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 distributions.

Minimum Fund Size

The Community Foundation has set a $10,000 minimum on new endowed Funds before a distribution can be made from the Fund. A new endowed Fund can be started for less than the minimum and the Donor can be given up to a few years to add donations to the Fund to get to the Fund balance minimum. In the case of non-endowed (non-permanent) Donor Advised Funds there is no set minimum. 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. As long as the Fund meets the minimum balance requirements, 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. Contributions should be clearly designated by Fund name: “The XYZ Fund.”

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. Note that gifts from IRA accounts (also known as the IRA Charitable Rollover) – either from the corpus or the RMD (for donors 70 ½ years of
age or older) – may not be made (as a tax-exempt event) into a Donor Advised Fund at this time per federal tax legislation.

**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. 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 persons named in the Fund agreement. The Foundation typically allows for only one additional ‘generation’ of advisors to a Fund. However, additional generations of advisors will be considered on a case-by-case basis. The Donor Advised Fund agreement should clarify the successor advisors and what happens to the Fund after the last remaining advisor demits.

If at any time there is more than one advisor to the Fund, the advisors will typically appoint a designee and all communications to and from the Foundation should be through the designee. If no designee has been appointed, the Foundation will consider the first advisor named in the agreement to be the designee.

**Recommending a Grant**

Grants must be for charitable purposes. There is no minimum grant amount.

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 Moose.

The Foundation makes grants to US organizations that carry on their work in other countries as well as International NGO-based organizations. In the case of the latter, the Foundation conducts the appropriate due diligence required to distribute monies from this Fund (i.e. Expenditure Responsibility or Equivalency Determination), as described in the Foundation’s Grantmaking Due Diligence Policy and Procedures document.
The Foundation receives Donor Advised Fund grant recommendations from the delegated advisor(s) via our on-line Fund Portal. In cases where an advisor may not have access to our Fund Portal, a signed Donor Advised Fund Grant Recommendation Form may be completed and e-mailed, mailed, or dropped off to the Foundation office. Grant recommendations are typically acted upon/mailed to the beneficiary within 10 business days of the request.

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 obliged 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 Foundation from time to time.

**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 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 DeKalb County Community Foundation" and that it has been given upon the recommendation of the duly appointed 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 DeKalb County Community Foundation."

**Fundraising**

Donors sometimes want to raise money to add to their Advised Funds. The Foundation’s policies on Fundraising (Donor Initiated Fundraising Policy) will be provided to the Donor if they intend to engage in such fundraising activities. 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 Finance Committee. Donor Advised Funds are customarily invested and commingled with assets of other Funds of the Foundation.

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 grantmaking, expenses, investment fees, and inflation. The Foundation will normally measure whether it has achieved that objective over a rolling five-year period.

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. The Foundation’s current administrative fee schedule for Donor Advised Funds is a 1% annual fee, assessed at .25% quarterly on the market value of the Fund at the beginning of each quarter (January, April, July, and October).

Investment management and advisory fees vary depending on the investment manager. The investment management fees are typically assessed on the Fund on a monthly basis and the market value of the Fund reflects its value net of investment management fees. Investment advisory fees are assessed on a quarterly basis in a similar fashion as described above with regard to the Foundation’s administrative fee. The current investment advisory fee, passed on proportionately to each Fund is .20% per year.

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 five years and, during and within a year after 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 undesignated permanent endowment (the DeKalb County Community Endowment Fund - a Community Impact Fund). If the principal balance of the Fund exceeds $10,000, the Fund will continue to be maintained as a separate named endowed Fund for discretionary purposes (but converted to a Community Impact (undesignated) Fund) 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.

**ACCEPTABLE TYPES OF FUND ACTIVITY**

The following are definitions of Fund activity that leads to Fund distributions that apply to Funds that have more than $10,000 OR the particular Foundation's minimum required balance to maintain a Donor Advised Fund. If this policy ever conflicts with federal law or state law (including UPMIFA), the relevant law controls.

A Fund is considered active when there is regular communication between a Donor (or named successors) and the 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 grantmaking 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 recommendations from Fund, for example:
  1. During his or her working years with the intention of increasing the Donor Advised Fund balance to support grantmaking 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) named 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 that 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.

**ACTIVATING GRANTMAKING**

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

- Notifying the Fund advisor regularly and periodically (for example, three times over a period of 1 year) 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 Foundation’s overriding variance power to 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 a “starter” Fund if the “starter Fund” balance does not reach the Foundation’s required minimum amount within a stated period of time, and, for example but not limited to, re-allocating of the Fund proceeds to the Foundation’s undesignated Community Impact Fund or issuing the balance as a charitable grant to a qualified recipient.

DEFINITIONS OF TERMS

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 Foundation’s grantmaking policies for local grant making protocol.

How to check whether an organization can receive deductible charitable contributions. You can ask any organization whether it is a qualified organization, and most will be able to tell you. Or go to IRS.gov. Click on “Tools” and then on “Exempt Organizations Select Check” (www.irs.gov/Charities-&-Non-Profits/Exempt-Organizations-Select-Check). This online tool will enable you to search for qualified organizations.

Sponsoring Organization

An organization, like a community foundation, that owns and controls Donor Advised 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.

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.

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 sanctions”: [http://www.cof.org/content/glossary-philanthropic-terms#sanctions](http://www.cof.org/content/glossary-philanthropic-terms#sanctions)).