

## The Community Foundation of the Rappahannock River Region Guidelines for Donor Advised Funds

The Community Foundation of the Rappahannock River Region (The Community Foundation) holds donor advised funds to develop support of, and participation in, the philanthropic interests and activities of Rappahannock River region. The Community Foundation encourages individuals, families, organizations, corporations, and private foundations to establish donor advised funds (also referred to as advised funds) as an important means of meeting the region's existing and emerging needs. Such funds stimulate an interchange of ideas between donors and The Community Foundation, provide financial resources to extend the charitable programs of the Rappahannock River region, and contribute to the growth of The Community Foundation's endowment.

The Community Foundation enjoys status as a public charity. This status entitles donors to tax deductions usually superior to those accorded donors to private foundations. Contributions to a fund are irrevocable. The assets of donor advised funds are owned and controlled by The Community Foundation. The Community Foundation handles the administrative responsibilities specific to each component fund, including grant correspondence, issuance of checks, tax filings, audit requirements, and staffing needs.

While the law expressly recognizes the privilege living donors have to suggest grants from time to time, the regulations adopted by the Internal Revenue Service clearly state that *the governing body of a community foundation must exercise final discretion and control concerning the expenditures of such funds.*

The Community Foundation has developed the following guidelines pertaining to the establishment and administration of donor advised funds. These guidelines, policies and procedures may be amended at any time.

### Establishment of and Contributions to Funds

Any person or organization (the "Donor") may establish an advised fund by the donation of or transfer of money or other property, whether by contribution, gift, bequest, devise or other transfer to, and acceptance by, The Community Foundation. The Community Foundation has full legal ownership of such donor advised funds, which shall be administered as component funds of The Community Foundation. Each Fund may be recorded as an identifiable or named fund, as requested by the Donor.

- *Advised Funds* are governed by a written agreement between The Community Foundation and the Donor.
- Currently, a minimum gift of \$10,000, *which can be spread over a three year period*, will create a donor advised fund. Staff can discuss options and requirements in further detail. Additional contributions in any amount may be added to an advised fund at any time.

- 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. Donors may consider making contributions of appreciated, publicly traded stock held for longer than a year to enjoy tax benefits. Contributions are subject to due diligence of and acceptance by The Community Foundation. Contributions of property that may not have immediate liquidity are accepted at the discretion of The Community Foundation, and subject to our due diligence procedures. Donors considering a gift in any form other than cash should contact The Community Foundation to discuss and to obtain instructions.

### **Variance Power**

Some donor advised fund agreements restrict distributions to a specific charitable purpose. Others may limit distributions to named organizations. These restrictions may apply from inception of the fund or may spring 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 judgment, that the restriction or condition is unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community or area served.

### **Investment of Fund Assets**

The Community Foundation has the sole responsibility and authority for the investment of assets of each donor advised fund. The assets of any component fund are customarily invested and commingled with those of other advised funds, or with other funds of The Community Foundation, or may be invested in units of a common investment fund, which may be established or utilized by The Community Foundation.

The Board of Governors, and the Investment Committee as authorized by the Board, shall make decisions regarding the retention, investment, reinvestment and commingling of assets.

### **Administrative and Investment Management Fees**

The Community Foundation assesses fees including the fees charged by investment managers against all its funds to cover the cost of administration, to continue its work and to meet the compelling charitable needs in the Rappahannock River region. Fees provide resources necessary for efficient operation and effective exercise of responsibility on grant due diligence, donor and nonprofit education, research, and other activities. Our administrative fee is 1% of the 12 quarter rolling average of a fund's balance or \$100 – whichever is greater. We assess the fee in June of each year for funds under \$50,000. Funds over \$50,000 are assessed quarterly.

### **Donor Recommendations**

The Donor has the privilege to recommend disbursements from the principal and income of the advised fund. The Community Foundation shall consider and evaluate all such recommendations from the Donor as suggestions.

A Donor may suggest a grant for general support or for a particular program or activity sponsored by a qualified, local, regional or national charitable organization. While The Community Foundation may occasionally handle grants as small as \$250, Donors are urged to submit grant recommendations of \$500 or more. Recommended distributions must be made in writing to The Community Foundation. A *Donor Suggestion Form* should be completed by the Donor and submitted according to the annual fiscal year schedule. The donor suggestion submission schedule coincides with regular Board of Governors meetings, when donor suggestions are presented for consideration and approval. *To ensure grant distribution in a timely fashion, it is necessary for all advised funds to*

*follow this schedule.* If a suggested donation includes non-tax deductible benefits, there are additional steps that must be completed before the suggested donation can be presented to the Board of Governors. Upon the submission of the *Donor Suggestion Form*, staff will contact the Donor to finalize those steps.

