

## **Greater Poweshiek 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 Smith Family Fund established by the Smith family children.

The Fund is owned and controlled by a sponsoring organization such as the 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**

An endowed donor advised fund may be set up with a minimum of \$10,000. A donor may establish a fund in a single transaction, or agree to build to \$10,000 within 5 years. Non-endowed donor advised funds may be established with a minimum of \$1,000. These 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 managed by the Foundation. As long as the Fund meets the minimum balance requirements (as set by the Foundation board of directors and changed from time to time), 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, real estate, personal property, trusts and life insurance. Contributions are subject to acceptance by the Foundation. Contributions should be clearly designated by fund name: "The XYZ Fund of Greater Poweshiek Community Foundation."

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 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.

### **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 at the conclusion of the advisory period (time period that grants can be made). 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**

A Donor may designate and authorize, in writing, a successor advisor(s). Successor advisor(s) may recommend distributions from the Fund, as provided in this Agreement, upon the death or incapacity of Donor. Upon receipt of sufficient proof of Donor's death or incapacity, the Foundation will notify successor advisor(s) of their successor rights and duties. The Foundation retains the right to terminate successor advisement if the successor advisor(s) is (are) incapable or unwilling to fulfill the responsibilities of advisement.

### **Recommending a Grant**

Grants must be for charitable purposes. The minimum grant amount is \$250. You may recommend grants to any organization described in section 501(c)(3) of the Internal Revenue Code except that the 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, town and municipal governments, police departments, etc.).

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 (501(c)(4)); veterans' organizations; cemeteries; Chambers of Commerce and similar business associations; fraternities and sororities; social clubs; and fraternal organizations such as Elks and Eagles.

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

From time to time the 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 may be furnished with lists of the unmet charitable needs of the community as determined by the Foundation from time to time.

### **Acceptable Types of Fund Activity**

A fund is considered active when there is regular communication between a donor (or named successors) and Greater Poweshiek Community Foundation regarding the existence and purpose of that fund. Examples of some of the activities that would deem a fund active include (but are not limited to):

- Regular Grant Recommendations. Donor advisor generally recommends grants at least annually to qualified charitable organizations. The amount of grant making can vary from year to year.
- Developing a Philanthropic Program. Donor advisor makes a substantial contribution to donor advised fund, for example, upon the sale of his or her business, and refrains from recommending grants for a given initial period while the fund advisor consults with the sponsoring charity and/or does his or her own research to determine what types of grants will best meet community needs and/or her philanthropic goals.
- Long-Term Giving Plan. Donor advisor deliberately reduces the frequency or size of grant recommendation from fund, for example:
  1. During his or her working years with the intention of increasing the donor advised fund balance to support grant making during his or her retirement, when the advisor expects his or her income to change.
  2. A donor may want to build a fund over time so the donor's children can make grants later (the idea being the donor is leaving a charitable legacy for the next generation to administer).
  3. Donor advisor refrains from recommending grants for a given period because the fund is invested in an illiquid or undervalued investment. Donor advisor intends to begin making grant recommendations when the investment can be sold at a reasonable price.
- Project Grants. Donor advisor makes a substantial contribution to a donor advised fund and determines to recommend grants to a specific qualified charitable organization over a period of 20 years so that the donor can monitor how the charitable organization performs, and to consider whether another organization would better achieve the donor's charitable objectives.
- Starter Fund. Donor advised funds may need time to build the fund balance to make substantial grants to the community. Therefore, there may be no distributions made until the fund balance reaches an amount stated in the donor advised fund file.
- Specific Occasion Grant. Donor advisor refrains from recommending grants for a number of years with the specific charitable goal of recommending a grant upon a specific occasion. Examples may include:
  1. Donor is incapacitated with no successor advisor(s) names so the community foundation waits until the donor's death to distribute the fund according to the donor's original intent;
  2. Fund has transitioned to named successor advisors but they are minors and no adult representative is named to represent them (so grants resume when successor advisors are adults);
  3. Founders of fund who are also the donor advisors are getting divorced so grants are suspended until both the husband and wife agree on grants, which may include splitting the fund into two separate funds, one for each spouse to advise or eventually dissolving the fund by the making of charitable grants;
  4. Grants are suspended during litigation involving a fund (e.g., the donor has left his/her estate to a fund, but the donor's children are disputing the

bequest so the community foundation does not allow grants until the litigation is resolved);

5. Donor leaves a bequest to a fund and distributions are made periodically to the fund during the estate settlement process, but grants are not made until the estate is fully settled.

