"Starting the River Region Fund was an easy decision for my credit union. We avoid paying taxes on earnings by making a contribution to the donor advised fund. Then we use those funds throughout the year to directly support local charities that impact our members. It’s a great opportunity to make a local impact and support the Foundation."

– RICK NICHOLS, CEO, River Region Credit Union
A Heartland Credit Union Charitable Foundation (HCUCF) Donor Advised Fund offers many of the advantages of a private foundation without the initial set-up costs, ongoing excise taxes, and administrative expenses. By working with us, your credit union will avoid the continued compliance and reporting requirements as well as a separate accounting system to track your nonprofit’s financials. A Donor Advised Fund will simplify and improve your credit union’s charitable giving because donors (both individuals and organizations) can leverage the tax deductibility of donations.

| WHAT IS A DONOR ADVISED FUND? |

A great alternative to starting a private foundation.

A charitable fund that benefits the community and your credit union.

If your credit union is considering its own foundation, a Donor Advised Fund offers significant benefits and is an excellent way to carry out your charitable wishes. It gives your credit union the flexibility of its own foundation without the task of starting and managing a private foundation.

| COMPARE THE DIFFERENCE |

<table>
<thead>
<tr>
<th>Private Foundation</th>
<th>HCUCF Donor Advised Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Substantial set-up costs (legal, accounting, filing fees)</td>
<td>No set-up fees</td>
</tr>
<tr>
<td>5% annual distribution requirement</td>
<td>No specific annual distribution requirement</td>
</tr>
<tr>
<td>Excise taxes, typically 2% of annual income</td>
<td>No excise taxes</td>
</tr>
<tr>
<td>Responsible for all operating costs</td>
<td>Shared operating costs</td>
</tr>
<tr>
<td>Requires 501(c)(3) status, which must be maintained with the IRS</td>
<td>No need to acquire 501(c)(3) status</td>
</tr>
<tr>
<td>CU responsible for annual reporting &amp; licensing</td>
<td>Aggregated annual reporting &amp; licensing</td>
</tr>
</tbody>
</table>

| BENEFITS OF A DONOR ADVISED FUND |

- Continued donor involvement because the recipient and amount of each charitable grant is made following your credit union’s recommendation
- Ability to name your credit union’s Donor Advised Fund and market your fund to the organizations of your choosing
- Potential increase in fundraising from members and partner organizations because donations are tax-deductible
- No capital gains taxes on gifts of real estate or limited partnership interests
- Federal tax deduction up to 30% for gifts of appreciated, long-term securities
- An opportunity to support your favorite local charities, as well as any other 501(c)(3) charities in the United States
- Professional staff to assist you at any time
- No reporting requirements, administrative burdens or expenses – we handle the paperwork

hcucf.org EIN 43-1896922
Establishing a Donor Advised Fund at Heartland Credit Union Charitable Foundation is simple.

Review your charitable giving plans with your Board, financial and legal advisors. They, together with the Foundation, can assist you in determining the best type of gifts and the most appropriate assets to donate to start your Donor Advised Fund.

STEPS TO ESTABLISH A FUND

A minimum opening deposit of $10,000 is recommended. Most credit unions will want to establish an endowed Donor Advised Fund that will continue to accumulate donations and allows for grant monies to be disbursed on a continuing basis. A non-permanent fund could also be established for a one-time use after a period of time of accumulating donations.

Name the fund. You may give your fund any name you wish (subject to applicable law) and brand your fund.

Complete the fund agreement form. The Foundation will assist you in completing an agreement form.

Transfer the assets. Appreciated securities can be transferred electronically from your financial institution to the Foundation’s financial custodian. The Foundation’s accounting department will assist you in this transfer.

Optimize your fund. If desired, we may provide guidance in establishing a decision-making board or committee, an application process, decision process, funding process, and reporting process. These steps ensure that you optimize the use of your fund.

OUR GENERAL POLICIES

Investments. The Heartland Credit Union Charitable Foundation board of directors oversees the investment of all funds. Additions to funds that accrue investment returns are allocated a pro-rata share of income and market change beginning with the month following the date the addition was received.

