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## POLICIES FOR THE CREATION AND OPERATION OF DONOR ADVISED FUNDS

### I. Introduction.

The United Methodist Foundation of Northern Illinois Conference, Inc. (DBA Midwest Methodist Foundation, "Foundation") has duly authorized, pursuant to its governing documents, the establishment of donor advised funds ("Funds") as component funds of the Foundation, to be created and operated as set forth in these policies ("Policies"). The Foundation believes the flexibility of Funds as an alternate charitable giving vehicle will encourage greater charitable gifts to and through the Foundation. Donors who establish Funds at the Foundation will have the ability to continue to make recommendations for grants to various charitable entities. The Funds will advance the Foundation's goals of encouraging charitable giving generally and giving to charities specifically related to Methodist traditions. These Policies may be amended from time to time by the appropriate action of the Foundation.

### II. Creation.

**A. Charitable Gift.** The Foundation is a public charity as described in the Internal Revenue Code (Internal Revenue Code §§ 501(c)(3), 509(a)(1), and 170(b)(1)(A)(iv)). Any gift to the Foundation for the purpose of establishing a Fund shall be irrevocable and the donor shall only have such rights to the Fund as are expressly set forth in these Policies. Each contribution to a Fund will immediately entitle the donor to a tax deduction to the fullest extent permitted under the law. The Foundation will not certify the value of any contribution other than a contribution of cash or similar asset the value of which is readily ascertainable. When a Fund is established, a donor may name the fund and the name of the Fund will appear in all correspondence and account records for the Fund. When grants are made, the donor may select his or her preference as to how the gift will be acknowledged to the charity; acknowledgments may be changed from time for each grant application requested.

**B. Minimum Contribution.** A donor may be an individual, an estate, a corporation, or other business entity. A Fund shall be established when a donor contributes cash or other property, subject to acceptance under the Foundation's Gift Acceptance Policies, a copy of which is attached hereto and incorporated herein by express reference, with a value of at least Five Thousand Dollars (\$5,000.00), for the express purpose of creating a Fund. Such contributions may be made by gift, bequest, devise, assignment or any other manner or form of transfer of property which will result in the vesting of good and valuable title to the property in the Foundation. Once a fund is established, the donor may from time to time contribute additional cash or property to the Fund, with a value of at least One Thousand Dollars (\$1,000.00); provided, however, that any such additional property complies with the Foundation's Gift Acceptance Policies. When a Fund balance falls under One Thousand Dollars (\$1,000.00), the entire Fund shall be subject to termination and

distribution in accordance with Article V, below. Notwithstanding the foregoing, it is anticipated that each Fund will be or become a permanent endowment managed by the Foundation for the benefit of one or more public charities.

**C. Fund Ownership.** Any transfer of cash or other property to the Foundation for the purpose of creating a Fund shall vest ownership of such property in the Foundation. The Foundation shall have the unrestricted right to manage and control the property, including, without limitation, the ability to commingle the property with other Foundation assets, to retain, invest and reinvest the property, to sell the property upon such terms and at such price as the Foundation shall determine, and to take any action with regard to the property and any income thereon, in furtherance of the purposes of the Foundation. Notwithstanding the foregoing, the donor may give any Fund the donor has created a name or other appropriate designation.

**D. Documentation.** The Board of Directors of the Foundation, or such person or persons as the Board may from time to time designate, shall create and provide such forms and records as the Board deems necessary or desirable for the creation and administration of the Funds in accordance with those Policies.

### **III. Fund Maintenance.**

**A. Accounting.** For bookkeeping purposes each Fund shall be maintained and accounted for as an individual and separate account, regardless of the fact that the assets of the Fund may be commingled with other assets of other Funds and other assets of the Foundation.

**B. Income.** Income credited to each Fund by the Foundation's Treasurer, or such other individual as may be duly authorized by the Foundation, shall be allocated between the accounts in the Fund in proportion to each account's then account balance as a percentage of the then total balance of the Fund.

**C. Loss.** Loss deducted from each Fund by the Foundation's Treasurer, or such other individual as may be duly authorized by the Foundation, shall be deducted from the accounts in the Fund in proportion to each account's then account balance as a percentage of the then total balance of the Fund.