### **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.

### **Activating Grant Making**

Should grant activity stop for more than a two year period, steps will be taken by the staff or the board to activate the fund. These steps may include such activities as:

- Notifying the fund advisor regularly and periodically (three times over a period of 3 years) to encourage the fund advisor to activate the fund.
- Distributing grants from the fund to qualified grant recipients that align with donor intent, but if the community foundation determines such intent is obsolete, incapable of being fulfilled, impractical, or inconsistent with the community's charitable needs, then exercise of the Greater Poweshiek Community Foundation's overriding variance power will enable the community foundation to continue to use its resources to meet the needs of the community and to address the charitable purposes for which the funds were committed.
- Closing of an "acorn" fund if the "acorn fund" balance does not reach the Foundation's required minimum of \$10,000 within 5 years, and, for example but not limited to, re-allocating of the fund proceeds to the Greater Poweshiek Community Foundation's unrestricted fund or issuing the balance as a charitable grant to a qualified recipient.

### **Grant Restrictions**

The Internal Revenue Code prohibits grants to individuals from donor advised funds. Also prohibited are grants for political contributions or to support political campaigns. Grants shall 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 announcement letter will indicate that the contribution is from “The XYZ Fund of Greater Poweshiek Community Foundation” and that it has been 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 Greater Poweshiek Community Foundation.”

### **Fundraising**

Donors sometimes want to raise money to add to their advised funds. The Foundation’s policies on fundraising are attached to this document. Fundraising, if permitted, must strictly adhere to the guidelines in the policy and to any additional restrictions imposed as a condition of the Foundation’s consent.

### **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. Donor Advised Funds are customarily invested and commingled with assets of other funds of the Foundation.

When the size of an endowed fund warrants separate investment consideration, typically for funds over \$1 million dollars, the 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 Foundation’s Investment Policy.

The Foundation's long-term investment objective is to preserve the real value of its permanent funds. This means that the Foundation seeks a total rate of return that supports the Foundation’s grant making, expenses, investment fees, and inflation.

### **Fees and Minimums**

The Foundation assesses fees, including investment management fees, against all its endowed 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. The Foundation's current administrative fee schedule for donor advised funds is found in Exhibit B of the fund agreement. The donor further understands that the fee schedule is subject to modification and may be increased or decreased at the sole discretion of the Foundation's Board of Directors.

### **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**

Upon termination of advisement by the Donor or Donor's successor advisor(s), the Fund shall become a separate named fund within the Foundation's general unrestricted charitable endowment.

### **Definitions**

*Disqualified Person.* As applied to public charities, the term disqualified person includes (1) organization managers, (2) any other person who, within the past five years, was in a position to exercise substantial influence over the affairs of the organization, (3) donors and donor advisors with regard to transactions with a particular donor advised fund, (4) investment advisors to assets of donor advised funds, (5) and disqualified persons of supporting organizations who are also disqualified persons of the supported organization, (6) family members of the above, and (7) businesses they control. Paying excessive benefits to a disqualified person will result in the imposition of penalty excise taxes on that person, and, under some circumstances, on the charity's board of directors (see "intermediate sanction": <http://www.cof.org/content/glossary-philanthropic-terms#sanctions> ).

*Donor Advised Fund.* A fund may be classified as donor advised if it has at least three characteristics: 1) a donor or person appointed or designated by the donor has, or reasonably expects to have, advisory privileges with respect to the fund's distributions or investments, 2) the fund is separately identified by reference to contributions of the donor(s), and 3) the fund is owned and controlled by a sponsoring organization, such as a community foundation. A fund possessing these characteristics may be exempt from the donor advised fund classification if it grants to one single public charity or government unit or if the fund meets certain requirements applicable to scholarship funds.

*Donor Advisor (sometimes referred to as "Fund Advisor").* A donor or person appointed or designated by the donor who has or reasonably expects to have advisory privileges with respect to the fund's distributions or investments. The donor retains the privilege to recommend grants from the charitable fund for which he or she has been designated as fund advisor.

*Qualified Charitable Organization.* Donors may deduct charitable contributions in accordance with Federal and their respective state tax codes only if donations are made to a qualified organization. Most organizations, other than churches and governments, and public schools must apply to the IRS to become a qualified organization. Refer to the "Recommending a Grant" section of this policy for local grant making protocol.

*Sponsoring Organization.* An organization, like a community foundation, that owns and controls donor advised funds.

These Policies and Procedures for Donor Advised Funds were approved by the Foundation's Board of Directors on:

Date Approved by the GPCF Board April 20, 2021

Board Secretary Vickie McDonald