

THE ADIRONDACK TRUST COMPANY COMMUNITY FUND

DONOR ADVISED FUND PROCEDURES

Effective Date: 11/13/2008

Revised: 6/23/09

The procedures below describe The Adirondack Trust Company Community Fund (the "Community Fund") operations with respect to Donor Advised Funds. If you should have any questions concerning the procedures, please do not hesitate to contact John Fullerton at 518-584-5844. Please note that in order to comply with changes in the law and prudent best practices, the Community Fund reserves the right to amend these procedures in its discretion from time to time without prior notice. Donors shall be notified in writing of any such amendments.

I. DONOR ADVISED FUNDS

A Donor can establish a Donor Advised Fund with the Community Fund with a minimum contribution of Twenty Thousand Dollars (\$20,000.00). Additional charitable contributions can be added at any time with a minimum contribution of One Thousand (\$1,000.00). Donors may then recommend grants of Two Hundred and Fifty Dollars (\$250.00) or more to any qualifying public charity.

NOTE: Recent tax law changes limited the potential grantees from a donor advised fund. The Adirondack Trust Company Community Fund will only make distributions from a Donor Advised Fund to domestic public charities described in Internal Revenue Code ("Code") Section 509(a)(1) or (2) or Type I or II supporting organizations described under Code Section 509(a)(3). The community Fund will work with donors on these designations to assure that grants are compliant with federal law. All requests for distributions to supporting organizations, as defined in Code Section 509(a)(3) must include (a) a statement that the supporting organization is not controlled, directly or indirectly, by any member of the Advisory Committee of the Community Fund or family member of such individuals (as defined in Code Section 4958); and (b) information regarding what Type of supporting organization the organization is.

Upon establishing a Donor Advised Fund, the Donor will either act as or designate Fund Advisor(s) who will have the privilege of making grant recommendations to the Community Fund. The actual designation of Fund Advisor(s) shall be contained in the Donor Advised Fund Agreement.

II. GENERAL INFORMATION

a. Funds are Owned and Controlled by the Community Fund

Each Fund is considered part of the Community Fund and is governed by the Donor Advised Fund Agreement and these Procedures. The Community Fund is vested with ultimate authority and control over the principal and income of each Fund.

b. Fund Names

At the creation of a Fund, the Donor has the opportunity to name the Fund. All grants made out of that Fund will carry the Fund name. The Community Fund reserves the right to reject names that it finds objectionable.

c. Investment Management

Contributions to a Fund are invested with the Community Fund's general investments as determined in the sole discretion of the Community Fund, unless marked for immediate use, in which case assets are maintained in a short-term investment pool.

d. Statements

Donor Advised Fund statements are sent to the Donor or Donor Advisor designated by the Donor on a semi-annual basis through e-mail/mail. Statements provide an overview of the past quarter, including contributions to and grants from the Donor Advised Fund, Donor Advised Fund income, charges against the Donor Advised Fund, and the Donor Advised Fund's ending balance.

e. Fees

The Adirondack Trust Company has committed to do the administration of the plan at no charge but, the Bank is entitled to charge an investment management fee. The investment fee will be waived for the first year and thereafter assessed at a rate that is a substantial discount to our standard fee schedule.

III. DISTRIBUTIONS

a. Grants Shall Follow Donor's Intent

Grants will be made from the Donor Advised Fund consistent with the written instructions given by the Donor in the Grant Recommendation Form or as provided in the Donor Advised Fund Agreement and these Procedures. If, however, the Donor's instructions are contrary to any of these documents and applicable law, then the Donor's instructions shall be modified to a degree that is necessary for compliance with these documents and the applicable law. The Community Fund is vested with ultimate authority and control over the principal and income of each Donor Advised Fund.

b. Making Grant Recommendations

Grants of \$250.00 or more may be recommended to qualified organizations as described on the Community Fund's Grant Recommendation Form. Grant recommendations are processed as expeditiously as possible following receipt of all necessary documentation from the Fund Advisor and the grantee organizations. Grants will be designated for general operating support unless otherwise noted.

c. Grants will Normally Identify the Name of the Fund

Unless otherwise requested by the Donor or Fund Advisor, any distribution shall identify the name of the Donor Advised Fund from which it is made.

d. Grants must Not Provide a Financial Benefit to Donor

The Community Fund will not make a grant that provides more than “incidental benefit” to a Donor, Fund Advisor, or family members of individual Donors or Fund Advisors. Distributions from any fund may not be used in whole or in part for any pre-existing legally binding pledge. Under federal tax law, the term “incidental benefit” includes any benefit that reduces or eliminates the charitable deduction for a distribution, such as dues, membership fees, benefit tickets and the non-charitable portion of fund-raising dinners, or goods and services bought at charitable auctions.