Personal Benefit. Grants may be made only for charitable purposes, and may not result in personal benefit to any individual (other than for charitable intent, such as a scholarship). No goods or services are to be provided in exchange for any grants, nor may grants from the HCUCF satisfy any legal obligation of any individual.

Conflict of Interest Policy. Staff and volunteers of the HCUCF will identify any affiliation with organizations or individuals who are potential recipients of grants, loans or scholarships at the time the disbursement is considered. Any person in such a conflict of interest situation will not participate in a decision-making role. An incidental benefit to relatives and/or an entity controlled by a relative is considered a conflict of interest and is not permissible.

Changes to Agreements. The HCUCF has the authority to amend and/or change any of its specific fund agreements to remain in compliance with applicable laws and regulations. Other changes in agreements may be made in consultation with the donor.

Changes to Policies. The HCUCF retains the right to amend any policies in this document.

Expenses of Fund Administration. Administrative and disbursement fees will be allocated to each fund in accordance with the current fee schedule adopted by the HCUCF.

New Funds. In order to fulfill its mission, the HCUCF may develop new types of funds from time to time to meet the charitable needs of its service area.
**Frequently asked questions.**

**How do I recommend a grant?** Under IRS regulations, the HCUCF (rather than the Donor Advised Fund) is considered the legal entity making the grant. However, the Foundation relies on the recommendation of your credit union, as the donor of the donor advised fund, when making each grant. We provide an easy-to-use form for recommending grants.

**Are there any restrictions?** Yes. In accordance with IRS regulations, grants from donor advised funds may not be used to satisfy an irrevocable personal pledge or obligation of the donor, and no goods or services may be given to your credit union by the recipient organization in consideration of a grant.

**What if a charitable organization asks for a pledge?** While distributions from donor advised funds may not legally fulfill pledges, you may offer a grant to a charitable organization requesting a pledge. You will simply fill out a form recommending a grant to that organization and send it to the Foundation.

**What kind of organization may I recommend for grants?** You may recommend nonprofit public charities, schools, religious organizations, and government programs. They must be exempt under Section 510(c) (3) and 170(b) (A) of the Internal Revenue Code.

**May I recommend a grant to an individual?** No. According to IRS regulations, the Foundation may make distributions only to qualifying public charities.

**How are recommendations processed?** Once the recommending grant form is received, it will be reviewed to ensure it meets Foundation guidelines and IRS regulations. One of the benefits of having a donor advised fund with the Foundation is the assurance that your grant will always be given to qualified charities. If any information is uncovered that might lead the Foundation to question a grant recommendation, it will immediately be brought to your attention. After review, the Foundation issues a check to the charitable organization with a letter recognizing your credit union as the grantor. We may also mail your credit union the check for distribution.

**How often and when may I make distributions from the fund?** You may make recommendations at any time. Requests will be processed monthly.

**How will you keep me informed of the fund’s activity?** Quarterly you will receive a statement detailing contributions, grant making activity, investment performance, expenses, disbursement fees, and the fund balance.

**How do I make an additional contribution to the fund?** Contributions of cash, appreciated securities (both publicly traded and privately held), as well as gifts of real estate and certain other assets such as partnership shares, are eligible as contributions to your endowed fund.

**How is the disbursement fee structured?** For both endowed and non-permanent funds, the annual disbursement fee is calculated using the following fee schedule:

<table>
<thead>
<tr>
<th>Annual Disbursements</th>
<th>Annual Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to $9,999</td>
<td>6%</td>
</tr>
<tr>
<td>$10,000 to $49,999</td>
<td>5%</td>
</tr>
<tr>
<td>$50,000 to $99,999</td>
<td>4%</td>
</tr>
<tr>
<td>$100,000 to $249,999</td>
<td>3%</td>
</tr>
<tr>
<td>Over $250,000</td>
<td>2%</td>
</tr>
</tbody>
</table>

FOR MORE DETAILS:

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