



## **Donor Advised Fund Guidelines/Activity Policy**

October 25, 2017

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The Community Foundation of West Chester/Liberty invests in the West Chester and Liberty Township Communities, fostering philanthropy and strengthening the support of nonprofit organizations. Using Donor Advised Funds, The Community Foundation of West Chester/Liberty provides donors with the opportunity to simplify their charitable giving and maximize their tax savings. By creating a Donor Advised Fund within the Foundation, you join a growing number of individuals and families who have found this program to be an efficient and satisfying means of achieving their philanthropic goals and tax objectives.

A donor advised fund is established quickly and easily with a tax-deductible contribution of \$5,000 or more in cash, appreciated securities, or other property. The proceeds are placed in a separate fund and invested on a tax-free basis. As a donor, you have the privilege of recommending grants to the qualified charities of your choice. In addition, you will receive regular reports on contributions, grants, investment income and all other activity related to your individual fund.

The following explains the procedures involved in setting up and maintaining a donor advised fund at The Community Foundation of West Chester/Liberty.

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### **Establishing a Fund**

A donor advised fund is established by first contacting the Foundation staff to talk about your charitable goals. Then, along with your advisor, if applicable, the type of fund would be determined according to your goals. Your donor advised fund might be used to establish legacies of giving that will last for generations. If appropriate, you may involve other family members who you may want to serve as future advisors to the fund. Once this is established, a donor advised fund agreement is completed with the Foundation and you make your irrevocable and unconditional gift to The Community Foundation of West Chester/Liberty. Specific terms and conditions for the type of fund established are stated in the fund agreement executed between the donor(s) and the Foundation.

### **Who May Establish A Fund**

A donor advised fund might be established by individuals or corporations as an alternative to a private foundation or in conjunction with assorted estate planning tools. For example, your fund may be the beneficiary of a life insurance policy, pooled income fund, charitable remainder trust, or charitable lead trust. You may also make your fund the beneficiary of bequests of cash, securities, or IRA assets.

### **Naming Your Fund**

As the founder of a Donor Advised Fund, you may designate the name of the fund. A fund name can include the founder's name, your family's name, an individual family member, or some other name that maintains the anonymity of the Foundation and his/her family.

## **Converting a Private Foundation**

A private foundation may be converted to a donor advised fund to reduce the costs of administration and to maximize the tax efficiency of your contributions. Converting a private foundation to a donor advised fund is relatively simple and we can assist you with that process.

## **Successor Advisors**

The donor(s) may designate in writing successors to advise the Foundation when the donor(s) is no longer able or desires to do so. In the event no one advises the Foundation regarding grants from the Fund for two consecutive years, the Foundation may deem that no one has an interest in advising with respect to the Fund, and after repeated attempts to communicate with the donor(s) and/or successors, the Fund shall become an unrestricted fund; or if the original donor(s) designated a field of interest, then those wishes shall be carried out by the Foundation.

## **Investment Options**

Your contributions to The Community Foundation of West Chester/Liberty are invested according to the Investment Policy of the Foundation. An Investment Committee of the Board of the Foundation meet at least semi-annually to review the performance of our investments and updates as needed. The Foundation has full discretion and responsibility over the investment of account balances and reserves the right to change the investment program and procedures at any time. The Foundation's investment policy allows for other money managers as appropriate and approved by the Investment Committee and the Board of Directors.

## **Administrative Fees**

Determination of administrative fees are detailed in the Administrative Fee Policy and can be changed at the discretion of the Board of Directors of the Foundation. Fund Statements are sent to you in June and December each year.

## **Grantmaking Guidelines**

The following guidelines are designed to streamline the administration of your grant recommendations and ensure compliance with the laws governing donor advised funds.

New Legislation prohibits donor advised funds from making grants to individuals—and this includes distributions for scholarship made payable direct to a college or university, or checks written directly to an individual or checks written to an entity for the benefit of a specified individual.

*Public Charity Status:* All grants issued by The Community Foundation of West Chester/Liberty must be made to public charities that qualify as tax-exempt under Section 501 (c) (3) of the Internal Revenue Code. Grants cannot be made to private foundations. The Foundation staff will exercise due diligence with ensuring your dollars will be used as intended by the organization. Our staff will notify you of any issues or concerns relating to your grant recommendation.

