

Funds Policy
Policy # 01-01 v. 2.28.24
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**HOMER FOUNDATION
FUNDS POLICY AND PROCEDURE #01-01 v. 2.28.24**

Introduction:

A principal goal of the Homer Foundation is to attract many donors to help build discretionary funds to provide both flexible and permanent funding sources for meeting changing community needs. By law, all assets held by the Foundation are unrestricted. Some donors may wish to restrict the use of their contributions, by advising us from time to time as to the beneficiaries they wish the income from their contributions to benefit, or by designating one or more beneficiaries when the gift is made. The Foundation accepts such restricted contributions provided they are following our established purpose and policies and federal law and tax code.

General Policies:

- 1) The Homer Foundation has several levels of gift giving to start either a named endowed or non-endowed fund. Any fund gifts and subsequent donations directed to the fund are irrevocable.
- 2) All donations are credited to a fund in the first full quarter after they are received, starting on the first day of that quarter. Additional gifts may be added to an existing fund at any time, in any amount, as long as they meet HF gift acceptance policies.
- 3) The Board of Trustees, or their designee, may accept gifts of cash or publicly traded securities to establish or add to a fund. All other types of gifts must meet established gift acceptance policies, and be approved by the Board of Trustees or their designee. (See Gift Acceptance Policy 01-06.)
- 4) All funds shall be a component part of the Homer Foundation and are combined for investment purposes. The Foundation Finance Committee provides oversight for the investment of all assets. The funds share in the total return on investment based on the fund's portfolio share in accordance with the current Investment & Spending Policy #19-01 and #20-01.
- 5) Administrative Fees are assessed per the schedule in appendix 3 of this policy. Beginning in fiscal year 2025, the fee is calculated and applied monthly throughout the fiscal year.

- 6) All fund holders will receive a quarterly fund statement and an annual report.
- 7) No Donor, Successor, Designee, or any related parties shall derive any benefit, goods, or services in exchange for a grant or distribution from a Donor Advised Fund. Advisors and their related parties are also prohibited from making any distribution to discharge or satisfy a legally enforceable pledge or obligation.

Procedures:

- 1) Foundation staff will work with the donor to determine their intent and ensure their intent is understandable and appropriate. Staff will draft the Fund Agreement (two copies) to establish an appropriate fund type. Staff will review the components of the letter with the donor, including:
 - a) “charitable purpose” according to the IRS code,
 - b) the board’s variance power, which states that the board has the power and duty to modify any restrictions or conditions on the distributions from any fund, and
 - c) no donor, successor, designee, or related parties shall derive any benefit, goods, or services as a result of a grant or distribution from the Fund.
- 2) Both copies of the Fund Agreement are to be signed and dated by the donor and then presented to the Board of Trustees for acceptance at the next board meeting. The President signs to indicate acceptance of the fund. One fully executed copy is returned to the donor, and the second fully executed copy is filed at the Foundation. The Fund Agreement will also be scanned and stored digitally. All donor and fund information is entered into the database and added to the annotated Funds list, which states the purpose of the fund and/or donor intent.
- 3) All gifts are to be acknowledged by the Foundation within one week. Donors will receive a gift acceptance letter and receipt. A hand-written thank you note will be sent under separate cover as soon as practicable. The confirmation letter will state the designation for the gift, the type of gift, the receipt date, and for cash gifts, the amount, and verify whether the gift is to be anonymous or not. For non-cash gifts, the letter will not state a cash value. The letter will also state that no goods or services were received in exchange for the gift. **Note:** In the case of gifts to Donor Advised Funds, the Pension Protection Act of 2006 requires that the letter also state that the Homer Foundation has exclusive legal control over the contributed assets and that federal tax law requires that the donor maintain the receipt to substantiate their charitable deduction.
- 4) When a specific charitable recipient is named, the recipient will be notified as to the donor, unless the donor specifies the gift to be anonymous. (See Confidentiality Policy 01-04).

Appendix 1: DEFINITION OF FUNDS

Unrestricted Funds: provides The Homer Foundation with the most flexibility to meet community needs as they change over time.

