



Donor Advised Fund Getting Started & Guidelines

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

The donor may name the fund, subject to approval by the Community Foundation. The Fund will be listed by name (not donor) in the Community Foundation serving Southwest Colorado'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 Community Foundation serving Southwest Colorado 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

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 Community Foundation, and subject to completion of our due diligence procedures.

Donors considering a gift in any form other than cash should contact the Community 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 fund 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.

Recommendations can be submitted by mail or e-mail. 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 Community 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 recommendation, The Community 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 is the Community Foundation serving Southwest Colorado's. Once the Community Foundation approves the grant, a check will be issued with a letter for the organization.

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.

Donors, advisors or any related parties may not receive grants, loans, compensation or similar payments (including expense reimbursements) from donor advised funds.

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 Community Foundation of SW Colorado” and that it has been given upon the recommendation of the named advisor. The recipient organization is encouraged to acknowledge the gift to the advisor **and** to the Community 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 Community Foundation of SW Colorado.”

We are Your Partners in Philanthropy

Several times a year, the Community Foundation will send grant-making 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 Community Foundation serving Southwest Colorado’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 fund’s advisor. If the advisor

does not plan to replenish the fund for future grant making, he/she will be encouraged to relinquish the advisory role for the fund.

Investment & Fees

The Community 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 Board of Trustees. Donor Advised Funds are customarily invested and commingled with assets of other funds of the Foundation.

However, when the size of a fund warrants separate investment consideration, typically for funds over one million dollars, 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 Community Foundation's Investment Policy, and may consult with donors on investment options for such funds.

The Community Foundation appoints 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 values.

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.

To be clear, the Community Foundation serving Southwest Colorado policies and fees are subject to change.

You may obtain additional information about the Community Foundation serving SW Colorado investment advisors and practices by calling 970.375.5807 or visiting our web site www.SWCommunityFoundation.org.