

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 Holmes Family Advised Fund established by the Holmes family.
- 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

The Foundation establishes policies with respect to the minimum amount required to establish a fund and any on-going minimum to keep the fund active. These policies and amounts are subject to change at any time.

Nonpermanent Donor Advised Fund - The minimum initial gift to establish a nonpermanent donor advised fund is \$5,000.00. A balance of \$100.00 must be maintained to keep the fund active. The advisors are expected to give a minimum of \$5,000.00 to charitable organizations through their fund each year.

Endowed or Quasi-Endowed Donor Advised Funds – An endowed or quasi-endowed donor advised fund may be established with a gift of \$25,000.00 or a gift of any amount with a pledge of \$25,000.00 within five years. The fund must reach \$25,000.00 (and maintain that balance or higher) before the fund is eligible to make grant distributions.

The Foundation's Inactive Funds Policy shall apply to all fund types. The Foundation Executive Director or Board President may waive the minimum fund requirement and/or Inactive Funds Policy if such action is in the interest of the Foundation and charitable needs of the community.

Contributing to a Fund

All gifts to any fund at the Foundation are irrevocable. The assets of donor advised funds are owned and controlled by the Foundation, as with the assets of all funds at 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. **However, if a fund has been inactive for an extended period, as determined by the Foundation, the Foundation may decline a donation to a fund unless that gift will bring the fund above the required minimum.**

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 of Cumberland Community Foundation, Inc."

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 the Foundation's 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. The Foundation may assess fees to recover any costs of processing illiquid assets.

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 in phases or at the conclusion of the advisory period. Any such restrictions are subject to the Foundation's variance power which allows 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 fund's founder, meaning the person who establishes the fund, may name the initial advisors to the fund and up to two generations of successor advisors. The founder may recommend a process for selection of successor advisors, said process being subject to final approval by the Foundation with consideration of the charitable interests of the Foundation and the community.

If at any time there is more than one advisor to the fund, the advisors will appoint a designee and all communications to and from the Foundation will 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.

In the event of a disagreement among multiple advisors, the Foundation, in its sole discretion, will make the final determination to resolve the issue.

Recommending a Grant

Grants must be for charitable purposes. The minimum grant amount is \$100.00.

Advisors 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, towns and municipal governments, police departments, public libraries, 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; private cemeteries; Chambers of Commerce and similar business associations; fraternities and sororities; social clubs; and fraternal organizations such as Elks and Moose.

On rare exception and only when in the charitable interests of the community served, the Foundation is willing to consider grants from DAFs to non-charities. In this case, recommendations must be accompanied by an application for funding from the entity including proof of charitable purpose and detailed description of the documentation procedures that will

track the charitable use of the funding. If approved by the Foundation, the grant will be subject to a grant agreement which will include the requirement to provide any and all information requested by the Foundation necessary to document the charitable use of the funds provided. In this case, the Foundation may pay the grant upon completion of the program funded and acceptance of proof of the charitable use of the funds.

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

All grant recommendations are subject to final approval by the Foundation. Grant recommendations are considered on a schedule established by the Foundation, currently or about the 15th and 30th of each month. The Foundation may require additional information up to a detailed grant application to establish the charitable purpose of the recommended grant.

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 shall be furnished with lists of the unmet charitable needs of the community as determined by the Foundation from time to time. Advisors may also state a preference for programs in areas of particular interest.

Competitive Grant Application Management

Donor advised funds seeking an impact in a specific area may be part of the Foundation's competitive grant application cycles. Applications will be received and processed for \$5,000.00 or more using the Foundation's Community Grant application forms, guidelines, and systems.

Fund advisors will conduct their evaluation and selection while being careful stewards of the time and resources of nonprofit staff and volunteers. Application forms used will be approved by the Foundation to ensure careful stewardship of the time and talent of local nonprofit organizations. The Foundation will not facilitate the request for information that the advisors do not review.

Grant Restrictions

The Internal Revenue Code prohibits grants to individuals from donor advised funds. Grants for political contributions or to support political campaigns are prohibited.

Grants may not result in benefits, goods, or services to the donor, the fund advisor, members of their families, their colleagues, and businesses they control. Failure to observe this restriction can subject the fund advisor to tax penalties. Benefits include the payment of legally binding pledges, event tickets, free admission, 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 Cumberland Community Foundation, Inc.” and that it has been given upon the recommendation of the named advisor and the advisor’s address for grant acknowledgment. The recipient organization is encouraged to acknowledge the gift to the advisor.

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, the contribution should be listed as a grant from “The XYZ Fund of Cumberland Community Foundation, Inc.” If the recipient organization receives grants from multiple donor advised funds, grants may be acknowledged from “Cumberland Community Foundation, Inc.: XYZ Advised Fund, ABC Charitable Fund, [list all Fund Names]” in the giving level for the sum of the grants for the period recognized.

Fundraising

Donors may invite others to add irrevocable gifts to their advised funds. The Foundation’s policies on fundraising are attached to this document. See Fundraising Policy for Component Funds. In summary, the Foundation does not permit donor advised funds to conduct special events or fundraisers other than solicitation of gifts directly to the Foundation. Fundraising must be approved in writing by the Foundation in advance of any requests for funds. If permitted, all activity must strictly adhere to the guidelines in the policy and to any additional restrictions imposed as a condition of the Foundation’s consent. The Foundation will assess fees to the Fund to occur any expenses incurred by the Foundation.

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 pooling of assets shall be made by the Foundation’s Investment Committee or Board of Directors, as the Foundation determines. Donor Advised Funds are customarily invested and pooled with assets of other funds of the Foundation to lower the costs of investing.

Nonpermanent funds typically are not invested due to the spendability of the assets in the fund. The Foundation may consider exceptions for funds with balances over \$500,000 and funds that are accumulating assets for a major distribution in the future.

When the size of a fund warrants separate investment consideration, typically for endowed funds over \$500,000, 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 and always subject to Foundation control.

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 twelve quarter 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 and other special accounts.

Investment results are not guaranteed. Investments may lose value.

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 and programs that improve the quality of life in the community.

The Foundation's current administrative fee schedule for donor advised funds is:

Nonpermanent – There is no fee charged for standard fund management services. Any interest earned on the account shall accrue to the Foundation unless another agreement has been reached with the Foundation in advance and in writing.

Endowed and Quasi-Endowed –

1% of fund balances up to \$499,999.99

¾% on fund balances from \$500,000.00 to \$999,999.99

¼% on fund balances \$1,000,000.00 and over

All investment or transaction fees shall be charged to the Fund. If invested, investment management fees vary depending on the investment manager chosen. Investment fees for pooled investments have averaged less than 35 basis points since 2010.

The Foundation may assess the Fund to cover any unusual expenses incurred in connection with the contributed assets, including the cost of disposing of them, and in the administration of the Fund.

All fees are reasonable and within industry guidelines. Any change in fees is reported in advance to the fund representative. The fund statements clearly report all fees charged to the fund.

Inactive Funds

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, the Foundation's Inactive Fund Policy will be implemented.


The Foundation will work to observe donor intent, as determined by the documentation of the fund, wherever reasonable based on fund size, information available to the Foundation about planned gifts, and other factors affecting operations of the fund.

See the Foundation's Inactive Funds Policy for more information.

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 unless another fund or grantee is designated in the fund agreement. If the principal balance of the fund exceeds \$5,000.00, the Fund will be maintained as a separate named endowed fund for discretionary purposes 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.

Policy unanimously approved by the Board of Directors on September 15, 2016.



Board Secretary