*Eligibility of Grants:* Under guidelines established by the Internal Revenue Service, The Community Foundation of West Chester/Liberty cannot fulfill a donor's, advisor's or related party's personal pledge of financial support that have been previously made or that personally benefit the donor or any other named individual. This restriction includes, for example, requests to pay for dinners, events and membership that promote a business entity. The Foundation also prohibits against donors, advisors or related parties receiving grants, loans, compensation or similar payments from donor advised funds. Additionally, grants cannot be made for lobbying purposes or to support political campaigns. These guidelines ensure that the dollars you have dedicated to philanthropy go directly and fully to support charitable programs.

*Grant Timing:* We encourage donors to request grants at least two weeks prior to the actual grant being made.

*Recommending a Grant:* The Foundation will provide you with a donor recommendation form to use when recommending grants. You have the privilege of recommending grants to qualified, tax-exempt organizations or to public units of government. We check carefully to verify that the recommended grantee qualifies as a charitable organization under the federal tax laws and that it is providing quality services consistent with the Foundation's mission. You may recommend a grant for general support or for a specific program or activity.

The purpose of all grants should meet the broad objectives of the Foundation. The primary objective of the Foundation with regard to grant-making is to focus on organizations and activities that benefit the people in West Chester and Liberty Townships. However, grants from donor advised funds may be sent to other qualified organizations throughout the country.

Your donor recommended grants should be of at least \$250 each. Grants from donor advised funds cannot be used to satisfy a legally binding pledge or obligation of the donor; however, recommendations for grants specific organizations may always be made on an annual basis or recommended for multiple years.

***You (the Donor/s) along with your advisors and other related parties may not receive ANY goods or services for your grant to any organization.*** Many membership levels of organizations include benefits such as tickets, newsletters or invitations to events which carry a monetary value. A gift from your donor advised fund is ineligible for any of these benefits. As you have already received full charitable value for your gift to The Community Foundation of West Chester/Liberty, it would be inappropriate to receive any goods or services from a donor advised grant.

*Grant Acknowledgement:* When a grant check is sent, it is accompanied by a letter giving recognition to the donor advised fund from which the grant was made and advising the beneficiary institution that the grant was made at the recommendation of the donor of that particular fund. The check itself bears the name of The Community Foundation of West Chester/Liberty, as well as the name of the donor advised fund, unless anonymity is requested by the donor advised fund.

### **Contributing to Your Fund**

After you establish your fund, you or anyone else may contribute to your fund at any time. Note that a contribution to a donor advised fund is an irrevocable charitable contribution that is legally owned by The Community Foundation of West Chester/Liberty.

The following is a brief description of the ways you may contribute to your fund and the tax benefits pertaining to each type of gift. We encourage you to consult your legal or tax advisor to review your personal situation.

**Cash:** You may contribute cash or stock by sending in a check, wiring funds, or transferring shares to The Community Foundation of West Chester/Liberty.

**Public Traded Securities:** You may contribute appreciated marketable securities. To transfer funds to the Foundation's account, please call us at 513-874-5450. **Bonds, Mutual Fund Shares, Private or Restricted Stock:** To arrange the transfer of bonds or mutual fund shares, please call the Foundation office and we will assist you with the transaction. If you wish to make a gift of restricted or closely held appreciating securities, call us and we will let you know whether we can accept them.

Donor Initiated Fundraising: No expenses incurred by the donor hosting a fund-raising event can be paid from the donor advised 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 the 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 a regular communication between a donor (or named successor) and The Community Foundation of West Chester/Liberty 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 the 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 fund 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 advisors(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 a 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 2-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 2 years) to encourage the fund advisor to activate the fund.
- Distributing grants from the fund to qualified grant recipients that align with the donor intent, but if the Foundation determines such intent is obsolete, incapable of being fulfilled, impractical, or inconsistent with the community's charitable needs, then exercise of the Community Foundation of West Chester/Liberty's overriding variance power to enable the 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 unrestricted fund or issuing the balance as a charitable grant to a qualified recipient.

### **Definition of Terms**

#### ***Qualified Charitable Organization***

Donors may deduct charitable contributions in accordance with Federal and their respective state tax codes only in donations 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 Community Foundation of West Chester/Liberty'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 [www.irs.gov](http://www.irs.gov). Click on "Tools" and then on "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 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 classifications 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>).