The Community Foundation will decline to consider Donor suggestions when:

- The grantee is neither a tax qualified charitable organization as described in Section 170(b) of the IRS Code nor a governmental unit or is a private foundation;
- Upon investigation, The Community Foundation finds that the recommended recipient does not meet The Community Foundation's general standards for grant making;
- By reason of the Donor's receipt of benefits from the grantee, the gift would not be fully tax deductible if given directly by the Donor.
- The grant suggestion would fulfill a pledge by the donor.

### **Grant Restrictions and Prohibitions (IRS regulations)**

The Internal Revenue Code prohibits grants to individuals from donor advised funds. Also prohibited are grants for political contributions or to support political campaigns. Grants may not result in benefits, goods, or services to the Donor, members of their families, related parties or businesses they control. Failure to observe this restriction can result in tax penalties. Benefits include the payment of pledges, event tickets, meals, sponsorships, registration fees, discounted merchandise, preferred parking/seating, and memberships unless the membership confers nothing of value. Donors or any related parties may not receive grants, loans, compensation or similar payments (including expense reimbursements) from donor advised funds. Donors should contact The Community Foundation if they have specific questions about whether a Donor suggested grant may result in a prohibited benefit.

### **Staff Investigation**

It is the policy and practice of The Community Foundation to conduct staff investigations of all grant recommendations. The extent of such investigations will, of course, depend upon the nature and category of the grantee organization and information obtained by, or already available to, The Community Foundation with respect to the grantee and the purposes of the grant.

### **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 the Rappahannock River Region" and that it has been given upon the recommendation of the named Donor. The recipient organization is encouraged to acknowledge the gift to the Donor and also to The Community Foundation. Additional language confirms that no benefits have been offered or provided to The Community Foundation or the Donor 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 the Rappahannock River Region."

## **Board Action**

At regularly scheduled Board meetings, Donors' recommendations are presented for approval.

## **Monitoring Major Grants**

The Community Foundation requests grantees to report on the use of grant funds whenever a grant of \$10,000 or more is distributed. Most grantees are eager to keep The Community Foundation informed. The Community Foundation, in turn, is interested in keeping donors informed of its charitable activities.

Exceptions to this requirement may be made in the case of grants for general support, building funds and other projects of such size as to make it impossible to identify separately the use of each donation or grant received.

**Fund Statements:** Donors will receive quarterly financial statements reflecting contributions, grants made, income, unrealized/realized gains (losses), fees, and grants payable. At any other time, Donors may call staff for a current report.

## **Donors and their Designees/Advisors**

The privilege of making recommendations shall be extended to Donors and their designee(s), subject to the following limitations:

- Ordinarily, if an individual establishes an advised fund, the privilege of making recommendations is limited to the Donor, and, if so specified, the Donor's spouse and/or children as designee(s)/advisors. Individual or joint recommendations may be made, unless otherwise specified in the fund agreement. Successor advisors must be designated in writing by the living Donor or designee/advisor. This privilege will terminate on the death of the Donor or other designee(s)/advisor(s), written notice to The Community Foundation of resignation of or release by the Donor or other designee(s)/advisor(s);
- The agreement establishing a donor advised fund may designate a person or persons other than, or in addition to the Donor, spouse or children to exercise the privilege to make grant recommendations. In that case, the privilege will exist only during the lifetime of the Donor, spouse or specified children, unless earlier terminated as described below.
- Any restriction regarding receipt of benefits by Donors and all guidelines and procedures relating to recommendations of grants shall apply to their designees/advisors and successors.

## **Continuity of Funds**

On the termination of the recommendation privilege or if no recommendation has been made with respect to grants for a period of three years despite The Community Foundation's attempts to contact the Donor or designee/advisor, as applicable, donor advised funds of less than \$10,000 become part of The Community Foundation's unrestricted fund. Donor advised funds of \$10,000 or more become unrestricted named endowments of The Community Foundation; provided however, if the Donor has designated a particular charitable field, preference will be given to that field in distributions from that fund.