

# Individually Managed Donor Advised Funds

## Program Description and Guidelines

The Amarillo Area Foundation is pleased to provide our Partners the option of a personalized investment approach for their donor advised fund by recommending a preferred Investment Advisor of their choice.

This document describes the program's guidelines, policies, and procedures as well as the investment guidelines which must be adhered to by the Investment Advisor.

### Investment Advisors

Eligible Investment Advisors must be SEC Registered Investment Advisors (RIA), employed by a financial institution regulated by the FDIC, OCC, or be a financial advisor/broker supervised by FINRA.

### Minimum Initial Investment

A charitable fund must have a minimum initial investment of \$100,000 to be eligible to participate in the Individually Managed Funds (IMF) Program.

### Ongoing Fund Balance Minimum

If the value of the charitable fund falls below \$25,000 over a two-year period, the Foundation reserves the right to transfer the charitable fund to the investment portfolios offered by the Foundation, while maintaining the donor advised fund as a separate donor advised fund.

### Contributions

All assets subject to the Program continue to be owned solely by the Foundation and the Foundation has ultimate authority and control over all investment decisions.

### Approval of Investment Advisor

The Investment Advisor is not engaged by the Foundation until all the steps listed below are completed:

1. The Foundation has received an Investment Recommendation Form from the Donor. This form must include a recommendation to use a specific Investment Advisor.
2. The Investment Advisor has signed the Investment Recommendation Form thereby agreeing to be bound by all of the standards, policies and guidelines set forth in the IMF Program Description and Investment Guidelines.
3. Investment Advisor must verify that the Donor and the Investment Advisor are not related parties. The Investment Advisor cannot be:
  - a. A Donor or a family member of a Donor;
  - b. A person with advisory privileges with respect to the fund (a "Fund Advisor") or a family member of a Fund Advisor; or
  - c. A corporation, partnership, trust, or estate in which Donors, Advisors, or family members of Donors or Advisors collectively own more than 35% of the total combined voting power, profits, interest, or beneficial interest.

You should contact the Foundation if there are any questions regarding the application of the restrictions.

4. The Foundation must approve the recommended investment Advisor, the proposed investment strategy, the investment advisory fee, and total investment expense and proposed portfolio performance benchmarks. Once these materials and a completed *Investment Advisor Request for Information Questionnaire* are received, the Foundation will complete its due diligence procedures within a reasonable period of time.
5. Investment advisory firms participating in the Individually Managed Funds Program are required to provide proof of management, professional liability, and fidelity bond. Evidence of insurance for applicable standard business lines includes, but is not limited to, Financial Institutions Bond or Employee Dishonesty, Bankers Professional Liability/Trust Errors and Omissions, Insurance Agent and/or Financial Advisor Errors and Omissions.

## Investment Advisor Responsibilities

### The Investment Advisor Shall:

1. With the authorization of the Foundation, establish a fund account with a qualified custodian in the legal name and tax identification number of Amarillo Area Foundation with a reference to the charitable fund.
2. Acknowledge that the Foundation is the sole owner of the account and that the Investment Advisor shall take instructions (both written and verbal) only from authorized employees of the Foundation and never from the Donor who created the fund or any other related party.
3. Manage the assets in a prudent manner consistent with the Uniform Prudent Management of Institutional Funds Act (UPMIFA).
4. Act as a fiduciary.
5. Adhere to the standards, policies and guidelines set forth in this Individually Managed Funds Program Description as currently in effect and as amended by the Foundation from time to time and immediately report, in writing as practical, any violation of such standards, policies or guidelines.
6. Develop an investment strategy that supports and is in line with the Foundation's and Donor's philanthropic mission and plan.
7. Adhere to the investment strategy for which the Investment Advisor was hired. Portfolios shall be rebalanced to the agreed upon asset allocation on a regular schedule, no less than semi-annually.
8. Immediately communicate pertinent changes to the Foundation. This includes, but is not limited to:
  - Changes in senior investment personnel involved in the Foundation's relationship
  - Changes in investment style or process
  - Changes in ownership
  - Investigations of or judgement of findings against the firm or its principals, either by the SEC or any other regulatory authority as well as any lawsuits brought against the firm or its principals related to the firm's business activities.
9. Vote all proxies to increase shareholder value and to benefit the portfolio unless directed by the Foundation to do otherwise. When requested, Investment Advisors shall report to the Foundation their standing policies with respect to proxy voting.

10. Use *Best Execution* as defined by the SEC ensuring activity is in the best interest of the Foundation. Additionally, arrangements to direct commissions shall only be implemented by specific authorization of the Foundation.
11. Provide the Foundation with the following information:
- A report at the date of the gift (when the account is opened, assuming assets are transferred in) with values and quantities of each security owned.
  - A report within 10 business days of the close of each month that contains.
    - i. A detail of transactions.
    - ii. An account summary of interest, dividends, realized gains and losses and unrealized gains and losses.
  - A contact and method of making deposits and withdrawals, preferably online.
  - Upon request: Recalculation of all fees charged including advisement, custody, fees at the investment manager level, embedded management fees within mutual fund, commingled funds, etc.
  - Provide other information to the Foundation as requested.

