permitted, must be made in writing by the Founder or active Successor. For Nonprofit funds, this request must be accompanied by a resolution of the nonprofit's board of directors. The asset pool allocation of a fund may be changed once every 12 months.

Funds with assets in one or two pools are rebalanced monthly, after the month has been closed.

The DCF reserves the right to change the investment pools offered. If the DCF changes its investment pools, the DCF shall contact the Founders or active Successors of the affected funds with instructions to select new pools. If no advice is received, the DCF shall select the new pool.

Funds managed through the DCF's Charitable Partners Program are not invested in the standard DCF pools, but shall adhere to the DCF's IPS.

Low balance funds policy

The DCF periodically reviews fund balances. When an endowed fund balance falls below \$10,000, the DCF shall attempt to contact the Founder or an active advisor to discuss the fund's status. If contact cannot be made or there is no active advisor and the fund does not receive additional donations to bring the balance in the fund above \$10,000 in a reasonable period of time, the DCF shall determine the disposition of the balance in the fund, which may be transferred to the Delaware Forever Fund or granted to recipients consistent with the original intent of the fund.

When a non-endowed fund balance falls below \$10,000, the DCF may contact the Founder or active advisor to discuss the fund's status. If contact cannot be made, there is no active advisor or no additional donations are anticipated, the DCF may determine the disposition of the balance in the fund, which may be transferred to the Delaware Forever Fund or granted to recipients consistent with the original intent of the fund.

Funds with a zero or negative balance for 12 consecutive months shall be closed.

Inactive funds policy

A fund shall be considered inactive if the fund has made no grants for a period of three years. When a fund is deemed inactive, the DCF shall attempt to contact the Founder or active advisor to discuss the

fund's status. If contact cannot be made in a reasonable period of time or there is no active advisor, the DCF shall begin making annual grants from the fund to support DCF activities or to organizations consistent with the original intent or grantmaking history of the fund.

If a clear explanation of the purpose for withholding grants for a period of time is documented and approved by the DCF, the DCF may permit the fund advisors to retain advisory privileges and not consider the fund inactive.

Fund Fees

Funds may be assessed the following fees described below:

- **Administrative Fees** – The Administrative fee assessed to a fund is set in accordance with the Administrative Fee Schedule, as amended from time to time. These are annual fees, charged to the fund on a monthly basis. These fees support the DCF and cover the costs of grant and fund administration and reporting, the DCF's extensive support and services to donors and fund holders, and the DCF's community engagement initiatives. The Administrative Fee Schedule is subject to change at the sole discretion of the DCF. Notice of any changes shall be made prior to implementation.
- **Investment Fees** – The investment fees charged to a fund vary depending on the investment pool selection. This fee may consist of one of the following:
 - The DCF has retained an outsourced chief investment officer (OCIO) and charges the cost of this service to the fund quarterly on a pro rata basis, based on the average quarterly balance in the fund (excludes funds invested in the Cash Pool and funds in the Charitable Partners Program). Additional fees necessary for OCIO's management of a particular pool are also charged quarterly on a pro rata basis. (does not apply to funds invested in the Cash Pool or Charitable Partners program)
 - The investment and advisory fees charged by the approved financial advisor for the management of investments in a fund in the Charitable Partners Program.Investment returns are reported net of any other fees incurred within a particular pool.
- **Credit Card Fees** – Credit card processing fees (typically between 3-4% of the transaction amount) are charged at cost to the fund receiving the contribution.
- **Complex Gift Fees** – Gift assets that require special review and/or services, including but not limited to real estate, closely-held stock, and Charitable Remainder Trusts, may incur additional fees to cover tax, legal or other expenses associated with the transaction, acceptance or maintenance of the gift or asset.

If there is excessive and unexpected activity related to a fund, the DCF reserves the right to charge additional fees to cover the expenses incurred as a result.

Fund Reporting

The DCF makes reports of a fund's financial activity available to the fund's Founder, Grant Advisors, Associates and active Successors online via Donor Central, a secure, password-protected portal. The names of donors to the fund requesting to remain anonymous shall not be disclosed.

If a fund maintains an average balance over \$50,000, the Founder or active Successor may request to receive quarterly statements by mail. The DCF shall mail these statements to no more than three individuals per fund.

Gifts to DCF Funds

As a public charity exempt from taxation under Section 501(c)(3) and Section 170(b)(1)(A)(vi) of the Code, all contributions to the DCF receive the maximum charitable contribution deduction permitted under federal law.

- Gifts to component funds of the DCF are legally contributions to the DCF for the purpose of tax-deductibility.
- All donations should be made payable or directed to the DCF, with a reference to the complete fund name (e.g. check made out to Delaware Community Foundation and fund name in the memo section).
- All gifts to the DCF or any of its component funds are irrevocable, subject to the DCF's Gift Acceptance Policy, and must be free of any material restriction imposed by the donor in accordance with Section 1.507-2(a)(7) of the U.S. Treasury Regulations.
- The DCF shall send a gift acknowledgement confirming the date of the gift and tax-deductible nature of the contribution, as long as the donor's correct name and address have been provided. The gift date is the date on which the gift is considered completed and DCF has obtained legal ownership of the donated asset.
- The DCF staff is available to assist potential donors and their professional advisors with non-cash gifts such as stock and real estate or planned gifts such as bequests and charitable gift annuities.

Note: The DCF does not provide tax advice and all donors are encouraged to consult with a professional advisor regarding their individual circumstances.

