

Community Foundation of Burke County Guidelines Governing Donor Advised Funds

People who wish to be actively involved in charitable grant making have the opportunity to do so through the Community Foundation of Burke County (CFBC). Donor-advised funds are designed to provide individuals and nonprofit agencies with a flexible vehicle for achieving their personal charitable objectives.

The IRS allows community foundations to offer donors the opportunity to make tax deductible gifts at the most advantageous time for them and then to recommend grants over a period of time. The IRS expects that the CFBC will administer its donor advised funds in a manner that will maximize the benefits to the community and ensure charitable giving.

The following policies are designed to protect the interests of both donors and the CFBC. Exceptions to these policies may be made with approval of the CFBC's Board of Directors.

What is a Donor Advised Fund?

CFBC offers Donor Advised Funds which enable the Donor to use the staff of the CFBC to assist the Donor and the Donor's family's giving in philanthropy. Non-Endowed Donor Advised Funds as well as Endowed Donor Advised Funds may be established with the CFBC.

A Non-Endowed Donor Advised Fund is somewhat like a savings account that a donor sets up for charities. At the time the Donor makes the gift to the CFBC, the gift may qualify as a tax deductible charitable contribution. The CFBC holds the gift as a Fund established by the Donor to be used for charitable purposes. Money in the Fund may be granted at once, or at times when the Donor may recommend the charitable purposes and organizations to which the Donor desires for distributions to be made. The earnings from the Fund are used by the CFBC to further its charitable purposes and programs.

An Endowed Donor Advised Fund retains all gifts to the fund and an amount is distributed annually from the fund giving consideration to the Donor's granting wishes. All contributions to this fund may qualify as a tax deductible charitable contribution. The Donor, the Donor's children or other advisors named by the Grantor may recommend the charitable purposes and organizations to which distributions are made. Distributions from the Fund are designated as the Annual Distribution Amount. The Annual Distribution Amount is established by the CFBC. The Annual Distribution Amount established under the Foundation's policy now in effect is five percent (5%) of the net value of the fund. The Annual Distribution Amount of five percent (5%) will remain in effect unless the CFBC changes its policy with respect to the Annual Distribution Amount in the future. The Annual Distribution Amount shall be net of fees payable to the CFBC. The annual fee established under the CFBC's policy now in effect is one percent (1%) of the net value of the Fund.

A Limited Endowed Donor Advised Fund is offered to nonprofit organizations. The Limited Endowed Donor Advised Fund is the same as the Endowed Donor Advised Fund, except distributions are not limited to the Annual Distribution Amount and the entire Fund except for a minimum balance of \$10,000, may be distributed. Distributions from the Fund are limited only to the extent that the minimum balance of \$10,000 must be maintained in the Fund at all times. The

annual fee established under the CFBC's policy now in effect is one percent (1%) of the net value of the Fund.

A Donor and advisors named by the Donor, have the opportunity to make recommendations for the charitable purposes and organizations to which distributions from a Donor Advised Fund will be made. The CFBC will cooperate with the Donor and Donor's advisors in providing information and making appropriate investigation for the Donor and CFBC to evaluate whether the Donor's recommendations are consistent with specific charitable needs deserving of support.

Ownership and Control

Donor-advised funds will be the exclusive property of the CFBC and not be deemed separate funds held for the donor. They will be administered under and subject to the governing documents and policies of the CFBC.

All donor-advised funds are subject to the variance power, which gives the CFBC the ability to redirect funds should the cause for which they were established become necessary or incapable of fulfillment.

Establishing The Fund

Contributions

Non-Endowed Donor-Advised funds are established with a minimum gift of \$1,000. Endowed Donor Advised Funds and Limited Endowed Donor Advised Funds are established with a minimum gift of \$10,000. Additional gifts of any amount may be made to the fund after it is initially established.

Fund agreement

The Fund Agreement is a simple document, which establishes the Fund and outlines the structure and operation of the Fund. The document is signed by the Donor and an officer of the CFBC. A copy of the fully executed Fund Agreement is given to the Donor.

Grantmaking

Recommendation process

Donors have the privilege of making non-binding recommendations as to the timing, amount and charitable recipient of distributions. Donors do not retain any legal right to direct grants. All grants are to be used for purely charitable purposes; no goods or services (including meals at special events) may benefit the Donor or advisors. The CFBC, as required by law, retains authority over the use and distributions of the Fund.

Donors, who are public charitable organizations that establish an Endowed Donor Advised Fund or a Limited Endowed Donor Advised Fund will be required to adhere to the CFBC procedures and policies for making recommendations for distributions, including the time and frequency when distributions may be made.

