

DONOR ADVISED FUND POLICIES

Advised funds are one of the many different types of funds administered by the Community Foundation. Through advised funds, living donors and/or advisory committees support and participate in the charitable and philanthropic activities of the Foundation.

Characteristics of a Donor Advised Fund

A donor-advised fund defined under the Internal Revenue Code possesses three characteristics:

1. 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.
2. The fund is owned and controlled by a sponsoring organization such as the Foundation.
3. The donor or persons appointed by the donor expect to have the privilege of providing advice with respect to the fund's distributions.

Minimum Fund Size

Pursuant to the Foundation's Schedule of Fees in effect as of the effective date of this Policy, the minimum balance to establish a donor-advised endowment fund, is \$15,000. The minimum balance to establish a temporary, or pass-through donor-advised fund, is \$1,000. These policies and amounts are subject to change at any time.

Contributing to a Fund

A contribution to a donor advised fund is an irrevocable charitable contribution that is legally owned by the community foundation. These funds are institutional funds of the community foundation – not a personal savings account of the donor – and may only be used for charitable purposes which do not confer any private benefit on the donor or any other

person. The assets of donor-advised funds are owned and controlled by the Foundation. Contributions to a fund may be made in any amount and at any time, by any person, corporation or entity. Contributions may be made using cash, publicly traded securities or other property. Contributions of assets such as closely held stock, partnership interests, real estate, personal property, trusts and life insurance policies will be evaluated pursuant to the Foundation's Gift Acceptance Policies to determine acceptability. Contributions are accepted at the discretion of the Foundation, and subject to completion of our due diligence procedures. Contributions should be clearly designated by fund name: "The XYZ Fund of the Community Foundation of Southern Indiana." Donors considering a gift in any form other than cash should contact the 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 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. This is an important power of the Foundation, especially when stewarding permanent endowment funds, and allows the fund to continue to be used across generations in a manner as close as possible to the donor's original intent.

Fund Advisors

The donor who establishes the advised fund has the ability to name an Advisory Committee to recommend grants from the fund. The initial advisors to the fund are those persons named in the fund agreement. If at any time there is more than one advisor to the fund, the donor, in the fund agreement, will appoint a designee known as the Advisory Committee Chairperson, and all communications to and from the Foundation regarding the fund will be through the Chairperson. If no Chairperson has been so appointed, the advisors to the fund may appoint a Chairperson, and if not, the Foundation will consider the first advisor named in the fund agreement to be the Chairperson, or will appoint a Chairperson from the advisors so serving. Any time the Chairperson is changed, and any time new members are named to the advisory committee, the Foundation must be notified in writing.

Individuals who may be named to serve on an advisory committee will depend on whether the advised fund is endowed or pass-through, and whether the fund is created by an individual or a business or corporate entity. Pass-through advised funds may only have the Donor and Spouse as advisors, and the fund terminates upon the death, resignation or incapacity of the survivor. Endowed advised funds may have two generations of successor advisors to the Donor/s (in other words, through the Donor's grandchildren). If a business or corporate entity is the donor of the advised fund, the advisory committee may consist of officers and/or employees named either individually or by position (for example, the President or his/her designee) but the advisory term must be defined as ending by either a certain date (not to exceed 99 years from the date of the agreement) or upon the occurrence of specific events (such as the sale or closure of the business).

Recommending a Grant

The Foundation must adhere to Internal Revenue Service (IRS) regulations regarding recommendations from advised fund donors. IRS rules stipulate a donor cannot make a tax deductible contribution and at the same time retain future control over the contribution. However, the law expressly recognizes the right of living donors to make grant recommendations from time to time. In all cases, the Board of Directors of the Community Foundation of Southern Indiana, Inc. retains the right to final determination of the use of funds.

The Advisory Committee's grant recommendations are not binding on the Foundation, and by law the Foundation Board of Directors must retain the final responsibility to approve all grants. To protect our donors and to keep all funds compliant with the laws and regulations governing charitable grants, the Foundation will verify that all grant recommendations are for distributions to qualified public charities or for charitable purposes that meet the Foundation's due diligence requirements, before seeking board approval.

Grants are made to organizations recognized by the IRS as tax exempt, 501(c)(3) public charities and to non-profit organizations (churches, schools, and governmental units, for example) for charitable projects and purposes. The Foundation does not make grants to private foundations. When a donor requests a grant for a charitable purpose abroad, the Foundation will seek to make grants to U. S. organizations that carry on their work in other countries. The Foundation does not typically make grants from donor advised funds to non-

U.S. organizations or governmental entities. The purpose of all grants should fall within the broad objectives of the Community Foundation of Southern Indiana, Inc. The minimum grant amount is \$250.00.

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

Recommendations for grants may be made in writing, by email, online or verbally to the Foundation and may be made for general support of the recipient organization or for a particular program or activity. If a grant request is made verbally, the request will be confirmed by Foundation staff via email.