Fundraising for a Fund

The DCF may accept additional contributions into a fund from the fund's Founder, Grant Advisor, Successor or any of their friends, family, associates and/or the public. Guidelines and limitations related to fundraising into a DCF fund are necessary in order for the DCF, including its component funds, to comply with all tax and other laws. All fundraising activities undertaken by Founders, advisors, committees or other parties to solicit donations into a Fund must comply with these Terms, be approved by the DCF in advance and adhere to all DCF fundraising guidelines. This includes but is not limited to events, mailings, online campaigns, web pages, grant applications and written solicitations.

Donations may be solicited to any fund through individual personal requests, in memory or honor of an individual, or via an electronic "Donate" button or link (e.g. organization web sites, Facebook pages). The solicitation should always include the full name of the fund and disclose any specific charitable purpose of the Fund. All online fundraising for a fund must direct the donor to the giving page for the fund on the DCF's website, unless approved in advance by the DCF.

Only Pass-through and Fiscal Sponsorships funds may engage in the following types of activities:

- Any fundraising or other events.
- Broad fundraising campaigns, including mailings and online campaigns.
- Any fundraising activity in which expenses may be incurred and paid by the fund.

Current Founders or advisors of any other fund type, who wish to undertake a fundraising activity must establish a separate Pass-through fund for that activity.

When engaging any in fundraising activity,

- All revenue and expenses related to the activity must be received by or paid from the fund respectively. No exceptions.

- Expenses must be reasonable and customary for such an activity, submitted by a Founder or Grant Advisor, and approved by the DCF for payment. (also see Other Distributions above).
- The Founder or advisor must review all related fundraising guidelines, complete and sign an application (if required) and receive written approval from the DCF prior to undertaking any fundraising activities, including but not limited to promoting the activity and securing vendors.

Funds may receive grants from large institutions including corporate and other foundations. Formal grant requests, such as online applications, those requiring official signatures or grants with reporting requirements, must be discussed with the DCF in advance. The DCF must review and sign any application or related report prior to submission to the funder or potential funder. These grants must be made to the DCF and designated for the Fund.

Marketing and Promoting a Fund

Any time a fund is referenced in materials or communications by any party other than the DCF, the fund should be referred to as “the [full name of fund] at the Delaware Community Foundation” or “the [full name of fund], a fund of the Delaware Community Foundation.”

When a specific charitable purpose exists for the fund, it must be disclosed so potential donors understand the organization or cause(s) to benefit as a result of donations to the fund (e.g. “to make grants to nonprofits in Sussex County”, “to support nonprofits providing mental health counseling”).

Publicity or communications of any kind, including websites, print material, press releases, paid advertising, and solicitations must be provided to the DCF in advance for review of content and must be approved by the DCF before use. This includes activities directly or indirectly related to the fund.

Privacy and Anonymity

The DCF values its relationship of trust with donors and Founders. The DCF shall not sell, trade or exchange information about its donors, Founders and other parties to a fund and shall honor all requests for anonymity. Donors may request their giving be made anonymously. Founders, Grant Advisors and active Successors may request grants be made anonymously and may request the fund and/or its grants be omitted from any public listings.

Additional Guidelines for Specific Fund Types

- Designated Funds
 - The Founder may name up to five eligible public charities as beneficiaries of the fund at the time it is established, which may not be changed by the Founder. The Founder may, at that time, include contingent beneficiaries or specify a reallocation of the Annual Distribution to be used in the event the DCF determines it cannot grant to one or more of the original beneficiaries.
 - Grant distributions shall be paid annually or semi-annually
 - For endowed funds, the grant(s) shall be a percent (%) allocation of the Annual Distribution to the beneficiary(ies).
 - For non-endowed funds, the grant(s) shall be a fixed dollar amount to the beneficiary(ies). The Founder may request an increase or decrease the grant amount(s), provided any change is applied proportionally to all beneficiaries.
 Designated funds created by the establishment of a Nonprofit Fund are exempted from this distribution requirement.
 - The Founder may recommend the timing or purpose of grants to the named beneficiaries.

- Nonprofit Funds (Endowment or Reserve)
 - Nonprofit Funds may only be established for public charities or government agencies qualified to receive grants from the DCF (see Making Grants above) for the benefit of that entity. All grants from a Nonprofit Fund must be made to that entity only.
 - Establishment of a Nonprofit Fund creates two separate but related funds. Contributions from the establishing entity (Founding Organization) shall be deposited into an agency fund ; donations from third parties shall be deposited into a designated fund.
 - The unused portion of the Annual Distribution in a Nonprofit fund (Agency or Designated portion) may be carried forward for use in a future fiscal year, creating a accumulating Annual Distribution.
- Scholarship Funds - No scholarship award may be made from a Scholarship Fund to a family member of either the Founder of the fund or any member of the selection committee for the fund. A family member is considered a spouse, biological ancestor or descendant, sibling, step-sibling, cousin, niece/nephew, aunt/uncle, or any of their spouses or children.

The Delaware Forever Fund

The Delaware Forever Fund is a permanent community endowment intended to address the changing needs of Delaware. The DCF shall make grants from this fund each year, based on the needs of the community. This community endowment has been funded in part by pooled individual gifts, bequests of community donors, and transfers from other component funds, and continues to accept contributions.

Conflict of Terms and Governing Provisions

Should an inconsistency arise between these Terms and the terms and conditions for component funds of the DCF appearing elsewhere in connection with a fund, these Terms and conditions shall govern and the DCF reserves the right to take any action, which in its discretion, it deems reasonably necessary or advisable for the proper administration of any fund at the DCF or to comply with any applicable law.

The DCF reserves the right to revise these terms and conditions at any time.