

Fee Structure for Funds & Services

Board approved 12-10-2015

- I. **Title:** Policy on SCF Fee Structure for Funds & Services (AP II.1.)
- II. **Purpose:** The policy herein serves to establish a schedule of fees for funds held by SCF. Fees from funds help support the work of the Foundation, thus they are named Community Development Fees (“Fees”). Also known as Administrative Fees, the amount will vary for each class and type of fund established. This policy also specifies the minimum establishing gift amount required when setting up a fund.
- III. **Definitions:**
 - A. *Fund Class:*
 - i. Endowed – as used herein, an ‘endowed’ fund is classified a permanent fund that earns dividends and gains from investment and assets are held as permanently restricted monies. The *fund type* is based on charitable purpose and philanthropic objectives.
 - ii. Non-endowed – as used herein, a ‘non-endowed’ fund is classified an unrestricted fund that does not earn dividends and gains from investment and assets are held as unrestricted monies. Usually, a short-term fund set up for a fundraising campaign or event. The *fund type* is based on charitable purpose and philanthropic objectives.
 - B. *Fund Type:*
 - i. Donor Advised – as used herein, a ‘donor advised’ fund is one in which the original donor may advise the Foundation on how to distribute funds (recommend grantees) but it is in no way binding.
 - ii. Field/Area of Interest – as used herein, a ‘field of interest’ or ‘area of interest’ fund is a restricted fund designated to benefit a specific sector of need and/or a specific interest area. They are not considered Donor-Advised Funds.
 - iii. Designated [Grantee] – as used herein, a ‘designated’ fund is established to benefit a specific charitable organization and is required to make all grant distributions payable to that organization. They are not considered Donor-Advised Funds.
 - iv. Scholarship - as used herein, a ‘scholarship’ fund is one in which a selection committee acts on behalf of the donor to solicit applications and rank eligible recipients for a pre-determined award.
 - C. *Establishing Gift* – as used herein, an “establishing gift” is the initial gift made by the Donor in accordance with the fund agreement to formally set up the fund.
 - D. *Gifts of Real and Personal Property*– as used herein, ‘gifts of real and personal property’ are those gifts made by a Donor to a fund or the Foundation which may require liquidation or sale by the Foundation (e.g. appreciated stock, art work, jewelry, a building, or land).
 - E. *Small Balance Fund* – as used herein, a ‘small balance fund’ is a fund with a balance of \$100.00 or less remaining after the fundholder has been allowed an opportunity to review at least one preceding quarter’s fund statement.

- F. *Fee Structure & Information Summary Sheet* – as used herein, refers specifically to text outlining and defining endowed and non-endowed fund fee structure terminology and schedules. (*cf.* Section VII.)

IV. **Policy:**

- A. Fees shall be charged for all funds and services and shall vary based upon the specific fund structure, and the nature and complexity of the services performed.
- B. The Board of Directors shall have the authority to waive, modify, or restructure fees. Fundholders and prospective Donor/Fundholders will be notified prior to any action that affects current fee structure.
- C. Fees shall vary based upon the services performed and the specific fund structure. A higher fee would normally be negotiated for gifts requiring increased administrative time, out of the ordinary costs and/or unusual grant requests.
- D. For endowed funds (regardless of the type) the minimum establishing gift amount required is \$10,000.00. This amount can be donated over three years, but arrangements must be made prior to signing the fund agreement.
- E. A nonprofit organization may set up an endowed fund (agency, designated or field of interest types) and pay zero fees until the fund balance reaches \$100,000. There is a \$200.00 minimum establishing gift.
- F. For non-endowed funds (regardless of the type) the minimum establishing gift amount required is \$500.00. The fund balance may drop to zero at any time, but only for those funds that have “seasonal” or event-driven contribution schedules. All other non-endowed funds must maintain a minimum fund balance equal to, or greater than \$500.00 throughout the year.
- G. For receipt of certain donor gifts (real and personal property) to a fund or Foundation, the Foundation shall charge a one-time processing fee. The fee amount shall be determined by the Board of Directors, based on negotiations with the donor.
- H. The Foundation shall write off Small Balance Funds, those with an account balance of \$100.00 or less, and such funds shall then be deemed closed. The written off fund balance including any accrued earnings shall be considered fee income to SCF.