**D. Fees & Charges.** The Foundation will assess each Fund a management fee of a sixty-fifth of one percent (0.65%) per annum based on the market value of the Fund at the time of such valuation, assessed at a rate of 0.054167% of the principal value of the Fund, monthly. The institutional investment consultant's annualized fee is 0.10% (0.001). At the fund level, the annualized total of the underlying fund managers' fees may fluctuate slightly per minor allocation changes relative to ongoing portfolio management. Respectively, the aggregated annualized platform and portfolio managers' fees for the Conservative, Moderate, and Aggressive Funds are 0.31% (0.0031), 0.30% (0.0030), and 0.29% (0.0029). The Foundation reserves the right to review and update its schedule of fees and expenses from time to time as necessary provided, however, that its fee structure reasonably reflects current market conditions for donor advised funds maintained by other religious and charitable organizations. Additionally, fees for exceptional services may be charged to individual Funds to which exceptional services are provided in such

amounts as the Board of Directors may decide. Exceptional services include, but are not limited to, selling or managing any non-readily marketable assets (any asset other than cash, stock tradable on a national exchange, bonds, certificates of deposit, or other similar assets may be deemed to be non-readily marketable by the Board of Directors of the Foundation), accepting donor advice other than as specifically set forth in these Policies, researching and investigating qualified charities, making excessive and/or small distributions from a Fund on the basis of donor advice, and any other action taken by the Foundation with regard to a Fund which is not within the normal or usual course of Fund management, as determined by the Board in its sole discretion. In the event a donor is aware that exceptional services will or might be required with respect to the management of such donor's Fund, the Board of Directors and such donor may, in writing, pre-determine the fees or charges for such exceptional services. Management fees shall be allocated between each Fund's accounts in proportion to such accounts then account balances. All other fees and charges assessed to any Fund shall be allocated between such Fund's accounts in a reasonable manner based on the cause of such charges, as determined by the Foundation's Board of Directors.

**E. Reporting.** The Foundation will provide secure online access to each active advisor to download statements and export account activity of the Fund.

#### **IV. Grant-making.**

**A. Grant Recommendation.** On the date of the creation of a Fund and at any time thereafter, the donor or the donor's qualified designees (see paragraph B of this Article IV) may submit grant recommendations to the Foundation for the calendar year. Recommendations will be generally acted upon within ten business days following receipt of the request. All grant recommendations must be in a signed and dated letter by an active advisor and sent to the Foundation by mail, fax, or scanned to email attachment. For the purpose of making grant recommendations, each grant recommendation must be to a "qualified charitable organization" (a then IRS approved public charity under Internal Revenue Code §§ 501(c)(3), 509(a)(1) and 170(b)(1)), the recommendations cannot directly result in any benefit or privilege being conferred upon the donor or any other individual or entity other than a qualified charitable organization, the recommended grants may not be divided into greater than quarterly disbursements and the amount of the recommended grant cannot exceed the then balance of the account from which the grant will be funded. In particular, the Foundation shall not honor a grant recommendation for purposes of fulfilling pledges of the donor, buying tickets for the donor to attend fundraising events, or paying tuition for children's schooling. **Notwithstanding the fact that the donor or the donor's qualified designee may make grant recommendations, the Board of Directors of the Foundation retains the exclusive right to direct the timing, amount and recipient of all distributions of income or principal from the Fund.** The Board of Directors of the Foundation, or such of the Foundation's staff members as may be designated by the Board of Directors from time to time, shall consider and evaluate all donor grant recommendations, including, making such investigation of the designated charity as is deemed necessary or appropriate, to determine if such recommendations meet the charitable giving needs and goals of the Foundation. **All such grant recommendations are advisory in nature and in no way bind the Foundation.** Any recommendation for an improper purpose or which would not qualify for a charitable deduction if made directly by the donor or the donor designee shall be summarily rejected. If a grant is made

based on a recommendation and it is subsequently determined that such grant was for an improper purpose, remedial action may be taken. Remedial action may include, but shall not be limited to, requiring the return of the grant or requiring that the donor or the donor designee reimburse the Fund through an additional, non-deductible contribution. The Foundation will notify the donor or the donor's qualified designees in writing if a grant recommendation is rejected for any reason and provide such person(s) with one (1) opportunity to modify the rejected recommendation.