- 1) The Homer Foundation Opportunity Fund is an unrestricted fund and functions at the discretion of the Board of Trustees. Other unrestricted funds can either be a named component of the Homer Foundation Opportunity Fund or a separate named endowment fund with an unrestricted purpose.
- 2) During the annual budget process, the Board may designate a dollar amount for unrestricted grants and that amount will be transferred from the HF Opportunity Fund to the Spendable Balance of the Opportunity Fund. Any balance in the Spendable Balance will roll forward into the next fiscal year. The Opportunity Fund will support unrestricted grants distributed through the review/evaluation process outlined in the Homer Foundation's current Community Grants Policy (04-02), or as directed by the board for special projects.
- 3) The annual spendable balance from the Opportunity Fund is allocated to the Operating Fund annually, once the amount has been calculated.
- 4) Donations in any amount to the Homer Foundation's Opportunity Fund may become named funds at the discretion of the Board of Trustees. (Historically, this has been reserved for founding donors to keep their name associated with the Foundation.)

Operating Fund: provides the accounting mechanism for funding the Homer Foundation's annual operations, it does not function as an endowment fund. The Operating Fund is comprised of the following:

- 1) The annual distributable amount from the Homer Foundation Fund at the Alaska Community Foundation;
- 2) The Spendable Balance from the Aquila Fund, an Agency Endowment Fund at the Homer Foundation that functions as an operating endowment for the foundation;
- 3) The Spendable Balance from the Homer Foundation Opportunity Fund; and
- 4) Donations, particularly from Trustees, who are encouraged to donate to the Operating Fund.

Agency Endowment Fund or *Agency Stewardship Fund* if non-endowed : (Minimum \$10,000) a permanent fund set up to provide investment income for a specific 501(c)(3) organization. The agency benefits from the size of the Foundation's investment pool, as well as increased visibility from association with the Foundation.

Note: For an accounting of contributions to Agency Endowment Funds see Appendix 2: Designation of Contributions to Agency Endowment Funds.

- 1) The agency must be a recognized 501(c)(3) non-profit organization.
- 2) If endowed, the organization receives the benefit of its portion of the Spendable Balance which is distributed annually. The Spendable Balance may be paid directly to the organization or rolled into the corpus of their Fund, at their written direction.
- 3) The Spendable balance-from the Agency Endowment Funds are used for the charitable purposes or general operations of these nonprofit organizations. If the organization ceases to exist or ceases its charitable purpose, the Spendable

- balance shall go to the nearest similar 501(c)(3) organization in the community, as determined by the variance power of the Homer Foundation Board of Trustees.
- 4) If it is a non-endowed *Agency Stewardship Fund*, the entire fund balance (contributions and market earnings) is available as a grant back to the contributing agency.

Donor Advised Fund: (Minimum \$15,000) permanently endowed, named fund, whose Spendable Balance may be advised by the donor from time to time. While tax laws require that a community foundation not be bound by the donor's suggestion, the Homer Foundation is pleased to have the opportunity to consider recommendations consistent with the Foundation's mission and all current laws and tax codes.

- 1) The donor selects the name of their donor-advised fund.
- 2) The Spendable Balance from Donor Advised Funds shall be distributed according to the Homer Foundations Investment and Spending Policy.
- 3) The donor may make recommendations regarding distributions from their fund. Recommendations must be in writing. No benefit may accrue to the donor advisor or their family. Distributions must meet all applicable laws, IRS guidelines, and established Homer Foundation policies.
- 4) The Community Grants Committee and/or staff will take a proactive stance in approaching donor-advised fund holders with projects to consider for funding, and in keeping the fund holders actively involved in their fund.
- 5) If, despite the Foundation's best efforts to regularly communicate and promote the importance of annual grant disbursements, the Advisor for a Donor Advised Fund has not provided recommendations for a distribution from the Fund for a period of **two years**, the Foundation reserves the right to direct a grant equal to the equivalent of the current spending policy percentage to the Homer Foundation Opportunity Fund. This policy is in accordance with the recommendation of the Council on Foundations regarding inactive Donor Advised Funds.
- 6) Assigning a successor advisor:
 - a) A Donor Advised-Fund holder may name one or more successor advisors, such as a spouse or child at least 18 years of age. Each named advisor will have the authority to make a recommendation without the approval of the other advisors.
 - b) If a successor advisor is named, the Fund will be retained as a named Donor Advised Fund and will continue to be managed by the Board of Trustees taking into consideration the recommendations of the new advisor. If the advisor does not make a grant recommendation and/or add to the fund in two years, and the Foundation has made a reasonable effort to make contact, the Board of Trustees will reclassify the fund to a designated, unrestricted, or field of interest fund that honors the donor's original intent.
 - c) If the donor fails to name a successor advisor, the Board of Trustees will reclassify the fund to a designated, unrestricted, or field of interest fund that honors the donor's original intent.
 - d) Instead of naming a successor advisor, the fund advisor may designate that their fund becomes an unrestricted fund, either as a component of the Homer Foundation Opportunity Fund or a named endowed unrestricted fund, a part of the Foundation's designated endowment (the Aquila Fund),