The Community Fund may make grants that provide a Donor or Fund Advisor with name recognition that the Internal Revenue Service has recognized as not providing the donor with more than an incidental benefit.

e. Donor Generally Cannot Control Timing and Amount of Grants

The ultimate right to direct the timing and amount of all distributions of income or principal from any fund is vested with the Community Fund. As is required by federal tax regulations, a Donor or Fund Advisor may not reserve the right to direct the timing or amount of distributions from the Fund.

f. Distribution of Net Income

The Community Fund will distribute all net income from a Donor Advised Fund prior to distributing principal from the Donor Advised Fund. The fees shall be allocated between income and principal in the Trustee's sole discretion.

g. Community Fund to Monitor Beneficiary's Compliance with Terms of Grant

The Community Fund shall periodically review the effectiveness of agencies that receive grants from Donor Advised Funds, assuring that organizations are fulfilling their responsibilities in using these grants for the Donor's and the Community Fund's objectives. Where necessary, the Trustee or Advisory Committee may initiate corrective action.

h. Low Balance Funds

If any fund's principal balance falls below \$2,500.00 at any time, the Community Fund will contact the Fund Advisor to determine if any additional contribution will be made to the Donor Advised Fund within thirty (30) days or if the Fund Advisor wishes to make a grant recommendation within thirty (30) days for the balance of the Fund. If neither occurs within thirty (30) days of contacting the Fund Advisor, then any donor restriction or donor advised privilege shall terminate and the net balance of the Donor Advised Fund shall be paid into the Community Fund's unrestricted fund.

i. Low Activity Funds

The Community Fund encourages Fund Advisors to take an active role in their Donor Advised Funds. In order to carry out its mandate of continually distributing charitable dollars, the Community Fund annually reviews the grant making activity of each Donor Advised Fund. Funds that do not recommend distributions of at least 5% of the Fund balance (as measured by the value on the last business day of the preceding year) before the first business day of the fourth quarter of each calendar year, shall be notified by the Community Fund that the Fund Advisor must provide grant recommendation(s) to the Community Fund by November 15th of the same calendar year. Failure to do so will result in the 5% minimum distribution amount being paid over from the Donor Advised Fund to the community Fund's unrestricted fund prior to December 1st, to be distributed in the same calendar year to domestic public charities that are selected and whose grant amounts are determined in the sole discretion of the Community Fund's Advisory Committee. Notwithstanding the above, the Fund Advisors of Donor Advised Funds that are created between November 15 – December 31 of any calendar year are not required to recommend distribution of at least five percent (5%) of the Donor Advised Fund balance until the calendar year following the creation of the Donor Advised Fund.

IV. FUND ADVISORS

a. Grant Recommendations

A Donor in the Donor Advised Fund Agreement may appoint Fund Advisor(s) for a Fund. The Donor shall be considered a Fund Advisor unless expressly excluded under the Donor Advised Fund Agreement. The Fund Advisor(s) may make recommendations to the Community Fund concerning grants from the Fund. If more than one Fund Advisor is appointed, then one person must be designated with the authority to communicate with the Community Fund on behalf of the Fund Advisors.

Unless contrary instructions have been made by the Donor which are consistent with these Procedures and applicable law, whenever two advisors are designated to make recommendations, they shall act by unanimous consent; whenever more than two persons are Fund Advisors, then a recommendation by a majority of such persons shall constitute a recommendation for consideration by the Community Fund.

b. Appointment of Additional and Successor Advisors

The Community Fund permits an unlimited number of advisors or successor advisors for a Fund. Request to appoint additional advisors, successor advisors or changes in advisors must be communicated to the Community Fund in writing by the original Donor. In the event an original Donor is deceased, unwilling or unable to serve, and no successor Fund Advisor is named, then a majority of then current Fund Advisors are authorized to select successor Fund Advisor(s) and to communicate their identity in writing to the Community Fund. In the event there is no surviving Fund Advisor, or he or she is unwilling or unable to serve, and no successor Fund Advisor is named, the net balance of the Donor Advised Fund will be moved to the Community Fund's unrestricted fund.

V. OTHER TAX AND LEGAL MATTERS

a. Tax Implications

Contributions made to the Community Fund shall receive the maximum charitable deduction permitted under state and federal law. Each gift to the Community Fund is acknowledged with a receipt confirming the date of the gift for the donor's tax records.

NOTE: The Community Fund is not a licensed tax advisor. Donors should work with their legal, tax and financial professionals to determine the best charitable giving strategy for their needs.

b. Requirements for Annual Grant Making

The Community Fund currently requires annual grant making from each fund of at least 5% of the value of the fund, as measured on the last business day of the preceding calendar year. The rate, currently five percent (5%), is reviewed annually by the Community Fund's Advisory Committee and is subject to change.

c. Control of Assets/Material Restrictions

In order for a contribution to be treated as a charitable gift, the IRS requires that the Community Fund retain ultimate authority and control over the Community Fund's investments, distributions and selection of beneficiaries. In addition, the IRS requires all Donor Advised Funds to be free of material restrictions imposed by Donors and Fund Advisors in accordance with the requirements of the federal tax regulations.

VI. Amendment to Donor Advised Procedures (6/23/09)

a. The Procedure on Low Activity Funds (III. i.) and the Procedure on Requirements for Annual Grant Making (V. b.) are hereby amended for the initial five years of operation of the Community Fund (ending 11/13/13); or until such time as the Community Fund has reached a market value of \$1,000,000 if attained within the first five years of operation.

The requirement that each fund make a grant of at least 5% of the value of the fund, as measured on the last business day of the preceding calendar year, is hereby waived during the above referenced period. The Community Fund's Advisory Committee will review this procedure annually until this amendment expires as described,