From time to time the 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 a program identified in such manner. Donors may be furnished with lists of unmet charitable needs of the community, as identified by the Foundation, from time to time.

When recommendations are received from advised fund donors, staff confirms receipt with the donor and carefully follows established Due Diligence Policies as they relate to Donor Advised Fund grants. For those organizations with which the Foundation is unfamiliar, staff will determine their governance, purposes and financial status. If a recommended organization fails to provide this information, the Board of Directors has the right not to approve a grant.

Grant Restrictions

The IRS further provides that grants from donor advised funds will not be made to individuals (including grants to an entity for the benefit of a specific individual) or for loans, expense reimbursements, compensation, and other similar payments to donors, advisors or other related parties. Also prohibited are grants for political contributions or to support

political campaigns. Grants may not be used to pay dues for membership of an individual in an organization, to discharge or satisfy legally enforceable financial obligations of the donor, advisors or any related parties or for any other purpose from which the donor, advisors, or any related parties will receive some benefit. Examples include: the payment of pledges, ticket purchases to a fund raising dinner or greens fees for a charity golf tournament, preferred parking and/or seating. In addition, grants from donor advised funds will not be made to support lobbying activities.

Grant Acknowledgement

The Foundation sends a letter to the charitable grantee along with all grant checks from an advised fund. Unless other arrangements have been made (such as anonymity), the letter will indicate that the contribution is from “The XYZ Fund of the Community Foundation of Southern Indiana” and that it has been given upon the recommendation of the named advisor, in addition to the purpose of the grant. The recipient organization is encouraged to acknowledge the gift to the advisor and also to the Foundation. Additional language confirms that no benefits have been offered or provided to the Foundation or the advisor in exchange for the accompanying grant. Grants from an advised fund can be made with the donor’s identity disclosed or anonymously, on a case by case basis in the donor’s determination.

Fundraising

If a donor to an advised fund wishes to raise money to add to their advised fund, they must agree to abide by the Foundation’s Donor-Initiated Fundraising Policy which is a separate policy and is available by request or online at www.cfsouthernindiana.com.

Investments

The Foundation has the sole responsibility and authority for the investment of the assets of each donor advised fund. The Foundation invests fund assets in a manner determined in its sole discretion to be desirable to carry out the purpose of the fund. Decisions with respect to the retention, investment, or reinvestment of assets and with respect to commingling of assets shall be made by the Foundation’s Investment Committee and Board of Directors. The assets of donor advised funds are customarily invested and commingled with assets of other funds of the Foundation.

Donors may request to retain their existing investment manager to manage the assets in their fund. Such a request is not automatic, but is subject to the Foundation's Donor-Recommended Investment Manager Policy which is a separate policy available by request or online at www.cfsouthernindiana.com, and the arrangement must be approved in advance by the Foundation's Investment Committee and Board of Directors.

The Foundation's long term investment objective is to preserve the real value of its permanent funds. This means that the Foundation seeks a total rate of return that supports the Foundation's grantmaking, administrative and investment fees, and inflation. The Foundation will normally measure whether it has achieved that objective over a rolling five-year period.

The Foundation appoints an investment consultant and investment managers from time to time to carry out some of its investment management responsibilities with respect to its invested asset pool.

Fees and Costs

The Foundation assesses fees, including investment management fees, against all of its funds to cover the cost of administration and to continue the 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, leadership in the community and other activities. Like all funds of the Foundation, each donor advised fund will pay its proportionate share of the costs of investment, administration and expenses of the Foundation. Such fees and costs are set out in the Foundation's current Schedule of Fees, available upon request or online at www.cfsouthernindiana.com. Sometimes additional costs may apply, for example, if there is a transfer of real property to the Foundation as a contribution to the fund, or if there are legal costs incurred in accepting a gift, managing a fund appropriately or keeping a fund compliant with changes in the law that may occur from time to time in the future. In such instances, these additional costs will be charged to the fund.

Inactive Funds

A donor advised fund is considered “active” when there is regular communication between a donor (or the named successor advisors) and the Foundation regarding the existence and purpose of that fund. In and of itself, the failure to make grant recommendations, sometimes even for years, does not make a donor advised fund “inactive”.

A donor advised fund is deemed “inactive” upon:

- the death, resignation or incapacity of the last remaining member of the Committee (incapacity shall mean the inability to handle business affairs, in the sole determination of the Foundation), or
- determination by the Foundation that all named successor advisors are unable or unwilling to serve as such, or
- a majority vote of the Advisory Committee to cease its existence as attested by the chairperson in writing to the Foundation, or
- the conclusion of a period of time no less than two (2) years in duration during which no grants have been recommended and attempts to contact the Advisory Committee have been unsuccessful.

In addition, a donor advised fund established by a business or corporate entity will state in the fund agreement additional criteria to determine inactivity, such as:

- the dissolution, acquisition, sale or merger of the Corporation, or
- the fulfillment of the number of years stated in the fund agreement (not to exceed 99 years from the date of the agreement)

If the fund becomes inactive, the 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 and/or the Activating Grantmaking provisions contained herein. If the fund agreement contains a provision for the ultimate use of the Fund at the end of the advisory period, that instruction shall control.