rolled into an existing fund, or used to create a new named designated endowment fund at the Foundation.

Field of Interest Fund: (Minimum of \$10,000) permanently endowed, named funds set up to provide support to areas of special concern such as education, arts & culture, youth, etc., regardless of individual charitable agencies. Scholarship Funds are classed as Field of Interest Funds.

- 1) The donor may name the fund and give general guidelines at the time the fund is established.
- 2) The Homer Foundation's Community Grants Committee oversees awards from the Field of Interest Fund's Spendable Balance, at least annually, through the established grants process, or a direct distribution through the waiver process, depending on the purpose of the fund.

Scholarship Funds: (Minimum \$10,000) provide financial assistance: 1) for a particular class of individuals, i.e. Homer High School graduates, 2) to attend a specific educational institution, or 3) to pursue a particular field of study (see Scholarship Funds Policy 06-02).

- 1) The donor may name the fund.
- 2) Each Scholarship Fund will have an announcement schedule, a designated selection committee (which must be approved by the Board of Trustees), and written guidelines for candidate selection and award use. Committee recommendations must be approved by the Board of Trustees.
- 3) To ensure funds are used for intended purposes, scholarship awards will be distributed directly to the institution.
- 4) The Foundation may act as a pass-through vehicle for contributions for current-year awards for existing scholarships. These contributions must be received prior to the selection process for any given scholarship award.
- 5) Pass-through contributions are held in the corpus of the fund until the award is paid.
- 6) If the spendable balance is below \$1,000 it will be held until the scholarship cycle in which it is at least \$1,000 or unless the difference is made up through a pass-through contribution.

Acorn Fund: (\$2,500 minimum to start) to allow a donor to build their fund to the \$10,000 or \$15,000 (DAF) minimum over a sixty-month period.

- 1) Each Acorn Fund will be named by the donor and will accrue capital gains/losses. The annual Spendable Balance will be rolled into the corpus of the fund at the end of the fiscal year, and no distributions will be made from the earnings until the fund reaches the \$10,000 (or \$15,000 if a Donor Advised Fund) fund minimum.
- 2) An Acorn Fund that fails to meet the minimum balance within a sixty-month timeframe may be folded into the Homer Foundation's designated endowment fund, the Aquila Fund as a named donation, at the discretion of the Board of Trustees.

Community Cares Fund: (minimum \$5,000) A named component of the Opportunity Fund that is a permanently endowed field of interest fund used for unrestricted grantmaking.

- 1) The donor may name the fund.

- 2) When possible Spendable Balance from all Community Cares Funds will be aggregated and grants made in common for the funds.
- 3) The Homer Foundation's Community Grants Committee oversees awards from the Community Cares Funds Spendable Balance, through the established grants process.

Restricted Funds: (no minimum) temporary funds established to provide for tracking of pass-through donations for approved projects or to expand donor-advised fund grant-making. See Community Grants Policy 04-02

- 1) Pass-through donations will be accepted for projects with an approved Memorandum of Understanding. The MOU will outline the purpose, time frame, responsibilities of all parties, fees if any, and designation of income. The Community Grants Committee and staff will provide due diligence to ensure the distributions are for charitable purposes, and that reporting requirements are met.
- 2) Pass-through donations will be accepted to create Grant Reserve Funds associated with existing donor-advised funds to expand their ability to recommend and make grants. All pass-through grant recommendations will go through the regular distribution process unless they meet the test for the established waiver process.