## Foundations Fees

The Amarillo Area Foundation assesses administrative fees to cover the cost of administration and to continue its important work in the community. Fees provide the necessary resources to operate efficiently and effectively, enduring fiscal responsibility, grant due diligence, donor and nonprofit education, research, and other activities. The Administrative fee schedule is as follows:

<b>\$100,000</b>	<b>to</b>	<b>\$500,000</b>	<b>=</b>	<b>1.25%</b>
<b>\$500,000</b>	<b>to</b>	<b>\$1,000,000</b>	<b>=</b>	<b>1%</b>
<b>\$1,000,000</b>	<b>to</b>	<b>\$2,500,000</b>	<b>=</b>	<b>.6%</b>
<b>\$2,500,000</b>	<b>to</b>	<b>\$5,000,000</b>	<b>=</b>	<b>.55%</b>
<b>\$5,000,000</b>	<b>+</b>		<b>=</b>	<b>.50%</b>

## Investment Advisor Expense

The Foundation may pay the Investment Advisor a mutually agreed upon and reasonable investment advisory fee specific to the Individually Managed Funds Program assets which will be charged to the Fund in addition to the Foundation's administrative fee. An investment advisory fee will not be paid on Fund balances managed in the Foundation's other investment portfolios.

Any direct investment expenses not included in the investment advisory fee (such as brokerage fees and commissions, custody, mutual fund operating expenses.) that are incurred by the Foundation will be charged to the Fund.

The Foundation requires the total of all fees for advisement, custody, fees at the investment management level (including embedded management fees with mutual fund, ETFs, commingled funds, etc.) to be reasonable, considering the amount managed, the investment strategy, the type of investments employed, and fees charged by other advisors for comparable services.

## Changing or Terminating an Investment Advisor

A donor may recommend new Investment Advisors provided they meet the eligibility requirements and are approved by the Foundation. If needed, a list of Investment Advisors is available from the Amarillo Area Foundation's Panhandle Philanthropy Inc.

The Invest Advisor may be changed or terminated by the Foundation at any time for any reason, with or without cause. In general, prior to termination of an Investment Advisor, the Foundation will notify the Fund's primary contact and discuss other investment options for the assets.

In the event an Investment Advisor is not available to manage the assets for any reason, the assets will be invested in the Foundation's other investment portfolios.

## Reports

The Amarillo Area Foundation will provide the Fund's primary contacts with a quarterly statement showing balances, contributions, grant, and investment activity. The Foundation will provide additional performance information upon request.

## Amendment

The Individually Managed Funds Program and all activities of the Amarillo Area Foundation are subject to the terms and conditions of the Donor's Fund Agreement, the Investment Policy of the Amarillo Area Foundation, the Individually Managed Funds Program Description, and the Foundation's donor advised funds policies. The Board of Directors reserves the right to modify the Individually managed Funds Program.

# Fund Distribution Request

## INSTRUCTIONS FOR USE

Please use this form when requesting a grant distribution from your fund. Mail, fax or email the completed form to the address, fax number or email listed below. There is also a digital form that can be completed on our website at: <https://www.amarilloareafoundation.org/daf-request/>

## APPROVAL PROCESS

Upon receipt of your request, the Amarillo Area Foundation staff will review the form to ensure that all necessary information is included and verify that the organization is a nonprofit organization in good standing with the IRS. Following board approval, a grant is made to the organization. Included with the check will be a letter identifying your Fund as the source of this grant.

## REQUESTS THAT DO NOT MEET IRS REGULATIONS (Please Read carefully)

We appreciate the opportunity to assist you in your charitable giving. As a part of that service, it is important to comply with IRS regulations regarding charitable funds. In exchange for an irrevocable gift to a charitable fund, you received a tax deduction. To preserve the integrity of that deduction, The Amarillo Area Foundation cannot honor certain grant requests. Following is an explanation of requests that would NOT qualify.

- **Memberships:** this request would result in a membership benefit to you. There are specific IRS rules regarding the deductibility of contributions for which donors receive a benefit. For example, when an individual pays for a membership to an organization and receives parking privileges, then the amount of the membership less the value of the parking privileges becomes the deductible amount. The rules are no different for contributions to charitable funds. Since donors receive a full tax deduction when a contribution is made to a fund at Amarillo Area Foundation, a distribution from such fund may not be used to pay for memberships in which the donor receives goods or services in exchange.
- **Dinners/Events:** the request would result in a benefit to you. There are specific IRS rules regarding the deductibility of contributions for which donors receive a dinner as part of the cost of the ticket, then the amount of the ticket less the value of the dinner becomes the deductible amount. The rules are no different for contributions to charitable funds. Since donors received a full tax deduction when the contribution is made to the fund at Amarillo Area Foundation, a distribution from such fund may not be used to purchase tickets, or tables to galas, or any other type of charitable contribution in which the donor receives goods or services in exchange.

I(We) respectfully recommend that the Board of Directors consider a distribution or distributions as follows from the:

**Name of Fund:** \_\_\_\_\_

**Fund #:** \_\_\_\_\_

**To:**

Organization:	Amount: \$	
To Attention of:		
Address:		
City:	State:	Zip:
Purpose:		

Organization:	Amount: \$	
To Attention of:		
Address:		
City:	State:	Zip:
Purpose:		

**Requested By:**

Name:		
Address:		
City:	State:	Zip:

In making this request I understand that this recommendation is advisory only and that final authority over all distributions made by the Foundation rests with the Amarillo Area Foundation Board of Directors, whose authority it is to ensure that all grants are made for charitable purposes consistent with Internal Revenue Service guidelines and within the mission of the Amarillo Area Foundation.

***I attest that the recommendation(s) above will not result in any tangible benefits, foods, or services such as membership, dinners, tickets, table purchases, etc. by any individual or entities connected with the Fund.***

**Date:** \_\_\_\_\_ **Signature:** \_\_\_\_\_

Please mail, fax, or email the completed request as indicated below:

801 S. Fillmore Ste 700 · Amarillo Texas 79101  
[gifts@aaf-hf.org](mailto:gifts@aaf-hf.org) · (806) 376-4521 (fax)