

COMMUNITY FOUNDATION OF ST. JOSEPH COUNTY PRINCIPLES AND PROCEDURES FOR DONOR ADVISED FUNDS

Definition: A donor-advised fund is a separate, named fund set up by a donor or donors who wish to participate actively in how the investment earnings from the fund are distributed to charity. In this capacity, donors serve as chief advisors to the Community Foundation in determining charitable grants to be made from the fund.

Recommendations for Grants: Donors, their spouses, or their written designees may submit recommendations regarding the distribution of earnings from their fund to charity. All recommendations by donor-advisors are subject to review and approval by the Community Foundation of St. Joseph County.

Restrictions: Grants from Donor-Advised Funds will not be made to pay dues for membership of an individual in an organization, or to discharge or satisfy a legally enforceable personal pledge or other obligation which has been made by the donor or any other individual or corporation. However, where a donor advisor is neither discharging a legal obligation nor satisfying a personal pledge, the donor may inform the charitable institutions that he or she will recommend a grant from his or her Donor-advised Fund. Funds may be used for charitable purposes only, with no financial benefit to the donor, for example donors, advisors or related parties may not receive grants, loans, compensation or similar payments (including expense reimbursements) from donor-advised funds.

Staff Consultation: Donor-advisors are encouraged to consult with Community Foundation staff in developing their recommendations. Community Foundation staff can help donor-advisors identify excellent uses for grant dollars, consistent with their particular charitable interests and concerns.

Minimum fund size: The Community Foundation requires a commitment of \$10,000 to establish an individual, named donor-advised fund. This amount may be contributed all at once or over a period of time. All investment earnings will be reinvested in the fund until the fund reaches this minimum threshold. Once contributions and investment earnings cause the fund to amount to \$10,000 or more, donors may begin recommending distributions to charities.

Successor Advisors: Typically, after the death of the donor advisors the Community Foundation's board of directors determine how to distribute the available income. Grants will then be made in the donors' names at the discretion of this group of community citizens to serve a wide variety of worthy charitable causes. A donor may request that preference be given to a particular field of charitable interest, or may specify the charity or charities to receive the income from their fund after their deaths.

Donors may, during their lifetimes, nominate other living persons to act as an advisory committee to suggest grants from the donors' funds. These members cannot, however, appoint other members: only a donor can name advisors.

Donors may designate children, grandchildren, and great-grandchildren to serve as a fund advisory group after the death(s) of the original donor(s). The advisory group shall appoint a representative and notify the Foundation in writing that this representative is authorized to communicate with the Foundation on the advisory group's behalf.

The Community Foundation is dedicated to cultivating family traditions of philanthropy. At its discretion, it may appoint further descendants of the donor(s) as fund advisors to participate in determining distributions from a family fund. Such a decision will be based on some or all of the following factors: residency in the St. Joseph County area, demonstrated community concern, community involvement, and reasonable financial contribution to the fund.

Divorce: If a married couple by whom a Donor Advised Fund has been established should divorce, one

person may choose to relinquish in writing their right to serve as a Donor Advisor to the Fund. Otherwise, the Foundation, at its discretion, may give the divorcing couple the option of dividing the original Fund into two individual donor-advised funds, subject to the then-current minimum dollar requirement for a separate fund. If the minimum is not met, then each person shall have the option to add to one-half of the original Fund the amount needed to reach the required minimum. In that case, a new fund agreement will be executed for each new fund. Each person may make his or her decision independently. If either person chooses not to increase their half of the original Fund to the required minimum, that person may advise the Foundation to which then-existing Community Foundation fund their one-half should be allocated. In any event, the Foundation must be notified of each person's decision prior to March 31 of the year following the effective date of the divorce. If the Foundation is not notified by that deadline date, then either or both halves of the original Fund's assets shall be allocated to the Foundation's unrestricted Community Endowment Fund.

Corporate Advised Funds: In the case of corporations and non-individual donors, the privilege of making recommendations regarding distributions from the donor-advised fund, unless sooner relinquished by the donor, shall continue as long as the corporation is doing business in Michiana. Non-individual donors may designate from time to time, in a written notice to the Foundation, an individual who is to exercise the recommendation privilege of the non-individual donor.

Geographic Restrictions: A minimum of fifty percent of the distributions from donor-advised funds must be made to charities in the St. Joseph County area, or providing significant service to St. Joseph County residents. Exceptions to this requirement may be made at the discretion of the Community Foundation's board of directors.

Grants to non-local charities must be to well-established, well-documented organizations to avoid imposing an onerous research burden on Foundation staff and to provide greater assurance that Foundation money is being distributed appropriately.

Grant Recommendation Process:

Each May, donor-advisors will be notified by the Community Foundation of the amount of resources available for distribution from their fund. Donors will be given the following options:

- Recommend distributions including the proposed beneficiary(ies), amount(s), and restricted purposes (if any);
- Recommend setting aside the available resources until a later date to fund larger grants
- Recommend reinvestment of the available resources
- Request that the resources be awarded by the Grants Committee, with board approval

Recommendation Review Process:

- Verify the intended beneficiary of grant funds has been classified as a 501(c)(3) tax-exempt organization by the Internal Revenue Service.
- Confirm the intended use of the funds is compatible with the Foundation's mission.
- Confirm no personal inurement to the donor or serious conflict of interest exists that compromises the nature of the grant.
- Obtain an audited financial statement or other evidence of sound financial practices by the intended beneficiary (if not on file). Such evidence shall be less than two years old.
- Conduct site visits as appropriate, particularly to charities which have not been prior or recent recipients of Community Foundation grants.

This review process will be conducted by Community Foundation staff. Recommendations shall then be submitted to the President for approval. Review and approval will take 2-4 weeks.

Administrative Fee: According to the Foundation's standard fee policy, funds will contribute one percent of their average market value (.25% of market value assessed quarterly) to support the mission, services, and operation of the Foundation.

Thanks to the establishment of the Leighton Endowment for the Advancement of Philanthropy, the Community Foundation may waive the administrative fee on endowed funds. The Community Foundation reserves the right to assess a reasonable fee on endowed funds that require an unusual amount of administration or service due to their special nature. All funds, endowed and other, will continue to cover direct expenses, if any, associated with their initial establishment (e.g. transfer costs, title work, environmental or special legal work, etc.) or non-routine costs of operating the fund.

Donor recognition: The Community Foundation will identify the source of donor-advised grants in a cover letter and on the actual check to charities unless anonymity is specifically requested by the donor(s).

If you have any questions, please call the Foundation office at (574) 232-0041.