**Donor Policy & Procedures on Donor Advised Funds**

*Hillsdale County Community Foundation*

*Revised October 2017*

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. (ex. the Smith Family Fund established by the Smith family children.)
* The Fund is owned and controlled by a sponsoring organization such as the 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.

A donor advised fund allows a donor to make recommendations about distributions of income to charities recognized as tax-exempt by the Internal Revenue Service. To establish a Named Donor Advised Fund, a minimum donation of $25,000 or more is required.

**Contributions** - Gifts to a fund are irrevocable. The assets of donor advised funds are owned and controlled by the 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, trusts and life insurance. Contributions are subject to acceptance by the Foundation. Contributions should be clearly designated by fund name: “The XYZ Fund at the Hillsdale County Community Foundation.”

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 Foundation, and subject to completion of our due diligence procedures. 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.

**Fund Advisors** - The initial advisors to the fund are those persons named in the fund agreement. The Donor/originator (or spouse of) the fund may name one successor upon the death of both the Donor and his/her spouse. Said successor may also choose to name a successor under the same conditions. Successors shall be limited to family members within one generation of the original Donor, and shall be limited to four successors after the original Donor. Each successor is required to sign a written continuation contract, at the time of being named as such, agreeing to serve in a reliable and competent manner until such time that their successor is named. It is the responsibility of the original Donor and each successor, thereafter, to name a continuing successor. If at any time a successor has not been named, has not signed the continuation contract upon the death of the previous successor, or the last allowable successor has become incapacitated or died, the Board of Trustees of the Hillsdale County Community Foundation will automatically become the advisor of the fund.

**Recommending a Grant** - Grants must be for charitable purposes. Donors may recommend grants to any organization described in section 501(c)(3) of the Internal Revenue Code except that the Foundation does not make grants to private foundations. Donors may also recommend grants to most units of government (e.g., public schools, colleges and universities, town and municipal governments, police departments, etc.).

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)); veterans’ organizations; cemeteries; Chambers of Commerce and similar business associations; fraternities and sororities; social clubs; and fraternal organizations such as Elks and Moose.

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

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 the identified program. Donors may be furnished with lists of the unmet charitable needs of the community as determined by the Foundation from time to time.

**Grant Restrictions** - 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, the fund advisor, members of their families, and businesses they control. Failure to observe this restriction can subject the fund advisor to tax penalties. 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 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 at the Hillsdale County Community Foundation”. The recipient organization is encouraged to acknowledge the gift 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. 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 at the Hillsdale County Community Foundation.”

**Fundraising** - Donors sometimes want to raise money to add to their advised funds. The Foundation’s policies on fundraising are attached to this document. Fundraising, if permitted, must strictly adhere to the guidelines in the policy and to any additional restrictions imposed as a condition of the Foundation’s consent.

**Investments** – Decision with respect to the retention, investment or reinvestment of assets shall be made by the HCCF Board of Trustees. The Foundation may commingle the assets of the fund with the assets of other component funds held by the Foundation for investment purposes provided, however, separate records of the endowment fund will be maintained by the Foundation and all earnings and distributions from the fund will be clearly identified as such.

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 grant making, expenses, 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 Minimums** - The Foundation assesses fees, including investment management fees, against all 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, and other activities. The Foundation’s current administrative fee schedule for donor advised funds is:

|  |  |  |  |
| --- | --- | --- | --- |
| Fund Type | Funding | Yearly Fee | Notes |
| Donor Advised Funds | Endowed | 2.0% | Based on Assets of Fund |
| Non-Endowed | 2.0% | Based on Current Year Grants |
|  |  |  |  |

\*Endowed Funds with a balance of $250,000 – 499,000 will be charged a 1.5%. Funds with a balance of $500,000+ will be charged a 1% fee.

A fund is deemed inactive if:

* The fund advisor dies or resigns or evidence of his or her incapacity is provided to the 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 Foundation’s attempts to contact them.

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.