Non-Endowed Funds: (same minimums as endowed fund categories) funds in which any or all of the fund corpus can be accessed. These funds are invested in a portfolio with a lower risk factor than endowed funds and may be modified by the HF Board of Trustees from time to time. With a non-endowed fund, the donor has full access to any or all of the fund balance in the account to support their philanthropic goals.

- 1) Any amount of the fund balance may be requested by an authorized representative for grant-making. There are the following parameters for these requests:
 - a. Authorized representatives must verify funds and submit a request.
 - b. Requests are distributed in 1-2 weeks
- 2) **A non-endowed fund can be converted to an endowed fund, with a directive from the fund donor representatives and/or board of directors. An endowed fund, however, cannot be converted to a non-endowed fund, since the assets are permanently protected.**
- 3) A donor may add internal controls if they would like the non-endowed fund to be treated like an endowment, e.g. requiring an additional signature from an authorized representative or family members.

Appendix 2:

Designation of Contributions to Agency Endowment Funds v. 3.27.19

The Homer Foundation classifies a fund held for a 501c3 exempt organization as an “Agency Endowment Fund,” and collectively as “Funds Managed for Others” for accounting purposes.

The Statement of Financial Accounting Standard No. 136 (FAS 136) sets the standard for accounting for funds held for 501c3 exempt organizations based on their exempt status and the fund agreement which states that the organization will receive a future benefit from the investment of the fund.

To comply with FAS 136, the Homer Foundation designates contributions to funds held for exempt organizations either as an asset or a liability to the Foundation based on the following:

1. When a contribution comes directly from the exempt organization the Foundation must establish a liability for the market value, representing the present value of the future payments expected to be made to the nonprofit organization. These are classified as “Endowment” amounts.
2. When a contribution comes directly from a donor to the foundation for designation to an Agency Endowment Fund, (the HF is the payee on the check), and the donor has been made aware of the Foundation’s variance power over the funds (contained in our standard gift receipt letter), the contribution is booked as an asset to the Foundation, in the same way, it accounts for all other unrestricted contributions. These gifts from donors are considered “Designated” and are accounted for as a sub-class of the agency endowment fund.

Reporting:

The agency endowment fund holder will receive a quarterly fund report. The fund report will show the full value of the fund and the total amount available to spend (Spendable Balance), but also delineate between “Endowment” and “Designated” amounts.

The Endowment portion of the fund is considered a liability to the HF and an asset to the organization. The “Designated” portion of the fund is considered an asset to the HF and a liability to the organization.

Appendix 3: Fee Structure

Homer Foundation Annual Fees		
	Fund Type	Fees
Endowed Funds (Note 1,2 & 3)	Nonprofit Agency	1% but not less than \$100
	Field of Interest	1% but not less than \$100
	Donor Advised	1.5% but not less than \$150
	FOI Scholarship	1.5% but not less than \$150
Non Endowed Funds	Nonprofit Agency	1% but not less than \$100
	Field of Interest	1% but not less than \$100
	Donor Advised	1.5% but not less than \$150
	Scholarship	1.5% but not less than \$150
Other Non-Endowed Funds	Designated	Board of Trustees sets on case by case basis
	Project Pass Through	For Projects of \$25,000 or less – One time \$250 plus 3.5% of all funds disbursed For projects over \$25,000 – To be determined on case by case basis
Stock Donation to Area Nonprofits		1% With agency endowed fund 3% Without agency endowed fund
<p>Note 1: When a fund subject to fees reaches \$1,000,000, the fees on the amount in excess of \$1,000,000.00 will be reduced by .25% while the fees on the first \$1,000,000.00 will remain at the original level, unless an alternative fee structure was approved at the initiation of the >\$1,000,000 fund.</p> <p>Example: Endowed Field of Interest fund worth \$1,500,000.00 On \$1-1,000,000 the fee is 1% On \$1,000,001-\$1,500,000 the fee is 0.75%</p>		