



THE COMMUNITY FOUNDATION
of Shelby County

Build Today...Dream for Tomorrow

Fund Policy:
Donor Advised
Charitable Funds

What is a Donor Advised Fund?

According to the Pension Protection Act of 2006, a Donor Advised Fund must possess three characteristics:

- It must be separately identified with reference to the contribution of a donor or donors. For instance, the XYZ Family Fund is established by Mr. & Mrs. XYZ and their children.
- It must be owned and controlled by a sponsoring organization, such as the Community Foundation of Shelby County (“Community Foundation”),
- The donor or a person appointed by the donor must have, or must reasonably expect to have, the privilege of providing advice with respect to the fund’s investments or distributions.

Establishing and Building a Charitable Fund

The Charitable Fund is established with two things: **a signed fund agreement and a gift**, both of which must be accepted by the Board of Trustees (“Board”).

Minimum Size

The minimum asset size for most charitable funds is \$25,000 which may be accumulated through a single or several gifts and over a period of 60 months. The initial gift must be at least \$5,000. Funds that do not achieve or maintain the asset minimum within 60 consecutive months may be incorporated into another charitable fund or ‘spent down’ to deplete the principal. The minimum asset size requirement may be waived if there is an indication from the establishing donor that a deferred or planned gift will raise the asset level above the minimum at some time in the future.

Continuity of the Fund

Donors may outline in the charitable fund agreement whether principal (gifts to the charitable fund) may be retained or disbursed. Charitable funds that retain principal are referred to as ‘endowed’ and are governed by a disciplined spending approach called a Spending Policy. A Spending Policy Information Sheet is available and gives more explanation. Charitable funds that enable the spending of income and principal are considered non-endowed and are not required to abide by the Spending Policy.

Component of the Community Foundation of Shelby County

The Board retains the right to refuse to accept any charitable fund for any reason. Each charitable fund is a component of the Community Foundation and shall be subject to its Articles of Incorporation and Code of Regulations, each as amended and restated from time to time. The governing documents and fund agreements are subject to amendment by the Board to comply with any relevant Federal or State statute or regulation.

Giving to a Charitable Fund

Gifts to charitable funds within the Community Foundation are tax deductible to the highest amount allowed by law, which varies depending upon gift type. By law, gifts to a Donor Advised Fund are irrevocable and assets are owned and controlled by the Community Foundation.

Several types of gifts may be used to create a charitable fund including cash, publicly traded securities, privately held stock, real estate, personal property, trusts and life insurance. Please see the Foundation's Gift Acceptance Policy for information and conditions.

Gifts may be added at any time and in any amount. Delivery instructions (such as our investment account numbers) for non-cash gifts are available upon your request. When sending a gift in the form of a check, please make your check payable to: **Community Foundation of Shelby County. Add the name of the fund on the memo line or in an accompanying note.**

Advisory Committee Involvement

Donor advisors have the opportunity to stay involved with the charitable fund by offering recommendations for grants and investment structure.

Authorized Advisor

If at any time there is more than one advisor to the fund, a majority of the advisors will, in writing, appoint one from among the advisory committee to act as the Authorized Advisor and all communications to and from the Foundation will be through the Authorized Advisor. If no Authorized Advisor has been appointed, the Foundation will consider the first advisor named in the agreement to be the Authorized Advisor.

Donor advisors should update contact information whenever necessary and inform the Foundation of changes in the involvement of the Authorized Advisor, other advisors or successors. Please see the section regarding 'The Future of the Fund' for successor advisor and fund transition information.

Granting

Fund advisors may recommend grants at any time and in any amount and to qualified not-for-profit organizations, as noted below. Grant checks identify the charitable fund issuing the grant, unless the donor advisors request anonymity. Distributions from a donor advised fund have no tax impact for the donor, as a gift to the Community Foundation for the Donor Advised Fund was the tax-deductible event.

Donor Advised Fund grants are written only for charitable purposes and typically to organizations that have a 501(c)(3) tax exemption and are described in Section 170(b)(1)(A). You may also recommend grants to most units of government, such as a public school or municipality, or to other charitable funds within the Community Foundation.

Recommendations

Grant recommendations should, whenever possible, be made in writing to avoid confusion over amount and organization name or special instructions. Acceptable forms of providing a grant recommendation include a signed note or Grant Recommendation form, an email from the donor advisor's email address or, if necessary, a verbal communication from the donor advisor.

Recommendations should include the following:

- Organization name and mailing address
- Grant amount
- Special instructions to include with the grant check, such as 'In Memory of' or a specific account to receive the grant. (ie: Annual Campaign or Building Fund)

Grant checks for approved grants are issued on a weekly basis. Checks may be mailed to any local or national charity's office or returned to the donor advisor for personal delivery. Monthly or quarterly grants may be scheduled. The full amount of the scheduled grants must reside in the fund and will be accrued.

It is the Community Foundation's general practice to follow donor advisor recommendations; however, **as a component fund of the Community Foundation, the final decision regarding all distributions from the Fund shall lie with the Board.**

Community Grants Opportunity

During the Community Foundation's Community Granting cycles, donor advisors receive the list of organizations seeking grants from our community granting and field of interest funds. There is no obligation to support these requests, but they offer insight into current needs of local organizations. Should an advisor wish to recommend a grant in the full or partial amount, please contact the Community Foundation as noted above for other types of grants.

