

# Community Foundation of Greater Muscatine

## Donor Advised Fund Policy

Board Adopted: 10/03/2011

Board Approved Revision: 04/19/2016

Board Approved Revision: 08/17/2021

### 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 Smith Family Fund established by the Smith family children.
- The Fund is owned and controlled by a sponsoring organization such as the Community 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 minimum gift for a new endowment fund is \$10,000 and \$2,500 for a non-endowed fund. The Community Foundation may accept gifts to existing funds of any size. These policies and amounts are subject to change at any time.

### Contributing to a Fund

Gifts to a fund are irrevocable. The assets of donor advised funds are owned and controlled by the Community 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.

Contributions may be made using cash, publicly traded securities or other property, including closely held stock in compliance with the Pensions Protection Act excess business holdings rule, partnership interests, real estate, personal property, trusts and life insurance.

Contributions are subject to acceptance by the Community Foundation. Contributions should be clearly designated by fund name: "The XYZ Fund of the Community Foundation of Greater Muscatine."

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.

### **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 at the conclusion of the advisory period. Any such restrictions are subject to modification by the Community 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 and Successor Advisors**

The original donor- who is, often, the original advisor- has the opportunity to name successor advisors at the time the fund is established. Frequently these are the children of the original advisor. Generally, when an advised fund is established, the fund may, upon the donor's request, be advised by persons representing up to two generations- the donor's and one additional generation.

At such time as advisors from the second generation become active advisors, the fund, if not already endowed, will become an endowed fund and the Community Foundation's spending policy will determine the amount available for distribution annually.

In addition, the donor/advisor (and the successor advisors) will be encouraged to take advantage of the knowledge and expertise of the Community Foundation's staff and/or the Granting Committee and suggest that a significant portion of the advised fund grants remain within Muscatine County.

The Community Foundation will consider an exception to the successor advisor policy upon the request of the donor to involve a third generation. The response to a donor who has requested that a third generation be included as successor advisors will take into account the desire of the donor to encourage/expect that:

- Successor advisors (whether residing within Muscatine County or not) will utilize the knowledge and expertise of the Community Foundation's staff and/or the Granting Committee in determining grant recommendations.
- A significant portion of the advised fund grants will remain within Muscatine County.

Unless otherwise specified in the fund agreement, upon the death, incapacity, resignation, or other disqualification of the last advisor, the assets of the fund will become part of the

Community Foundation's unrestricted permanent endowment.

If the principal balance of the fund exceeds \$10,000 the fund will continue to be maintained as a separate named endowed component fund for discretionary purposes or as a designated or field of interest fund if specified in the fund agreement.

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 Community Foundation will be through the designee.

If no

designee has been appointed, the Community Foundation will consider the first advisor named in the agreement to be the designee.

### **Recommending a Grant**

Grants must be for charitable purposes. The minimum grant amount is \$250.

You may recommend grants to any organization described in section 501(c)(3) of the Internal Revenue Code except that the Community 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, town and municipal governments, police departments, etc.).

The Community 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 Community Foundation will not grant include social welfare organizations (501(c)(4)); veterans' organizations; cemeteries; Chambers of Commerce and similar business associations; fraternities and sororities; social clubs; and fraternal organizations such as Elks and Moose.

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

From time to time the Community 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 may be furnished with lists of the unmet charitable needs of the community as determined by the Community Foundation from time to time.

### **Grant Restrictions**

The Internal Revenue Code prohibits grants to individuals from donor advised funds, this includes grants to entities on behalf of a specified individual.

Also prohibited are grants for political contributions or to support political campaigns.

Grants may not result in benefits, goods, or services to the donor, the fund advisor, members of their families, and businesses they control. Failure to observe this restriction can subject the fund advisor to tax penalties.

Prohibited benefits include the payment of pledges, event tickets, meals, sponsorships, registration fees, discounted merchandise, preferred parking and/or seating, and memberships unless the membership confers nothing of value.

Please contact the Community 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 the Community Foundation of Greater Muscatine" and that it has been given upon the recommendation of the named advisor.

The recipient organization is encouraged to acknowledge the gift without tax-deductibility to the advisor and also to the Community Foundation.

Additional language confirms that no benefits have been offered or provided to the Community Foundation or the advisor in exchange for the accompanying grant.

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 of Greater Muscatine."

### **Fundraising**

Donors sometimes want to raise money to add to their advised funds. The Community Foundation's policies on fundraising are available upon request. Fundraising, if permitted, must strictly adhere to the guidelines in the policy and to any additional restrictions imposed as a condition of the Community Foundation's consent.

### **Investments**

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 Community Foundation's Investment Committee.

Assets of the Donor Advised Fund will be invested according to the Community Foundation's

investment policy, as it may be amended from time to time. The Investment Policy is available upon request and will be provided at the time the fund agreement is reviewed.

The Community Foundation appoints an Investment Committee, and may appoint investment managers from time to time to carry out some of its investment management responsibilities with respect to its invested asset pool.

### **Fees and Minimums**

The Community Foundation assesses fees against all its funds to cover the cost of administration and to continue the Community 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.

The Community Foundation's current fee schedule for donor advised funds is available upon request and will be provided at the time the fund agreement is reviewed.

### **Inactive Funds**

A fund is deemed inactive if:

- The advisor dies or resigns or evidence of his or her incapacity is provided to the Community Foundation, and if no successor advisor has been named.
- All named successor advisors are unable or unwilling to serve as such.
- No recommendations are made with respect to grants from the fund for a period of two years and, during such period, the advisor or successor advisor does not reply to the Community Foundation's attempts to contact them.

If the fund becomes inactive, the Community Foundation will deem the advisory period to have ended and will initiate distributions from the fund in accordance with the provisions of the fund agreement.

### **Termination**

Unless otherwise specified in the fund agreement, upon the death, incapacity, other disqualification, or resignation 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 Community Foundation's unrestricted permanent endowment.

If the principal balance of the fund exceeds \$10,000 the fund will continue to be maintained as a separate named endowed fund for discretionary purposes or as a designated or field of

interest fund if specified in the fund agreement.

