

**POLICY FOR UNRESTRICTED FUNDS  
OF  
EAST TEXAS COMMUNITIES FOUNDATION**

The East Texas Communities Foundation ("Foundation") encourages donors to contribute unrestricted funds to allow the Foundation to be responsive to changing community needs. The Foundation has adopted the following policy governing unrestricted funds:

1. **Agreement** – Whenever possible, gifts to the unrestricted fund should be accepted pursuant to a written agreement between the Foundation and the donor, and all unrestricted funds shall be subject to the Foundation's articles of incorporation, bylaws and this policy, as amended from time to time. Many other gifts, including testamentary gifts, unsolicited gifts, anonymous gifts, designations of investment income, and transfers from other Foundation accounts pursuant to conditions of other fund agreements, will likely not include a written fund agreement.
2. **Board Approval** - Without prior approval of the Board of Directors, the President/Executive Director of the Foundation is authorized to act on behalf of the Foundation to receive gifts to the Foundation's Unrestricted Fund according to the terms set forth in the policies adopted by the Board of Directors. The Foundation will maintain a standard Unrestricted Fund Agreement Form with the Policy for Unrestricted Funds. Any material variation from the standard form will require approval of a majority of members of the Policy Committee. The agreement will clearly state the absence of donor restrictions with regard to the investment and distribution of the funds.
3. **Ownership** - All unrestricted funds shall be component funds of the Foundation. The Foundation shall own all unrestricted funds and have sole and absolute discretion over the investment and distribution of unrestricted funds.
4. **Purpose** – The purpose of the Unrestricted Fund is to make charitable grants to programs and projects benefiting people and communities of East Texas.
5. **Recommendations** - Because this is an unrestricted gift, the donor, may not make recommendations to the Foundation regarding the investment and/or distribution of the Fund. However, the Foundation welcomes the opportunity to learn from the donor, and other members of the community, about important community needs that may be appropriate recipients of distributions from any of the Foundation's funds.
6. **Investment** – Investment income from the unrestricted fund of the Foundation shall be reinvested to increase the long-term grantmaking capacity of the fund or used to increase charitable contributions from the Foundation. In addition, the Foundation may use Unrestricted Funds to expand or support operations and programs of the Foundation.
7. **Distributions** - Distributions shall be made only to public charities as defined in Section 170(b)(1)(A) of the Internal Revenue Code (i.e., churches, schools, hospitals, government entities, and publicly supported 501(c)(3) organizations). It is the intent of the Foundation to operate the Unrestricted Fund as an endowment fund, distributing 5% of the annual balance of the fund each year. However, the Foundation, at its sole discretion, may distribute more than 5% of the fund balance to meet the ordinary or extraordinary charitable needs of the community.

**8. Approval of Distributions** - With prior approval of a majority of the Board of Directors, the President/Executive Director of the Foundation is authorized to make distributions from Unrestricted Funds.

**9. Fees**

A. **Administrative** – The Unrestricted Fund shall not be charged an administrative fee.

B. **Investment** - In addition to the amount transferred annually to the unrestricted fund of the Foundation, each fund shall be charged for any out-of-pocket expenses (such as sales commissions, third party investment management fees, or other handling fees) incurred directly by that fund.

C. **Other Expenses:** A fund may require additional professional services and administrative support from time to time which are over and above normal administrative costs. Each fund shall be charged for any out-of-pocket expenses incurred directly by that fund. Such additional costs may include consulting, legal, accounting, marketing and other fees for professional services incurred to support a specific charitable fund, or the processing of an unusually large number of disbursements or gifts.

10. **Pledges and Benefits** - No distribution from the Unrestricted Fund shall be made (a) to satisfy a written pledge or legal obligation of a donor or any other person, (b) in return for any benefit or privilege (such as gifts or tickets to events) to a donor or any other person, or (c) to any private foundation.

Board approved: May 20, 2011