

Donor Advised Fund Activity Policy

Fund Activity and Exceptions

In order to protect the charitable intentions of the donor(s) when a fund has become inactive or fails to meet the minimum fund size within the required timeframe, these procedures will be followed by Cumberland Community Foundation, Inc.

The following definitions of fund activity and distributions apply to funds that have more than \$5,000 OR Cumberland Community Foundation, Inc.'s minimum required balance to maintain a donor advised fund. If this policy ever conflicts with federal law or state law (including UPMIFA), relevant law controls.

A fund is considered active when a donor recommends grants or an interfund transfer to another grantmaking fund held by Cumberland Community Foundation, Inc. within a three-year period. Exceptions may be made in certain scenarios, such as:

1. ***Developing a Philanthropic Program:*** Fund advisor makes a substantial contribution to donor advised fund, for example, upon the sale of their business, and then refrains from recommending grants for an initial period while consulting with the sponsoring charity and/or doing research to determine what types of grants would best meet community needs and/or their philanthropic goals. This period is not to exceed 5 years unless there is a special exception approved by the board of directors.
2. ***Long-term Giving Plan:*** Donor/fund advisor deliberately reduces the frequency or size of grant recommendations from a fund, to:
 - Build the fund balance to ensure grantmaking during retirement and/or when income changes.
 - Build the fund balance to leave a charitable legacy for the next generation to advise. This period is not to exceed 5 years unless there is a special exception approved by the board of directors.
 - Grantmaking is deferred for a set period in order to make a larger grant or grants for a specific project.
 - Upon the death or resignation of the advisor, the fund will convert to an unrestricted, field-of-interest, scholarship, or designated endowment of Cumberland Community Foundation, Inc.
3. ***"Starter" Fund:*** Donor plans to build the fund balance over time according to Cumberland Community Foundation, Inc.'s policies. Typically, no distributions are made until the fund balance reaches the minimum amount and timeframe stated in the fund agreement and Cumberland Community Foundation, Inc.'s policies.
4. ***Asset transition:*** The Fund Advisor defers recommending grants while DAF assets are illiquid (such as real estate or restricted stock). Cumberland Community Foundation, Inc. will document steps being taken to liquidate assets and establish the fund's grantmaking ability.
5. ***Legal Issues:*** In some cases, legal issues may require suspension of grantmaking from a Fund until resolution. Cumberland Community Foundation, Inc. will document steps being taken toward clarifying advisory authority and the fund's grantmaking ability. Examples might include:
 - Donors/fund advisors are in the process of divorce. Grants may be suspended until the fund's status is resolved.

- Assets are being transferred to the fund during an estate settlement process; grants will not be made until the estate is fully settled.
- 6. ***Grantmaking Strategy or Due Diligence:*** The Fund Advisor plans to make a large distribution to a specific project / grantee and is waiting for documented milestones to be achieved by the grantee. Examples might include:
 - The Advisor wishes to make the grant distribution after a certain percent of the capital campaign goal has been raised by the grantee.
 - The Advisor has offered a grant as matching funds or a challenge and the grantee is in the process of raising the matching funds.
 - The Advisor wishes to make a grant distribution to a project once certain documented milestones have been achieved.
- 7. ***Other Issues:*** Other exceptions to this Fund Activity Policy made for an individual fund must be approved by Cumberland Community Foundation, Inc.'s CEO and documented in the Fund record. This is most likely to occur when an advisor is unable to advise the fund due to illness or incapacity and it would be insensitive to close the fund while the donor is living or there is a hope of recovery.

Communication

Cumberland Community Foundation, Inc. reviews grant activity on an annual basis. After one year of inactivity, Cumberland Community Foundation, Inc. will contact the donor by email or letter. Cumberland Community Foundation, Inc. may distribute a list of community projects to the donor as suggested recommendations. After two years of inactivity, Cumberland Community Foundation, Inc. will contact the donor by phone, registered mail, or in person visit. The donor will be reminded of Cumberland Community Foundation, Inc.'s fund activity policy.

Activating Grantmaking

When a donor advised fund has not distributed a grant in more than a 3-year period, Cumberland Community Foundation, Inc. will take steps to activate the fund, such as:

- Final attempts to contact the donor/fund advisor;
- Distributing grants to qualified grant recipients that align with donor intent demonstrated in previous grant distributions;
- Distribution or asset transfer to a grantmaking fund of Cumberland Community Foundation, Inc., that align with donor intent demonstrated in previous grant distributions, or
- Any other distribution in accordance with the fund agreement and Cumberland Community Foundation, Inc.'s policies. This may include termination of the Fund. If those provisions are incomplete, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served, Cumberland Community Foundation, Inc. may exercise its variance power to direct these resources to meet the needs of the community.

Definition 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 Cumberland Community Foundation, Inc.'s grantmaking policies for local grant making protocol.

How to check whether an organization can receive deductible charitable contributions.

- *Ask any organization whether it is a qualified organization, and most will be able to tell you.*
- *Confirm status by visiting [GuideStar.Org](https://www.guidestar.org) or other similar data source approved by the Foundation.*
- *Go to [IRS.gov](https://www.irs.gov) and use the "[Tax Exempt Organizations Search](#)", and online tool that enables a search for qualified organizations.*

Sponsoring Organization

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

Donor/Fund Advisor

The 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/fund advisor retains the privilege to recommend grants from their charitable fund.

Donor Advised Fund

A fund may be classified as "donor advised" if it has at least these 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.

Policy approved by the Board of Directors of Cumberland Community Foundation, Inc. on the 15th day of May, 2025.