**B. Persons Authorized to Make Grant Recommendations.** The donor and the donor's spouse, if any, or the survivor of them, are authorized to make grant recommendations from a Fund established by the donor, unless the donor specifies otherwise in a writing delivered to the Foundation. Additionally, the donor may specify in a writing delivered to the Foundation one or more persons to serve as a Fund advisor in the event of death or disability of the donor and the donor's spouse, if applicable. Such election must be delivered in writing to the Foundation and cannot be made through any testamentary instrument, including wills or instructions to a personal representative or executor. If more than one person shall have the right to advise the Foundation at any time, and the donor has not specified a designated representative to communicate with the Foundation regarding the Fund, the grant advisors shall notify the Foundation in writing of the spokesperson who shall communicate with the Foundation regarding the Fund. The Foundation shall be entitled to rely upon such notification until changed by written notice executed by the donor advisors. The advisors to the Fund shall have full authority to make additional contributions to the Fund, recommend grants, make investment allocations, name grant advisors and establish a succession plan for administering the Fund.

**C. Grant-making Guidelines.**

**(1) Minimum Amount per Recommendation.** The Foundation requests that the amount of recommended grants not be less than \$100.00 per grant.

**(2) Maximum Number of Recommendations.** The Foundation recommends, but will not require, that in any calendar year, no more than five (5) qualified charitable organizations be named in a grant recommendation for distribution from a Fund.

**(3) Multiple Advisors.** In the event there is more than one (1) active advisor of a Fund, for the purpose of grant recommendations requested to be made, the Foundation will accept a properly submitted form signed by a majority of advisors then known to the Foundation to be active advisors to that Fund, as determined by the Foundation in its discretion, or shall be entitled to rely on the spokesperson named by the Donor or advisor named by the successor advisor.

**(4) Signature.** The Foundation may presume that every signature on any form received by the Foundation is authentic and shall not be responsible for checking the authenticity of any signature.

**(5) Distributions.** The Foundation shall make distributions from the income of a Fund set up as an endowment fund in accordance with the Spending Policy adopted by the Foundation's Board of Directors for component funds of the Foundation. The Spending Policy is

designed to allow the Funds to be invested on a “total return” policy to maintain the real value (as adjusted for inflation) of the Funds, while at the same time providing a relatively steady and predictable level of funding for grantees that receive distributions from the Fund. The Spending Policy determines the amount of assets in the Fund available for charitable distributions made to eligible charities designated under the Fund. In administering the Fund, the Foundation has adopted the Illinois Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). Accordingly, the provisions of UPMIFA will apply to the management and administration of this Agreement. When implementing its Spending Policy, as permitted under UPMIFA, the Fund will be required to make minimum annual distributions in an amount that complies with the Foundation’s Spending Policy, as that policy may be amended from time to time. If this requirement is not met and no grant requests have been made for the preceding twelve month period, the Foundation will contact the advisor or advisors to the Fund and request that grant recommendations be made. If grant recommendations are not made by the advisor within a period of six months thereafter, or the Foundation does not accept or approve the Fund advisor’s recommendation in accordance with Paragraph A of Article IV, the Foundation will make the annual minimum distribution to the successor charitable beneficiary or beneficiaries named by the advisor. If no successor beneficiary is named, the distribution will be made to the Foundation to further its charitable mission.

**(6) Distribution of the Grant.** When a grant distribution is made, the Foundation will send a letter to the grantee identifying the Fund that made the gift and at whose recommendation the gift was made. The letter may also indicate that the donor and donor advisor wishes to remain anonymous as designated by the advisor at the time the grant recommendation is made.

**(7) Modifications and Variance.** The Foundation reserves the right, in accordance with the provisions of the UPMIFA, to modify any restriction or condition with respect to the distribution of grants to eligible charities if, in the sole judgment of the Board, the restriction or condition becomes impossible to perform, carry out, or fulfill the purpose of the gift.

**D. Impact of Grants on Fund Accounts.** Grants made by the Foundation pursuant to a grant recommendation shall be distributed to some part of the United Methodist Church or its qualifying charities, or a legally qualified charitable organization with values that are consonant with the Social Principles of the United Methodist Church, as determined by the Foundation.

**E. Grant Recognition.** Unless instructed otherwise, the Foundation will inform the recipients of any grant from a Fund of the name of the Fund from which the grant was made and the name and address of the donor who established such Fund. Following the completion of a recommended grant, the Foundation will confirm to the Fund advisor(s) that the grant has been made.

