



Donor Advised Fund Getting Started & Guidelines

A Donor Advised Fund can be created with a simple letter of agreement between a donor and the Community Foundation serving Southwest Colorado (the "Foundation"). Donors may be individuals, families, businesses, or charitable organizations. A Donor Advised Fund is activated upon receipt of an initial gift of \$10,000 or more to the Foundation.

The donor may name the Fund, subject to approval by the Foundation. The Fund will be listed by name (not donor) in the Foundation's annual report. The Fund and its advisor(s) will be identified to grant recipients unless the advisor requests anonymity, on a case-by-case basis.

Contributing to Your Fund

Gifts to a Fund are irrevocable. The assets of Donor Advised Funds are owned and controlled by the Foundation according to the terms of the Fund Agreement negotiated between you and the Foundation. Contributions to a Fund may be made in any amount, although a Fund must accumulate and maintain a minimum balance of \$10,000 to be activated and remain active. Contributions may be made using:

- Cash
- Publicly traded securities or other property including closely-held stock
- Partnership interests
- Real estate
- Personal property
- Trusts
- Life Insurance

Distributions from IRA accounts to Donor Advised Funds held by public charities are not considered qualified charitable distributions ("QCD") under The Pension Protection Act of 2006 (PPA). IRA Assets do qualify if donors have first recognized the assets as income. If you have QCDs that you would like to utilize, we can assist with opening a Designated Fund, which can receive QCDs.

Contributions may be added at any time and in any amount. Contributions should be clearly designated by Fund name: "The XYZ Fund of Community Foundation serving SW Colorado." 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.

Things to Consider when Recommending Grants

Once a Donor Advised Fund has been activated and as long as it maintains a balance of at least \$10,000, the advisor(s) named in the agreement may recommend distributions to qualified charitable organizations. Each recommended grant should be for at least \$250.00. Grant recommendations can be made at any time during the year. Distributions from a Donor Advised Fund have no tax impact for the donor, as the tax deductible gift was made at the time of the donor's gift to the Fund.

Grant recommendations may be submitted by mail, e-mail, or through our online fund holder portal. Qualified charities will be in good standing with the IRS and have a current 501(c)(3) status. Grants will be fulfilled in 7-10 business days of the request. If there is a delay in payment, the Foundation will communicate with the advisor.

Examples of organizations not eligible for contributions from a Donor Advised Fund include fraternal orders, organizations whose primary purpose is lobbying, cemetery associations, and funds set up to provide emergency relief to specific individuals or families.

If an advisor is concerned about a particular grant recommendation, the Foundation can pre-screen an organization for eligibility. It is the Foundation's practice generally to follow the advisor's recommendation. However, the final decision about all recommended grants rests with the Foundation. Once the Foundation approves the grant, a check will be issued to the organization, along with a letter.

Grant Restrictions and Prohibitions (IRS regulations)

Grants from a Donor Advised Fund cannot result in the donor, advisors, or any related parties receiving an exchange of goods or services or any personal or material benefit that is not provided to the general public. Prohibited benefits include tickets, memberships, meals, preferred parking, preferred seating, discounted merchandise, or other preferential treatment from the organization.

Donor Advised Fund grants cannot be used to satisfy all or a portion of a pre-existing personal pledge or other financial obligation of the donor, advisors, or any related parties. Advisors may, however, recommend that a grant be paid out over multiple years, subject to grant approval and annual due diligence.

Provisions of the Pension Protection Act of 2006 prohibit Donor Advised Funds from making any grants to individuals, such as scholarships, emergency hardship grants, or disaster relief grants. This includes checks written directly to an individual or checks written to an entity for the benefit of a specified individual. For example, a grant to a university for the benefit of a designated student is prohibited.

Variance Power

Donors, advisors, or any related parties may not receive grants, loans, compensation, or similar payments (including expense reimbursements) from Donor Advised Funds.

The Foundation shall have the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to specified organizations if in the sole judgment of the Foundation (without the necessity of the approval of any participating advisor, custodian, or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served.

The Foundation shall have the power to replace any participating advisor, custodian, or agent for breach of fiduciary duty under state law.

Acceptable Types of Fund Activity

The following are definitions of Fund activity that lead to Fund distributions that apply to Funds that have more than \$10,000. If this policy ever conflicts with federal or state law,

including the Uniform Prudent Management of Institutional Funds Act (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**: 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**: 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 advisor consults with the Foundation and/or does his or her own research to determine what types of grants will best meet community needs and/or philanthropic goals.
- **Long-term Giving Plan**: 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. Advisor refrains from recommending grants for a given period because the Fund is invested in an illiquid or undervalued investment. Advisor intends to begin making grant recommendations when the investment can be sold at a reasonable price.
- **Project Grants**: 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 balance to make substantial grants to the community. Therefore, there may be no distributions made until the balance reaches an amount stated in the Donor Advised Fund agreement.
- Specific Occasion Grant: 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 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 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 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.

Should grant activity stop for more than a seven-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 advisor regularly and periodically (for example, three times over a period of three years) to encourage the advisor to activate the Fund.
- ✓ Distributing grants from the Fund to qualified grant recipients that align with donor intent. However, 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 Foundation'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, or, 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.

Grant Acknowledgment

Unless other arrangements have been made (e.g., anonymity requested), the grant letter will indicate that the contribution was made possible by "The XYZ Fund of Community Foundation of SW Colorado." The recipient organization is encouraged to acknowledge the gift to the Foundation. 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 Community Foundation serving SW Colorado."

We are your Partners in Philanthropy

Several times a year, the Foundation will send grantmaking opportunities in which the advisor may have an interest. The advisor is not obligated to recommend a grant for the identified programs.

Successor Advisors & Ultimate Use

Donor Advised Funds allow the original donor(s) to suggest grants made from the Fund. If all advisors and successor advisors are deceased, the Fund becomes part of the Foundation's unrestricted funds, a field of interest fund, or a designated beneficiary fund, depending on the donor's intent at the time the Fund is established.

Restrictions & Limitations

Advisors are not required to recommend grants from their Fund, but unless other arrangements have been made, a Fund will be subject to annual distributions of income if it has been dormant for more than 24 months.

If a grant is recommended that would reduce a Fund's balance below the \$10,000 minimum, the grant payment will be withheld pending discussion with the advisor. If the advisor does not

plan to replenish the Fund for future grantmaking, he/she will be encouraged to grant the remaining dollars in the Fund.

Investment & Fees

The Foundation has the sole responsibility and authority for the 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 Board of Directors. Donor Advised Funds are customarily invested and commingled with assets of other funds of the Foundation.

The Foundation may appoint an investment consultant from time to time to carry out some of its investment management responsibilities with respect to its invested asset pool. Donor Advised Funds bear their proportionate share of the fees and expenses of the invested asset pool. In addition, each Donor Advised Fund is assessed an annual service fee equal to 2% of the Fund's asset value.

Service fees are calculated and assessed quarterly based on the last day of the previous quarter. The financial activity and balance information for each Donor Advised Fund is reported in quarterly statements distributed to the advisor via email and through our online fund holder portal.

To be clear, the Foundation's policies and fees are subject to change.

You may obtain additional information about the Community Foundation serving Southwest Colorado by calling 970.375.5807 or by visiting our website: SWCommunityFoundation.org.