

Community Foundation of Johnson County

Donor Advised Fund Policy

Donor Advised Funds give donors the opportunity to:

- Play an active, personal role in their charitable giving
- Enhance their understanding of community agencies and needs
- Benefit from the Foundation's expertise in fund and grant management
- Obtain immediate tax benefits
- Build an enduring, permanent resource that ensures perpetuation of their charitable presence in the community

By creating a Donor Advised Fund (DAF), donors retain the right, during their lifetimes or during the lifetimes of other advisers they name, to recommend grants to specific organizations or program fields. Donors may consult with the Foundation's staff about community needs, programs and agencies. Grant distributions are administered by the Foundation.

The Foundation encourages the establishment of endowment funds, where the principal of the fund remains endowed and cannot be distributed. The Foundation also allows non-endowed funds where the principal of the fund can be distributed. These Policies apply to both types of Donor Advised Funds.

The following policies and guidelines have been established to govern the administration of Donor Advised Funds in a manner consistent with the purposes of the Foundation and in complying with the applicable tax regulations.

1. Minimum Amount

The minimum amount required to establish a Donor Advised Fund is \$5,000 for an endowed fund and \$2,500 for a non-endowed fund.

2. Contribution to a Fund

Gifts to a Donor Advised Fund are irrevocable and are owned and controlled by the Foundation. If the Fund meets the minimum balance requirements, contributions to a fund may be made in any amount and at any time. The Foundation accepts contributions of various property types, including but not necessarily limited to cash, publicly traded securities, or other property such as real estate, closely held corporate stocks, personal property, or life insurance proceeds. Many donors make contributions using appreciated, publicly traded stock that has been held for longer than a year, to enjoy maximum tax benefits. Contributions are subject to acceptance by the Foundation. Donors considering a gift in any form other than cash should contact the Foundation to discuss its appropriateness and to obtain delivery instructions.

3. Investment of Funds

Donor Advised Funds belong to the Foundation and are subject to the terms and conditions of its governing instruments, policies, and procedures. Donor Advised funds are commingled with other Foundation funds to encourage maximum investment performance. The Foundation's portfolio is managed with a view toward maximization of total return considering inflation risk, interest rate risk, and business or economic risk, while always being prudently diversified. A copy of the Foundation's Investment Policy is available on our website or upon request.

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4. Outside Investment Managers

Donors may request the use of an outside investment manager if the fund maintains a minimum balance of \$500,000. If the request is granted, the fund remains a component fund of the Foundation, but is managed and invested by a broker, trust company or other financial investment adviser of the donor's choice. In order to manage component funds for the Foundation, outside fund managers are required to sign an investment management agreement with the Foundation and maintain an investment performance level that is acceptable to the Foundation's Finance Committee, based on an established benchmark.

5. Grant Recommendations

When the fund is established, the donor(s) and the Foundation enter into a Donor Advised Fund Agreement, which includes a list of advisers who can submit grant recommendations to the Foundation. Donors or other advisers named by the donor when a fund is established may submit recommendations for grants to be made from the fund. A grant recommendation form is available from the Foundation. Such recommendations will be given careful attention. They must be advisory, however, and may not bind the Foundation, which, by law, must have exclusive legal control and is the final authority to determine the use and distributions of all its funds.

Grant recommendations made by donors will be evaluated to determine that they are consistent with the broad purpose of the Foundation and if the recommended agencies are eligible to receive charitable distributions. Foundation staff receive and process grant recommendations. Grants are approved on a monthly basis by the Foundation's Board of Directors. Each grant recommended from a Donor Advised Fund must be for a minimum of \$250.

6. Permissible Recipients

Grants from Donor Advised Funds are made primarily to nonprofit organizations exempt from Federal taxation under section 501(c)(3) of the Internal Revenue Code. Advisers may also recommend grants to most units of government (e.g. public schools, colleges and universities, etc.) Grants to other organizations may be considered, if the Foundation determines the grant is being used for a charitable purpose. Grants from Donor Advised Funds may *not* be made to individuals, or to an entity for the benefit of a specified individual.

Donors, advisers, related parties, and any other disqualified person cannot receive more than incidental benefits from any distributions for a donor advised fund. The Foundation adheres to the Internal Revenue Service's definition of "disqualified person" in relation to public charities, which includes any person who is in a position to exercise substantial influence over an organization (whether or not the person exercises such influence), as well as family members and businesses of other disqualified persons. It is the responsibility of the donor in establishing a Donor Advised Fund to provide the Foundation with sufficient information about the donor and named advisers to ensure that the donor and advisers, and their family members and businesses, do not benefit from distributions from the fund.

Donors wishing to make grants to charitable organizations in other countries must submit a written grant recommendation. All recommendations to foreign charities will be considered on a case-by-case basis by the Foundation's Executive Committee. Special fees may apply to grants made to

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foreign countries. If the donors to the Donor Advised Fund received an Endow Iowa Tax Credit, grants can only be made to qualified Iowa charities.

The Foundation performs due diligence to be sure all recipients of grants are qualified charitable recipients, pursuant to Internal Revenue Service regulations. The Foundation reserves the right to require additional information from a donor or adviser in order to adequately assess a potential grantee's eligibility to receive funds under this Policy. The Foundation will not approve any grant distributions that do not adhere to this policy.

7. Special Projects

Donors may allocate a portion of the fund's distributions to the support of special projects identified by the Foundation's Board as critical to our community. Such allocations help the Foundation respond to new opportunities and emerging needs. From time to time the Foundation may call advisers' attention to special community needs and programs.

8. Satisfaction of Pledges

In accordance with Treasury Department regulations, grants awarded from Donor Advised Funds may not be used to pay for memberships, dues, or anything that might be perceived as giving material benefit to the donor, adviser or any related party. In addition, grants may *not* be used to satisfy a previously committed personal pledge made to a charity by a donor, adviser or any related party.