V. **Procedures:**

- A. The fee structure and schedule for each fund at the Foundation is determined when the fund is established, and so stated in writing in the signed fund agreement.
- B. The CEO, along with other staff and Board members discuss with potential fundholders, the classes of funds and types of funds available to meet donor philanthropic objectives.
- C. The CEO provides copies of both endowed and non-endowed fee structure schedules to prospective donors to review and ask questions (*cf.* Section VII.).
- D. Endowed funds that are not established by a nonprofit organization pay fees at the end of each month based on the reconciled fund balance. The minimum annual fee is \$200.00 or 2% of the fund balance, whichever is greater.
- E. An endowed fund established by a nonprofit organization does not pay fees until the fund balance reaches \$100,000.00. Thereafter, an annual fee of 1% of the average daily fund balance will be calculated and deducted in twelve monthly increments.

- F. A cumulative, stepped-fee structure is used to calculate the monthly fee amounts. Using the schedule shown below, the fund balance in each step (tier) is multiplied by the “fee percent” assigned to that step. The amount calculated for each step is then added together to determine the cumulative total fee amount. That total is paid in twelve monthly increments, and varies with the rise and fall of the fund balance each month. APR is calculated by dividing the total annual fees by the average daily fund balance at year end (*cf.* Section VII.).
- i. For the first step, fund balances of up to \$100,000 are assessed a 2.0% annual fee.
 - ii. For the second step, the fund balance amount between \$100,000 and \$300,000 is assessed a 1.75% fee.
 - iii. For the third step, the fund balance amount between \$300,000 and \$500,000 is assessed a 1.50% fee.
 - iv. For the fourth step, the fund balance amount between \$500,000 and \$1,000,000 is assessed a 1.25% fee.
 - v. For the fifth step, the fund balance amount over \$1,000,000 is assessed a 1.00% fee.
- G. Non-endowed funds pay an annual minimum fee of \$500.00 in January of each year. For funds with little or no gift activity, this is the total annual fee. For those funds receiving a total amount of contributions greater than \$10,000.00 in one calendar year, the fee amount is calculated as 5% of total gifts received. Any fees owed in excess of the \$500.00 minimum amount, are collected December 31st. The additional fee amount is determined by totaling the amount of gifts received during the year, and multiplying that total by 5%. When the calculated amount exceeds \$500.00, only the difference is collected (*cf.* Section VII).
- H. Using the FIMS fund module, the fees due for endowed funds are calculated for each fund and journal entries automatically created and posted at the end of each month prior to reconciling bank and investment statements.
- I. Fees calculated for real or personal property shall not exceed the fee amounts as follows:
- i. *Real Estate* – 1% of the sale price of the first \$500,000, plus 0.5% of any sale price exceeding \$500,000. In addition, all transactional costs shall be paid from the proceeds of the sale, and shall be charged in addition to the administrative fee.
 - ii. *Personal Property* – A minimum fee of \$500 shall apply as an administrative fee, with a maximum of \$5,000, depending on the complexity of the disposition of the gift. All transactional costs shall be paid from the proceeds of the sale, and shall be charged in addition to the administrative fee.
- I. All Fundholders will receive a quarterly fund statement showing gifts, grants, and expenses. Fees paid are posted as an expense item. More frequent statements are available upon request, and staff is available to provide information and answer fund related questions.
- J. SCF manages all component funds and is responsible for the administration, accounting procedures, and IRS reporting requirements of all funds held.

VI. Compliance Determination:

- A. Solano Community Foundation Bylaws:
 - i. Section 17.1 Chief Executive Officer
 - ii. Section 17.2 Chief Financial Officer
 - iii. Section 20.3 Reports to Directors
- B. National Standards for US Community Foundations
 - i. National Standard #12: The Board Demonstrates Legal and Fiduciary Control
 - ii. National Standard #13 A Board Oversees Fund Management and Financial Records
 - iii. National Standard #15 The Foundation Maintains Fund Records

VII. Additional Information:

- A. SCF Endowed (Permanent) Funds Fee Structure & Information Summary Sheet (attached).
- B. SCF Non-endowed (Unrestricted) Funds Fee Structure & Information Summary Sheet (attached).

VIII. Premise/Justification: The policy herein is necessary and required for proper business conduct, transparency, and accountability.