Acceptable Types of Fund Activity

Examples of some of the activities that would deem a fund “active” (and thus prevent triggering the Activating Grantmaking provisions herein) include **(but are not limited to)**:

Regular Grant Recommendations. Donor advisor generally recommends grants at least annually (or on another fairly consistent schedule able to be identified over time, if less often than annually) to qualified charitable organizations. The amount of grantmaking can vary from year to year.

Developing a Philanthropic Program. Donor advisor makes a substantial contribution to a 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 fund advisor consults with the sponsoring charity and/or does his or her own research to determine what types of grants will best meet community needs and/or her philanthropic goals. The Foundation is aware of this intent and appropriate documentation is in the fund records regarding the reason for the lack of grant activity.

Long-term Giving Plan. Donor advisor deliberately reduces the frequency or size of grant recommendations from fund, for example:

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.

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).

Donor advisor refrains from recommending grants for a given period because the fund is invested in an illiquid or undervalued investment. Donor advisor intends to begin making grant recommendations when the investment can be sold at a reasonable price.

The Foundation is aware of the intent of the Donor in these situations and appropriate documentation is in the fund records regarding the reason for the lack of grant activity.

Project Grants. Donor 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 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. The Foundation is aware of the intent of the Donor and appropriate documentation is in the fund records regarding the reason for the lack of grant activity.

Starter Fund: Donor advised funds may need time to build the fund balance to make substantial grants to the community. Therefore, there may be no distributions made until the fund balance reaches an amount stated in the donor advised fund file.

Specific Situations. In specific situations, the Foundation may allow a donor advisor to refrain from recommending grants for a number of years with the specific charitable goal of recommending a grant when the specific situation is resolved. 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 donor 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 community 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.

Activating Grantmaking

Unless a particular fund is covered by one of the situations outlined in Acceptable Types of Fund Activity above, should grant activity stop for more than a two (2)-year period, steps will be taken by the staff or the board to activate grantmaking from that fund. These steps may include such activities as:

- First, notifying the fund advisor regularly and periodically (for example, three times over a period of two (2) years) to encourage the fund advisor to activate the fund.

- If attempts to contact the fund advisor over a two (2) year period are not successful, unless otherwise specified in the fund agreement, the Foundation may begin distributing grants from the fund to qualified grant recipients that align with donor intent as demonstrated by either fund records or past grant activity, but 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 is appropriate to enable the community 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, and, for example but not limited to, re-allocating of the fund proceeds to the Foundation's unrestricted endowment or issuing the balance as a charitable grant to a qualified recipient.

Termination

If, under the guidelines set forth herein, or under the provisions of the fund agreement, the assets of the fund become a part of the Foundation's unrestricted endowment, currently known as the Community Impact Fund, which is used to address the most pressing needs of our community, the fund name will continue to be listed as part of the Community Impact Fund in the Foundation's reporting and marketing materials unless the donor has requested anonymity. The Foundation allows the donor (or the Advisory Committee) to recommend a different ultimate purpose for the remaining fund balance at the termination of the advisory period. The right to make this recommendation must be reserved in the fund agreement. The fund balance at the time the advisory period ends must equal or exceed the current minimum endowment fund balance set by the Foundation from time to time. When these conditions are met, the fund will continue to be maintained as a separate named endowment fund for the stated discretionary purposes or as a field of interest fund following the termination of the advisory period.

DEFINITIONS OF TERMS

Qualified Charitable Organization

Donors may deduct charitable contributions in accordance with Federal and their respective state tax codes only if donations are made to a qualified organization. Most organizations, other than churches and governments, and public schools must apply to the IRS to become a

qualified organization. Refer to the Foundation's grantmaking policies for local grant making protocol.

Sponsoring Organization

An organization, like a community foundation, that owns and controls donor advised funds.


Donor Advisor (sometimes referred to as "Fund Advisor")

A donor or person appointed or designated by the donor who has or reasonably expects to have advisory privileges with respect to the fund's distributions or investments. The donor retains the privilege to recommend grants from the charitable fund for which he or she has been designated as fund advisor.

Disqualified Person

As applied to public charities, the term disqualified person includes (1) organization managers, (2) any other person who, within the past five years, was in a position to exercise substantial influence over the affairs of the organization, (3) donors and donor advisors with regard to transactions with a particular donor advised fund, (4) investment advisors to assets of donor advised funds, (5) and disqualified persons of supporting organizations who are also disqualified persons of the supported organization, (6) family members of the above, and (7) businesses they control. Paying excessive benefits to a disqualified person will result in the imposition of penalty excise taxes on that person, and, under some circumstances, on the charity's board of directors.

Adopted by the Board of Directors on August 17, 2017.



David Hussung, Secretary