9. Tickets and Events

The Foundation does *not* allow the purchase of tickets from Donor Advised Funds. This is because, for the purpose of the self-dealing rule, the IRS has taken the position that it is not possible to separate the price of a ticket into its charitable and non-charitable components.

The Pension Protection Act of 2006 clearly indicates that donors, advisers, or related parties should not receive more than incidental benefits from donor advised fund distributions. Grants to scholarship funds and other similar funds that enable the donor to be eligible to purchase tickets to athletic or other events are not permissible under the Act, and therefore the Foundation does not allow contributions of this kind from Donor Advised Funds.

10. Loans or Compensation

Donors, advisers or other related parties may not, at any time, receive a grant or loan from a donor advised fund. The Foundation does not compensate donors, advisers, or related parties.

11. Anonymity

Unless the donor wishes to remain anonymous, the Foundation identifies for grant recipients the named funds from which grants are paid, and the grant recipients are encouraged to acknowledge the donor whose generosity made the grant possible.

12. Successor Advisers

Donors may recommend other living persons – such as children, friends, or business associates – as successor advisers to recommend grants from the fund if the Donor Advised Fund, as designated on the Donor Advised Fund Agreement. Exceptions to this policy may be made when, for example, the

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special expertise or knowledge of advisers is felt to be critical in managing a fund such as a medical research fund.

The Foundation's board of directors may, on a case-by-case basis, allow for additional successor advisers at the time of the Donor Advised Fund Agreement, at the discretion of the Foundation.

If there are multiple advisers on a fund, the donor should indicate to the Foundation who is a primary adviser who will have the authority to communicate suggestions to the Foundation. If no primary adviser has been appointed, the Foundation will consider the first advisor named in the agreement to be the primary adviser. Advisers must be at least 18 years of age at the time the adviser makes any grant recommendations to the Foundation.

Donor advised funds established by corporations or entities other than individuals or families are may be advised by an appointed committee, but any such committee must be named on the Donor Advised Fund Agreement, with a natural person identified as a point person not less than annually. Grant recommendations must be signed by an officer or authorized representative of the entity that established the fund. Any changes in the structure of grant recommendation process within the entity must be communicated in writing by an officer or authorized representative of the entity that established the fund.

Every adviser to a fund retains the responsibility to notify the Foundation in writing of changes in addresses or contact information.

Rather than naming a successor adviser, Donor Advised Fund holders may prefer to request that the fund:

1. Remain an unrestricted named fund within the Foundation.
2. Transition to a designated fund with the annual grant designated to specific nonprofit organizations.
3. Transfer the fund to an existing fund or funds within the Foundation.
4. Transition to a Field of Interest fund within the Foundation.

Such requests will be considered on a case-by-case basis. Donors are encouraged to consider alternatives to naming successor advisers and to make requests for the future of the fund at the time the fund is established, so that such alternatives can be included in the Donor Advised Fund Agreement, as needed.

13. Fund Activity

The primary purpose of a community foundation is to encourage active philanthropy. Except for special circumstances, with some examples provided below, for a fund to be considered active the Foundation recommends that an adviser propose at least one approvable grant during a calendar year. If after two years no activity has occurred, and the Foundation is unable to contact any named adviser(s) at the address of record, the fund may be transferred to a fund managed by the Foundation, such as the Growing Better Together Fund. Endowed funds will remain endowed in character, and non-endowed funds may be transferred to another non-endowed fund or may be added to an endowed fund.

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Funds may be considered active even if a year or more passes without making a grant from the fund, under certain circumstances, such as:

- Developing a Philanthropic Program. The donor may delay recommendations for grants while consulting with potential grantees and conducting research on community needs and/or the donor's philanthropic goals.
- Carrying Out a Long-Term Giving Plan. A donor may plan for periods of less frequent granting in order to grow funds based on anticipated funding events, such as the sale of a business or other asset or retirement of the donor.
- Litigation of Estate Administration. Grant recommendations might be suspended if there is litigation relating to a fund, or during the period of administering and settling a donor's trust or estate after the death of a donor.

Donors should be proactive in communicating with the Foundation if circumstances are known or arise that influence fund activity, to allow the Foundation to work with donors and advisers in maintaining a fund during periods when the fund is not making grants.

At the time the Fund is established, donors may identify areas of charitable interest for which the fund always will be used. However, the Foundation encourages donors to leave funds as unrestricted as possible upon the termination of the role of the last adviser.

14. Subject to Governing Instruments, Variance Power

All funds are subject to the terms and conditions of the Foundation's governing instruments, as amended. Among other things, the Board of Directors shall have the authority through variance power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to specified organizations, if in their sole judgement (without the approval of any trustee, custodian, or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or agency served then the property involved in such case shall be subject to the Corporation's general purpose. The Foundation intends to comply with IRS regulations, specifically section 1.170A-9 (e) (11) (v) (B).

15. Administrative Contributions and Special Fees

- (a) All component funds are required to share in the administrative costs of operating the Foundation. Although the Foundation has a separate and permanently endowed administrative fund that supports the Foundation's work, the Foundation reserves the right to annually assess from each fund a quarterly contribution based on the Foundation's published fee schedule. The administrative contribution supports the charitable work of the Foundation by assisting in covering administrative costs so the Foundation can achieve its goal of increasing philanthropic giving and improving the quality of life in our community
- (b) Each specific component fund will be charged a fee for any extraordinary expense incurred on behalf of that fund, such as commissions for the sale of contributed securities. Additional fees may be charged for extraordinary services, such as special grant processing, large numbers of transactions, or other non-standard services.

Board Approved July 19, 2018

Amended and Board Approved July 18, 2019