Grant Restrictions

Certain types of grants prohibited by the Pension Protection Act of 2006 will not be issued, including:

1. Grants to individuals or to organizations for the benefit of specific individuals
2. Grants or other payments to donors, advisors or related parties
3. Grants for non-charitable purposes.

Upon receipt of a grant recommendation from you, the CFSC staff will complete our due diligence process and follow expenditure responsibility procedures, as appropriate, to comply with law regarding various types of organizations that may or may not receive grants. See the Process for Due Diligence and Expenditure Responsibility sheet for details.

If an organization recommended for a grant does not have an IRS 501(c)(3) tax exemption, we will work through a process known as ‘expenditure responsibility’ to legally attempt to provide a grant. In some cases, if an organization cannot meet our requirements or a grant is not written for a legally-permissible purpose, we will inform you that the grant recommendation must be denied.

In accordance with the Pension Protection Act of 2006, donor advised fund grants may be issued to 501(c)(3) charities that have a 509(a)(1) or 509(a)(2) status and to 509(a)(3) Type I, II or III functionally integrated supporting organizations. Grants to not-for-profit organizations that do not have a 501(c)(3) status or are 509(a)(3) Type III non-functionally integrated supporting organizations (or other types of supporting organizations if the organization they are supporting is controlled directly or indirectly by either the donor, advisor or a related party) may be permitted if the organization satisfies expenditure responsibility requirements.

Grants will not be issued under certain circumstances. The following restrictions apply to fund donors, advisors and related parties, including family members and employees.

Grants will not be issued for the following purposes:

- ◆ To an individual (such as payment of a scholarship award or a gift to a specific person who you want to support) Grants may go to organizations that help others or to other scholarship funds.
- ◆ To satisfy pledges (e.g. a signed personal commitment to make future gifts);
- ◆ To provide a loan, compensation or similar payments or to reimburse individuals for expenses incurred because of the Donor Advised Fund;
- ◆ To pay for dinners, entertainment, golf tournaments, tickets to events and other benefits of more than an incidental value. Grants cannot be used to cover the cost of tickets for a charity dinner or entertainment, even if the donor advisor does not use the tickets;

- ◆ To pay a membership in an organization such as a fraternal or veterans organization or a nonprofit golf or fitness club. Donor Advised Funds may be able to support foundations associated with these organizations, so long as no membership benefit is given in return for the contribution;
- ◆ To purchase raffle tickets, games of chance, or charity auction items; or
- ◆ To private foundations, to political campaigns, or for lobbying purposes.

Investment and Fees

The Community Foundation maintains three portfolios to invest charitable fund assets: Conservative, Balanced and Growth. Information and a discussion about the goals of your fund are an important part of establishing a fund and providing for its ongoing use. Please contact a member of our staff for current information on asset allocation, return and risks.

A donor may provide a recommendation regarding the investment of a charitable fund's assets, but the Board of Trustees of the Community Foundation, by law, retains final control over investment decisions. Assets of a charitable fund are co-mingled and invested by the Foundation with input from an investment consultant. The Foundation separately accounts for each charitable fund.

Administrative and investment fees are assessed according to the Foundation's Fee Schedule.

Fund Statements

Monthly reports are provided to those who you have authorized. A password-protected, online portal is also available, which allows viewing of the fund's activity at any time.

The Future of the Fund

Donor Advised Funds are typically advised by the original donor(s) and/or an Advisory Committee, often comprised of family or an appointed committee. If desired, the donors may name successor advisors involving the next generation of their family (one generation). Donor advised funds that are advised by a non-donor committee may provide input regarding successors, but advisors shall be appointed by the Board of Trustees.

You may designate in the fund agreement, a date or an event upon which the advisory committee ceases to exist. At such time as there are no longer donor advisors or an Advisory Committee, as stated in the Fund Agreement, Funds whose balance is less than a Transition Minimum (currently \$100,000) will liquidate into the Community Impact Fund or another unrestricted community granting fund at the Community Foundation.

A Fund whose asset balance exceeds the Transition Minimum may choose to continue as a named fund and transition its purpose to Community Granting (default), to one Field of Interest or to a Designated Fund with up to three 501(c)(3) organizations named to receive grants. Funds in excess of \$1 million may transition to Community Granting (default), to one Field of Interest or to a Designated Fund with up to five 501(c)(3) organizations named to receive grants. Should a designated organization cease to exist, its share of grant dollars will be divided among remaining organizations. When all designated organizations cease to exist, the Fund transitions to Community Granting or one Field of Interest.

When the fund transitions to another type of fund, the policy for that type must be followed. Should the donor wish to divide the fund at a point in time, the resulting funds must meet the minimum asset requirements for charitable funds at the time the funds are divided.

Advisors who fail to provide a grant recommendation for 36 consecutive months will cause the committee to cease and the Board shall have the right to transition the Fund as noted above.

Policy Revisions

Donor Advised Fund agreements may be grandfathered regarding policy changes, except for changes made to comply with law. If a fund agreement is amended, the fund policy in force at the time will be implemented and written into the revised agreement, as applicable.