

Mt. Pleasant Area

community foundationSM

POLICY: DONOR ADVISED FUND POLICY
Related Policies: Endowed Fund Policy
Status: Amended December, 2012; Amended February, 2017

Introduction:

Donor advised endowment funds allow Founding Contributors the opportunity to advise the Foundation's Board of Trustees in the selection of eligible charitable organizations to receive grants from their funds. This type of fund is the perfect vehicle for donors who wish to participate actively in the grant making process and retain philanthropic flexibility.

The Mt. Pleasant Area Community Foundation (MPACF) welcomes the establishment of donor advised funds. Administration of such funds in accordance with the following procedures ensures that donor advised funds support the Foundation's mission, are deductible by the donor for federal income tax purposes and comply with other federal tax law requirements.

Restrictions which federal tax law places on Community Foundations are based on a simple idea: donors may not give property away to a publicly supported charitable organization, receive income tax deductions for their gifts, and at the same time retain control of the property. The advice of the Donor Advisor(s) (defined below) to the Board of Trustees with respect to the selection of an eligible charitable organization is advisory in nature. The Community Foundation may accept or reject the advice, applying reasonable standards and guidelines.

Donor Advised Fund Procedures:

Advised funds may be started with a minimum cash gift of \$1,000. All income earned, less customary administrative fees, will be reinvested into the principal. Grant distributions will not be allowed until the fund reaches \$10,000. The amount of grant distribution will be in compliance with the then current spending policy of the Foundation. If, after 10 years, the fund fails to reach the minimum of \$10,000, at the discretion of the Foundation, the principal plus earnings of the fund shall be added to and become part of the unrestricted funds of the Foundation.

Founding Contributors shall specify in an addendum to the Fund Agreement who has authority to advise as to the fund's distributions (hereafter referred to as the "Fund Advisor(s)"). Upon the death or incapacity of the Fund Advisor(s), or upon their election during their lifetime, the advisory function may be transferred to one successive generation for the purpose of making grant recommendations to the Foundation.

If at any time there is more than one advisor to the fund, the advisors will appoint a designee and all communication to and from the Foundation will be through the designee. If no designee has been appointed, the Foundation will consider the first advisor named in the agreement to be the designee.

After the death or after notification to waive authority-to-advise by the Fund Advisor(s), the Board of Trustees shall itself serve as advisor.

Once the fund reaches and as long as it maintains a fund balance of at least \$10,000, the Fund Advisor(s) named in the agreement may recommend distributions to qualified charitable organizations. Annually, the Foundation will communicate with the designated Fund Advisor as to the amount available for grants during the Foundation's fiscal year. Grant recommendations may be made at any time during the year, but must be submitted in writing. Fund Advisor(s) are encouraged to avoid the traditional year-end giving season. (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.)

Qualified charitable organizations generally include units of government and nonprofit organizations defined in section 501(c)(3) of the Internal Revenue Code, including charitable, religious or educational organizations. Examples of organizations not eligible for distributions from a Donor Advised Fund include private foundations, social welfare organizations (501c4), business associations, social clubs, fraternal orders, organizations whose primary purpose is lobbying, cemetery associations, non-US organizations or government entities, and funds set up to provide emergency relief to specific individuals or families. If a Fund Advisor(s) is concerned about a particular recommendation, MPACF will assist by pre-screening an organization for eligibility.

Once a recommendation is received, MPACF staff will perform due diligence to verify that the organization is a qualified charity and that its status is current. For most organizations, this process can be completed in a few days. For grants to unfamiliar organizations, MPACF requires an affirmative response from the organization before awarding a grant. This process may take longer.

All Fund Advisor recommendations will go to the Board of Trustees for approval during their next regularly scheduled meeting. It is the Foundation's practice generally to follow Fund Advisor recommendations; however, the final decision about all recommended fund distributions is MPACF's. Upon Board approval, a grant check will be issued and a letter will accompany the check to the qualified charitable organization. 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 Mt. Pleasant Area Community Foundation." Recipient organizations are encouraged to acknowledge the Fund Advisor(s) through MPACF. If the recipient organization publishes a news release or a list of donors, it is asked to indicate that the contribution was granted through "the XYZ Fund of the Mt. Pleasant Area Community Foundation."

From time to time MPACF may bring to the Fund Advisor's attention grant making opportunities in which the Fund Advisor(s) may have an interest. The Fund Advisor(s) is not obligated to recommend a grant for the identified program.

If grant recommendations for a Donor Advised Fund are not received by the Foundation for a period of two years, the Foundation reserves the right to allocate accumulated amounts available

for grant making to unrestricted grant purposes. Written notification will be given to the Fund Advisor(s) at least sixty days prior to such an allocation. The written notification will be given by regular mail addressed to the designated Fund Advisor his/her last known mailing address, according to Foundation records. It is the responsibility of the Fund Advisor(s) to keep the Foundation apprised of any changes in contact information.

Donor Advised Fund Grant Restrictions and Prohibitions (IRS regulations):

Grants from a Donor Advised Fund may not result in Founding Contributors, donors, Fund 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 a donee organization.

Donor Advised Fund grants also may not be used to satisfy all or a portion of a pre-existing personal pledge or other financial obligation made by the Founding Contributors, donors, Fund Advisors, or any related parties. The Fund Advisor(s) 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 providing grants to individuals, i.e., scholarships, emergency hardship grants or disaster relief grants. These restrictions include 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.

Founding Contributors, donors, Fund Advisors or any related parties may not receive grants, loans, compensation or similar payments (including expense reimbursements) from Donor Advised Funds.