



Guidelines for the Administration of Donor Advised Funds

What is a Donor Advised Fund?

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. For example, the Smith Family Fund established by the Smith family children.
- The Fund is owned and controlled by a sponsoring organization such as the Foundation.

Minimum Fund Size

The minimum amount required to establish a fund at Shasta Regional Community Foundation is as follows¹:

- Donor Advised Fund: \$10,000
- Donor Designated Fund: \$10,000

Exceptions will be considered by the Board of Directors when:

- The fund holder has another fund with the Foundation above the minimum deposit
- The fund is within 10-20% of the minimum with commitment to grow in the next year
- The fund holder has a commitment to a planned gift
- This list is not exhaustive; other exceptions will also be considered

Contributing to a Fund

Gifts to a fund are irrevocable. The assets of donor advised funds are owned and controlled by the Shasta Regional Community 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, partnership interests, real estate, trusts and life insurance. Contributions are subject to acceptance by the Foundation. Contributions should be clearly designated by fund name: "The XYZ Fund of the Shasta Regional Community Foundation."

Many donors make contributions using appreciated, publicly traded to enjoy tax benefits. Contributions of property that may not have immediate liquidity are accepted at the discretion of the Foundation², 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.

¹ Please note that these policies and amounts are subject to change.

² The Shasta Regional Community Foundation utilizes the Shasta Regional Community Real Estate Foundation to process gifts of real estate.

Variance Power

Some donor advised fund agreements designate 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. Please refer to the Fund Advisor Policy for more detail, including how many generations are permitted and the process for naming successors.

Acceptable Types of Fund Activity

A fund is considered active when there is regular communication between a donor (or named successors) and Shasta Regional Community Foundation regarding the existence and purpose of that fund. Examples of **some** of the activities that would deem a fund active include (**but are not limited to**):

- **Regular Grant Recommendations.** Donor advisor generally recommends grants at least 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 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.
- **Long-term Giving Plan.** Donor advisor deliberately reduces the frequency or size of grant recommendations from fund, for example:
 1. 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.
 2. 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).
 3. 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.
- **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 20 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.
- **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 Occasion Grant. Donor advisor refrains from recommending grants for a number of years with the specific charitable goal of recommending a grant upon a specific occasion.

Examples may include:

1. Donor is incapacitated with no successor advisor(s) named so the community 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.

Recommending a Grant

Grants must be for charitable purposes. The minimum grant amount is \$250.00. You 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. You may also recommend grants to most units of government (e.g., public schools, colleges and universities, town and municipal governments, police departments, etc.). Additional, but rare grants, may also be made to unincorporated groups and non 501 (c)(3) organizations. These grants must be for a charitable purpose and grantees must follow expenditure responsibility measures as directed by the guidelines of SRCF's grantmaking policies. 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 shall be furnished with lists of the unmet charitable needs of the community as determined by the Foundation from time to time. As feasible, the Program Officer will discuss with donors their proposed grantmaking activities and/or refer to the Fund Agreement on file.

On donor's submission of a Donor Advisor Recommendation Form, Program Associate/Officer will confirm public/governmental status of proposed grantee or search Guidestar and the Secretary of State's web site for information confirming potential grantee status (charitable and active). SRCF's Donor Advisor Recommendation Form tests for compliance with Pension Protection Act verifying that the donor will not receive any material benefit as a result of the gift. Grants from Donor Advised Funds for the following are expressly prohibited:

- For the purpose of supporting lobbying
- For the purpose of supporting nonpartisan voter registration activity
- To a private foundation

- For a scholarship
- For the benefit of an individual
- To type III supporting organizations that are not functionally integrated
- To any supporting organization that is controlled by the donor or donor appointee
- To an organization for the purpose of paying for an event, membership, or any purpose for which the donor or related parties will receive a tangible economic benefit
- Any grant which would impose penalties on the sponsoring charity and fund managers, per Section 1231 of the Pension Protection Act of 2006.

Should the Program Officer not have sufficient information to determine that the recommended grant meets the criteria, the donor advisor and/or grantee will be contacted to secure additional information prior to Foundation approval of this grant. Program Officer will forward information regarding donor recommendations with any staff concerns to Board of Directors for action. In total, a grant recommendation from a Donor Advised Fund can generally complete the process in 2 – 3 weeks' time (from the time of a fund advisor's initial recommendation to the time an organization receives the gift).

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 of Shasta Regional Community Foundation" and that it has been given upon the recommendation of the named advisor. 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 of Shasta Regional Community Foundation."

Fundraising

Donors sometimes want to raise money to add to their advised funds. The Foundation's policies on fundraising are available upon request. 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

The Foundation has the sole responsibility and authority for investment of the assets of each Donor Advised 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. Donor Advised Funds are customarily invested and commingled with assets of other funds of the Foundation. When the size of an endowed fund warrants separate investment consideration, typically for funds over \$1,000,000.00 dollars, the Foundation will endeavor to accommodate requests from donors for use of a particular investment manager, broker or agent in accordance with the Foundation's Investment Policy. The Shasta Regional Community Foundation is a community foundation that facilitates building of donor funds to provide a permanent resource for grant making and services to the communities in Shasta, Tehama, and Siskiyou Counties. The Board and staff have a fiduciary responsibility to meet these current needs while preserving the assets of the Foundation for long term purposes. To support these goals, the Foundation has established an Investment Policy Statement with clear investment goals and guidelines for the portfolios along with appropriate measurement benchmarks and periods.

Fees and Minimums

The Foundation assesses 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 available online or by request at the office.

Activating Grantmaking from Inactive Funds

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.

Should grant activity stop for more than a two-year period, steps will be taken by the staff or the board to activate that fund.

- Notifying the fund advisor regularly and periodically to encourage the fund advisor to activate the fund.
- If communication is not established within the designated timeline the Foundation will deem the advisory period to have ended and will initiate distributions from the fund to qualified grant recipients that align with donor intent, but if the community foundation determines such intent is obsolete, incapable of being fulfilled, impractical, or inconsistent with the community's charitable needs, then Shasta Regional Community Foundation will enact their overriding variance power 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.

Termination

Unless otherwise specified in the fund agreement, upon the death, resignation or incapacity of the last advisor to the fund, or if the fund is determined to be inactive, the assets of the fund will become a part of the Foundation's Stewardship Endowment Fund. If the principal balance of the fund exceeds \$10,000 the Fund will continue to be maintained as a separate named endowed fund for discretionary purposes or as a field of interest, if the donor(s) or successor-advisor(s) have specified in writing one or more broad fields of interests for the fund.

Definition 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 Shasta Regional Community 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.

Donor Advised Fund

A fund may be classified as donor advised if it has at least three characteristics: (1) a donor or person appointed or designated by the donor has, or reasonably expects to have, advisory privileges with respect to the fund's distributions or investments, (2) the fund is separately identified by reference to contributions of the donor(s), and (3) the fund is owned and controlled by a sponsoring organization, such as a community foundation. A fund possessing these characteristics may be exempt from the donor advised fund classification if it grants to one single public charity or government unit or if the fund meets certain requirements applicable to scholarship funds.