**V. Fund Conversion.**

**A. Residuary Beneficiaries.** At the time the Fund is established, the donor will be asked to identify the charitable beneficiaries of the Fund and whether the Fund will be (i) converted to permanent endowment or (ii) terminated and distributed to the designated charities upon the

death, incapacity, unwillingness to serve or disqualification of the advisor or last surviving advisor of the Fund. The donor may select one (1) or more qualified charitable organizations and/or designate one or more areas of interest (i.e., cancer research, children's causes, poverty relief, or other similar charitable causes with values that are consonant with the Social Principles of the United Methodist Church without the designation of a specific organizations addressing these needs) ("Residuary Beneficiaries") to serve as the charitable beneficiaries of the Fund. The donor may, from time to time, but no more often than annually, amend his or her list of Residuary Beneficiaries. The Foundation, through its Board of Directors or duly authorized staff members, shall review the initial list of Residuary Beneficiaries, and any amendments thereto, of each account of every Fund to determine if the listed Residuary Beneficiaries meet the charitable giving needs and goals of the Foundation. The Foundation will notify the donor, in writing, if any Residuary Beneficiary is unacceptable and the donor will have the opportunity to propose alternate Residuary Beneficiaries. If any Residuary Beneficiary is an area of interest, the donor specifically authorizes the Foundation's Board of Directors, through the Foundation's duly authorized staff members, to select those qualified charitable organizations that address those areas of interest and meet the charitable giving needs and goals of the Foundation. In the event no Residuary Beneficiary is named for either or both accounts at the time of the Fund's conversion to a permanent endowment in accordance with this Article, the Foundation's Board of Directors, through its duly authorized staff members, will be entitled to select any one (1) or more qualified charitable organization, including the Foundation, as the beneficiaries of such account(s). The selection of qualified charitable organizations in the event of the designation of an area of interest as a Residuary Beneficiary or the failure to designate a Residuary Beneficiary is to be made by the Foundation as distributions are made from the Fund following such Fund's conversion to a permanent endowment and are not required to remain the same from year to year.

## **B. Events Causing Conversion.**

**(1) Death of Last Surviving Advisor.** In the event of death or incapacity of the advisor or the last surviving advisor appointed by the donor, refusal or unwillingness to serve or disqualification of the last successor advisor, the donor may choose to have the Fund administered under one of the following options:

(i) if the total principal balance of the Fund meets or is expected to exceed the sum of \$50,000 (or the applicable amount required under the Foundation's donor advised funds Policies), the donor may request that the Fund be administered as a permanent endowment held for the benefit of the Residuary Beneficiaries as set forth in paragraph A of this Article V;

(ii) the Fund will be liquidated and distributed to the Residuary Beneficiaries in the amounts specified by the donor. If no percentages are specified or if the charity no longer exists, the Foundation will distribute any remaining balance for charitable purposes in accordance with its grant making policies then in effect.

**(2) Failure to Advise.** In the event the Foundation has not received any communication from a donor or properly nominated advisor to a Fund for a period of two (2) full

calendar years, the Foundation will attempt to contact the last known advisor(s) to that Fund via United States mail at the last known address(es) provided to the Foundation for such donor or advisor(s). At the end of the third (3) calendar year since the date of the last communication regarding the Fund received by the Foundation, the Fund shall convert to a permanent endowment to be held for the benefit of the Residuary Beneficiaries as set forth in paragraph A of this Article V.

**C. Fund Termination.** In the event a Fund balance is below One Thousand Dollars (\$1,000.00) on December 31 of any year, the Foundation shall advise the donor or other then serving Fund advisor of the need to make an additional contribution to the Fund or provide final distribution instructions. In the event no additional contribution to the Fund is made nor any instructions received within the three (3) months of the date on which such notice is mailed, the Foundation may, in its sole and absolute discretion, distribute the remaining balance of the Fund to the Residuary Beneficiaries. If no Residuary Beneficiaries have been named, the remaining balance may be distributed to such qualified charitable organizations, including the Foundation, as the Foundation's Board of Directors, through its duly authorized staff members, shall select.

If the Fund has converted to a permanent endowment and the Funds balance is or is subsequently reduced to below Ten Thousand Dollars (\$10,000.00), the Foundation may, in its sole and absolute discretion, distribute the remaining balance of the Fund to the Residuary Beneficiaries. If no Residuary Beneficiaries have been named, the remaining balance may be distributed to such qualified charitable organizations, including the Foundation, as the Foundation's Board of Directors, through its duly authorized staff members, shall select.

**D. Fund Administration Following Conversion.** Following the conversion of a Fund to a permanent endowment, the Foundation, by and through its duly authorized staff members, from time to time and at any time shall distribute so much of the interest and/or principal of the Fund as is determined to be appropriate.

**VI. Designees.**

References to the Board of Directors, the Board, the Treasurer or any other officer of the Foundation (collectively referred to herein as "Official") named herein shall include any person and/or entity designated and duly authorized by such Official to act in such Official's capacity.