

Adams County Community Foundation

Donor Advised Fund Policy

What is a Donor Advised Fund?

A donor advised fund defined under the Internal Revenue Code possesses three characteristics:

- The fund is separately identified with reference to the contributions of a donor or donors. For example the Williams Family Advised Fund established by the Williams family.
- The fund is owned and controlled by a sponsoring organization such as the Community Foundation.
- The donor or persons appointed by the donor expect to have the privilege of providing advice with respect to the fund's investments or distributions.

Minimum Fund Size

The Community Foundation establishes policies with respect to the minimum amount required to establish a fund and any ongoing minimum to keep the fund active. These policies and amounts are subject to change at any time.

Nonpermanent Donor Advised Fund - The minimum initial gift to establish a nonpermanent donor advised fund is \$1,000.00. A balance of \$100.00 must be maintained to keep the fund active. The advisors are expected to give a minimum of \$1,000 to charitable organizations through their fund each year.

Endowed or Quasi-Endowed Donor Advised Funds – An endowed or quasi-endowed donor advised fund may be established with a gift of \$25,000.00 or a gift of any amount with a pledge of \$25,000.00 within five years. The fund must reach \$25,000.00 (and maintain that balance or higher) before the fund is eligible to make grant distributions.

The Community Foundation's Inactive Funds Policy shall apply to all fund types. The Community Foundation President or Board Chair may waive the minimum fund requirement and/or Inactive Funds Policy if such action is in the interest of the Community Foundation and charitable needs of the community.

Contributing to a Fund

All gifts to any fund at the Community Foundation are irrevocable. The assets of donor advised funds are owned and controlled by the Community Foundation, as with the assets of all funds at the Community Foundation. As long as the fund meets the minimum balance requirements, contributions to a fund may be made in any amount

and at any time. **However, if a fund has been inactive for an extended period, as determined by the Community Foundation, the Community Foundation may decline a donation to a fund unless that gift will bring the fund above the required minimum.**

Contributions may be made using cash, publicly traded securities or other property, including closely held stock, partnership interests, real estate, personal property, trusts and life insurance. Contributions are subject to acceptance by the Community Foundation. Contributions should be clearly designated by fund name: "The XYZ Fund of Adams County Community Foundation, Inc."

Many donors make contributions using appreciated, publicly traded stock that has been held for longer than a year, to enjoy maximum tax benefits. Contributions of property that may not have immediate liquidity are accepted at the discretion of the Community Foundation and subject to completion of the Community Foundation's due diligence procedures. Donors considering a gift in any form other than cash should contact the Community Foundation to discuss its appropriateness and to obtain delivery instructions. The Community Foundation may assess fees to recover any costs of processing illiquid assets.

Variance Power

Some donor advised fund agreements restrict distributions to a specific charitable purpose, such as education or the environment. Others may limit distributions to particular named organizations. These restrictions may apply from the inception of the fund or may come into effect in phases or at the conclusion of the advisory period. Any such restrictions are subject to the Community Foundation's variance power which allows modification by the Community Foundation if it determines, in its sole discretion, that the restriction or condition is unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served.

Fund Advisors

The initial advisors to the fund are those persons named in the fund agreement. The fund's founder, meaning the person who establishes the fund, may name the initial advisors to the fund and up to two generations of successor advisors. The founder may recommend a process for selection of successor advisors, said process being subject to final approval by the Community Foundation with consideration of the charitable interests of the Community Foundation and the community.

If at any time there is more than one advisor to the fund, the advisors will appoint a designee and all communications to and from the Community Foundation will be

through the designee. If no designee has been appointed, the Community Foundation will consider the first advisor named in the agreement to be the designee.

In the event of a disagreement among multiple advisors, the Community Foundation, in its sole discretion, will make the final determination to resolve the issue.

Recommending a Grant

Grants must be for charitable purposes. The minimum grant amount is \$100.00.