Grant distributions must be made to Section 501(c)(3) organizations that are not classified as private foundations under 509(a), to recognized houses of worship, and to incorporated governmental

entities.

The CFBC generally gives to organizations within Burke County. It is, however, possible to make grants outside of Burke County but within the United States.

Approval Process

In making recommendation for distributions, Donors and Donors' advisors shall provide the CFBC with grant recommendations. The Executive Director may approve grants to pre-approved 501(c)(3) organizations. The Executive Director and an officer of the CFBC must approve recommendations for other charitable purposes and organizations. Under some circumstances the recommendations may require approval of the Grants Committee, or the Board of Directors of the CFBC under its established policies for consideration of recommendations for charitable distributions. Recommendations must be consistent with the CFBC's mission and not be in conflict with the CFBC's governing documents and grant making procedures.

The staff of the CFBC will provide information to Donors to consider in making, or reconsidering their request for recommendation for charitable distributions. The staff of the CFBC will assist Donors in evaluating the impact of the recommendations for charitable purposes in the community.

Minimum distribution

Grant recommendations for Donor Advised Funds should be sufficiently large to warrant the administrative expense involved in making the grant; a \$100 minimum is suggested. There are staff and time limitations to evaluating grants to organizations, or for charitable purposes, that have not recently been evaluated by the CFBC.

Dues/pledges

Grants from donor-advised funds may not be used to pay membership dues or to satisfy a legally enforceable personal obligation or personal pledge of a donor. However, where a donor advisor is neither discharging a legal obligation nor satisfying a personal pledge, the donor may indicate to a charitable institution that he will recommend a grant. Multi-year grant recommendations may be submitted by a donor advisor to the CFBC.

Active grantmaking funds

All Donor Advised Funds are intended to be active grantmaking funds. At the time a Donor Advised Fund is established, the Donor will be requested to provide recommendations for the charitable purposes and charitable organizations in which the Donor is interested. Should Donor and/or Donor's advisors cease to provide recommendations, the Board of Directors of CFBC will assume responsibility for making distributions from the fund and will be guided by Donor's initial indication of charitable purposes and organizations. The charitable purposes and organizations which are provided by the Donor will be included as a part of, or as an attachment to the original Fund Agreement.

Investment

Management

Donors will not retain control of investments, including control of the retention or sale of any assets contributed. The CFBC is responsible to invest assets with due regard for prudent risks, long-term market conditions, conservation of principal, grantmaking objectives, planned gift objectives and

other factors.

Investment Philosophy

The CFBC's primary investment objective is to provide for long-term growth of capital, without undue exposure to risk. This objective is pursued by investing in a mix of equities, fixed income and cash equivalents intended to allow participation in rising markets while providing reasonable protection in falling markets.

Financial Statement

Donors will receive regular financial statements reflecting any additional contributions to the fund, grants made during the fiscal year, income and valuation, fees (if applicable), and funds available for grantmaking.

Fees

The current administrative fee is a 1% annual fee on Endowed Donor Advised Funds and Limited Endowed Donor Advised Funds. There is no fee for Non-endowed Donor Advised Funds, but the earnings will be retained by the CFBC.

For unusual or complex grants, additional fees may be applied.

Advisors/Successor Advisors

Donors may designate their spouse, children or others to serve as advisor with, or in place of, the Donor. They may also name one or more successor advisors. Successors must be living at the time the fund is created and must be named in writing by the Donor in the fund agreement. When persons in addition to the Donor or Donor's spouse are authorized to make recommendations, the CFBC may require that one person be designated as the chairperson of the advisory committee. The chairperson will be the authorized person to recommend grants and the CFBC may rely on the authorized person's recommendations.

Designation Of Fund's Assets After Lifetime(s) Of Advisor(s)

Endowments generate grants in perpetuity. To provide the greatest flexibility to meet future community needs, when advising ceases, the CFBC will be responsible to select the organizations and charitable purposes for the Annual Distribution Amount from Endowed and Limited Endowed Donor Advised Funds and grants from the Non-endowed Donor Advised Funds. Donors may request in their fund agreement that their fund support unrestricted grantmaking or grantmaking in a broad field-of-interest. All grants will be made at the board's discretion in the fund's name.

Fund Recognition

When a grant is made, the CFBC lets the recipient organization know the name of the fund providing the grant and the donor advisor recommending the grant (unless the donor requests to remain anonymous). The recipient organization is asked to thank the donor for recommending the grant. It is the CFBC's practice to list all funds in its annual report and newsletters, unless donors request otherwise.