

## **CAPITAL REGION COMMUNITY FOUNDATION**

### **DONOR-ADVISED FUND POLICIES**

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#### **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 Smith Family Fund established by the Smith family children.
- The fund is owned and controlled by a sponsoring organization such as the Community Foundation.
- The donor or people 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 minimum amount to establish a named donor-advised fund is \$50,000. Note that these policies and amounts are subject to change at any time.

#### **Contributing to a fund**

Gifts to a fund are irrevocable. The assets of donor-advised funds are owned and controlled by the foundation. Contributions to a fund may be made in any amount and at any time. 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 foundation and subject to the terms of the foundation's gift acceptance policy.

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 foundation and are subject to completion of our due diligence procedures. Donors considering a gift in any form other than cash should contact the foundation to discuss its appropriateness and to obtain delivery instructions.

Please note: federal law does not allow IRA Qualified Charitable Distributions to fund donor-advised funds.

#### **Variance provision**

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 at the conclusion of the advisory period. Any such restrictions are subject to modification by the 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 people named in the fund agreement. Donor-advised funds generally are limited to one generation of successor advisors after which time the fund becomes either unrestricted or a field of interest fund, or as otherwise specifically stated in the fund agreement.

If at any time there is more than one advisor to the fund, the advisors will appoint a designee and all communication to and from the foundation will be through the designee. If no designee has been appointed, the foundation may require unanimity, or may apportion advisory rights in a manner it considers fair and appropriate under the circumstances.

## **Recommending a grant**

Grants must be for charitable purposes. The recommended minimum grant amount is \$500 to ensure meaningful impact on the nonprofit.

You may recommend grants to any organization described in section 501(c)(3) of the Internal Revenue Code with the exception of private foundations, which the foundation does not support. You may also recommend grants to most units of government (e.g., public schools, colleges and universities, town and municipal governments, police departments, etc.) and churches.

The 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 foundation will not grant include social welfare organizations and service clubs such as Rotary (501(c)(4)); chambers of commerce and similar business associations; fraternities and sororities; and social clubs, but the foundation reserves the right to make grants to certain 501(c)(4) organizations if it agrees to exercise fiscal oversight of the grant. The foundation will not approve grants that transfer amounts to Donor Advised Funds held by other institutions.

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

The foundation must receive grant recommendations in writing through its secure, password-protected online donor portal, or through the use of its grant recommendation form (also available for donors to complete electronically through the foundation's website) or via email communication. The foundation cannot receive grant recommendations verbally due to auditing requirements. After approval from the community foundation staff, grant recommendations are processed by the finance department for disbursement. Recipients should normally receive their funds within 7-14 business days from the date of the initial grant recommendation.

From time to time the foundation may bring to the advisor's attention grantmaking opportunities in which the advisor may have an interest. The advisor is not obligated to

recommend a grant for the identified program. Donors may be furnished with lists of the unmet charitable needs of the community as determined by the foundation from time to time.

### **Grant restrictions**

The Internal Revenue Code prohibits grants to individuals from donor-advised funds, including scholarship grants directly to individuals. Also prohibited are grants for political contributions or to support political campaigns. Grants may not result in benefits, goods or services to the donor, the fund advisor, members of their families, and businesses they control. Failure to observe this restriction can subject the fund advisor to tax penalties. Benefits include the payment of pledges, event tickets, meals, sponsorships, registration fees, discounted merchandise, preferred parking and/or seating, and memberships unless the membership confers nothing of value. Please contact the 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 the Capital Region Community Foundation" and that it is being given upon the recommendation of the named advisor. The recipient organization is encouraged to acknowledge the gift to the advisor and also to the foundation. Additional language confirms that no benefits have been offered or provided to the foundation or the advisor in exchange for the accompanying grant. If the recipient organization publishes a news release or a list of donors, it is asked to indicate the contribution as a grant from "The XYZ Fund of the Capital Region Community Foundation."

### **Fundraising**

As set forth in the foundation's donor-initiated fundraising policy, the foundation does not permit other individuals or entities to undertake fundraising campaigns or events on the foundation's behalf.

### **Investments**

The 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 commingling of assets shall be made by the foundation's investment committee, as this function has been delegated by the board of trustees to the investment committee. Donor-advised funds are customarily invested and commingled with assets of other funds of the foundation.

The foundation's investment objectives are set forth in its investment policy statement.

The 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.

### **Fees and minimums**

The foundation assesses fees, including investment management fees, against all its funds to cover the cost of administration and to continue the 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. Fee schedules are on file at the foundation and are subject to change.

### **Inactive Funds**

A fund is deemed inactive if:

- The fund advisor dies or resigns or evidence of his or her incapacity is provided to the foundation, and if no successor advisor has been named.
- All named successor advisors are unable or unwilling to serve as such.
- No recommendations are made with respect to grants from the fund for a period of two years and, during such period, the advisor or successor advisor does not reply to the foundation's attempts to contact them.

If the fund becomes inactive, the foundation will deem the advisory period to have ended and will initiate distributions from the fund in accordance with the provisions of the fund agreement.

### **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 foundation's unrestricted permanent endowment. If the principal balance of the fund exceeds \$10,000, the fund will continue to be maintained as a separate named endowed fund.