Advisors may recommend grants to any organization described in section 501(c)(3) of the Internal Revenue Code except that the Community Foundation does not make grants to private foundations. You may also recommend grants to most units of government (e.g., public schools, colleges and universities, towns and municipal governments, police departments, public libraries, etc.).

The Community Foundation does not make grants from donor advised funds, even for charitable purposes, to other types of nonprofit organizations (non-charities) or to businesses. Examples of organizations to which the Community Foundation will not grant include social welfare organizations (501(c)(4), e.g. civic leagues, homeowners associations; veterans' organizations; private cemeteries; Chambers of Commerce and similar business associations; fraternities and sororities; social clubs; and fraternal organizations such as Elks and Moose.

On rare exception and only when in the charitable interests of the community served, the Community Foundation is willing to consider grants from DAFs to non-charities. In this case, recommendations must be accompanied by an application for funding from the entity including proof of charitable purpose and detailed description of the documentation procedures that will track the charitable use of the funding. If approved by the Community Foundation, the grant will be subject to a grant agreement which will include the requirement to provide any and all information requested by the Community Foundation necessary to document the charitable use of the funds provided. In this case, the Community Foundation may pay the grant upon completion of the program funded and acceptance of proof of the charitable use of the funds.

The Community Foundation makes grants to US organizations that carry on their work in the US or other countries. However, the Community Foundation does not make grants from donor advised funds to non-US organizations or governmental entities.

All grant recommendations are subject to final approval by the Community Foundation. Grant recommendations are considered on a schedule established by the Community

Foundation. The Community Foundation may require additional information up to a detailed grant application to establish the charitable purpose of the recommended grant.

From time to time the Community Foundation may bring to the advisor's attention grant making opportunities in which the advisor may have an interest. The advisor is not obligated to recommend a grant for the identified program. Donors shall be furnished with lists of the unmet charitable needs of the community as determined by the Community Foundation from time to time. Advisors may also state a preference for programs in areas of particular interest.

Competitive Grant Application Management

Donor advised funds seeking an impact in a specific area may be part of the Community Foundation's competitive grant application cycles. Applications will be received and processed for \$5,000.00 or more using the Community Foundation's Adams County Grants application form, guidelines, and systems.

Application forms used will be approved by the Community Foundation to ensure careful stewardship of the time and talent of local nonprofit organizations. The Community Foundation will not facilitate the request for information that the advisors do not review.

Grant Restrictions

The Internal Revenue Code prohibits grants to individuals from donor advised funds. Grants for political contributions or to support political campaigns are prohibited.

Grants may not result in benefits, goods, or services to the donor, the fund advisor, members of their families, their colleagues, and businesses they control. Failure to observe this restriction can subject the fund advisor to tax penalties. Benefits include the payment of legally binding pledges, event tickets, free admission, meals, sponsorships, registration fees, discounted merchandise, preferred parking and/or seating, and memberships unless the membership confers nothing of value. Please contact the Community Foundation if you have specific questions about whether a grant you are considering recommending will result in a prohibited benefit.

Payments from a Donor Advised Fund

Expense reimbursements, loans, compensation, and other similar payments are not permitted from a donor advised fund to a donor, fund advisor, or related party.

Grant Acknowledgment

Unless other arrangements have been made (e.g. anonymity requested), the grant letter will indicate that the contribution is from "The XYZ Fund of Adams County Community

Foundation, Inc.” and that it has been given upon the recommendation of the named advisor and the advisor’s address for grant acknowledgment. The recipient organization is encouraged to recognize the grant to the advisor.

Additional language confirms that no benefits have been offered or provided to the Community Foundation or the advisor in exchange for the accompanying grant. If the recipient organization publishes a news release or a list of donors, the contribution should be listed as a grant from “The XYZ Fund of Adams County Community Foundation, Inc.” If the recipient organization receives grants from multiple donor advised funds, grants may be acknowledged from “Adams County Community Foundation, Inc.: XYZ Advised Fund, ABC Charitable Fund, [list all Fund Names]” in the giving level for the sum of the grants for the period recognized.

Fundraising

Donors may invite others to add irrevocable gifts to their advised funds. The Community Foundation’s policies on fundraising are attached to this document. See Fundraising Policy for Component Funds. In summary, the Community Foundation does not permit donor advised funds to conduct special events or fundraisers other than solicitation of gifts directly to the Community Foundation. Fundraising must be approved in writing by the Community Foundation in advance of any requests for funds. If permitted, all activity must strictly adhere to the guidelines in the policy and to any additional restrictions imposed as a condition of the Community Foundation’s consent. The Community Foundation will assess fees to the fund to offset any expenses incurred by the Community Foundation.

Investments

The Community Foundation has the sole responsibility and authority for investment of the assets of each Donor Advised Fund. Decisions with respect to the retention, investment, or reinvestment of assets and with respect to pooling of assets shall be made by the Community Foundation’s Investment and Finance Committee or Board of Directors, as the Community Foundation determines. Donor Advised Funds are customarily invested and pooled with assets of other funds of the Community Foundation to lower the costs of investing and maximize total return.

Nonpermanent funds typically are not invested due to the spendability of the assets in the fund. The Community Foundation may consider exceptions for funds with balances over \$500,000 and funds that are accumulating assets for a major distribution in the future.

When the size of a fund warrants separate investment consideration, typically for endowed funds over \$2,500,000, the Community Foundation will endeavor to accommodate requests from donors for separate investment of fund assets, or use of a particular investment manager, broker or agent in accordance with the Community Foundation's Investment Policy and always subject to Community Foundation control. The Community Foundation's long-term investment objective is to preserve the real value of its permanent funds. This means that the Community Foundation seeks a total rate of return that supports the Community Foundation's grantmaking, expenses, investment fees, and inflation. The Community Foundation will normally measure whether it has achieved that objective over a rolling twelve quarter period.

The Community Foundation appoints an investment consultant and investment managers from time to time to carry out some of its investment management responsibilities with respect to its invested asset pool and other special accounts. Investment results are not guaranteed. Investments may lose value.

Fees and Minimums

The Community Foundation assesses fees, including investment management fees, against all its funds to cover the cost of administration and to continue the Community Foundation's important work in our community. Fees provide the necessary resources to operate efficiently and effectively, ensuring fiscal responsibility in grant due diligence, donor and nonprofit education, research, and other activities and programs that improve the quality of life in the community.

The Community Foundation's current administrative fee schedule for donor advised funds is outlined in its Charitable Fund Fee Structure. (attached)

All investment or transaction fees shall be charged to the fund. If invested, investment management fees vary depending on the investment manager chosen. Investment fees for pooled investments are 60 basis points on average.

The Community Foundation may assess the Fund to cover any unusual expenses incurred in connection with the contributed assets, including the cost of disposing of them, and in the administration of the fund.

All fees are reasonable and within industry guidelines. Any change in fees is reported in advance to the fund representative. The fund statements clearly report all fees charged to the fund.

Inactive Funds

In order to protect the charitable intentions of the donor(s) when a fund has become inactive or fails to meet the minimum fund size within the required timeframe, the Community Foundation's Inactive Fund Policy will be implemented.

The Community Foundation will work to observe donor intent, as determined by the documentation of the fund, wherever reasonable based on fund size, information available to the Community Foundation about planned gifts, and other factors affecting operations of the fund.

See the Adams County Community Foundation's Inactive Funds Policy for more information.

Termination

Unless otherwise specified in the fund agreement, upon the death, resignation or incapacity of the last advisor to the fund, or if the fund is determined to be inactive, the assets of the fund will become a part of the Community Foundation's unrestricted permanent endowment unless another fund or grantee is designated in the fund agreement. If the principal balance of the fund exceeds \$10,000.00, the fund will be maintained as a separate named endowed fund for discretionary purposes or as a field of interest, if the donor(s) or successor-advisor(s) have specified in writing one or more broad fields of interests for the fund.

Attachments: Charitable Fund Fee Schedule

Inactive Fund Policy

Adopted by the Board of Directors: _____

Board Secretary: _____