



Donor Advised Fund Guidelines

Donor Advised Funds give donors an unparalleled 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; and
- build an enduring, permanent resource that ensures perpetuation of their charitable presence in the community.

In creating a Donor Advised Fund, donors retain the right during their lifetimes or during the lifetimes of other advisors 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 handled by the Foundation.

By establishing Donor Advised Funds, donors have the satisfaction of shaping philanthropic programs that reflect their special interests and concerns.

The Foundation encourages the establishment of permanent funds. For donors who elect to establish nonpermanent or pass through Donor Advised Funds, these guidelines remain in effect, without the minimum fund balance restrictions.

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

1. Minimum Amount

The minimum amount required to establish a Donor Advised Fund is \$10,000, designated as endowment. Donors who intend to establish a fund may take up to 5 years to reach the fund minimum. If, at the end of five years, the fund has not reached the minimum, the fund will become an unrestricted grant fund within the Foundation. If the fund has at least \$5,000 at the end of five years, the donor will receive permanent recognition in Foundation materials.

2. Investment of Funds

Donor Advised Funds belong to the Foundation and are subject to the terms and conditions of its governing instruments. 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 at all times being prudently diversified. A copy of the Foundation's investment policy is available on request.

3. Outside Investment Managers

Donors may request to use an outside investment manager if the fund maintains a minimum balance of \$25,000. If the request is granted, the fund remains a component fund of the Foundation, but is managed and invested by a bank, trust company or other entity 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 Investment Committee.

4. Grant Recommendations

Donors or other advisors 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 of its funds.

When the fund is established the donors will complete a Donor Advised Memorandum prepared by Foundation staff together with the donors. Donor Advised Memorandums are subject to the approval of the Foundation. In the event of the death of the donor or, in the case of joint donors, the death of the survivor of them, the desires expressed in the Donor Advised Memorandum or on the Future Grant Form shall be followed by the Foundation to the greatest extent the law permits. The appointment of successor advisers is governed by section 10 below.

Grant recommendations made by donors will be evaluated to determine that they are consistent with the broad purpose of the Foundation and that recommended agencies are eligible to receive charitable distributions. Donor recommendations are then acted upon by the Foundation's Grant Committee. Grants are ordinarily processed within 30 days. Each grant recommended from a Donor Advised Fund must be for a minimum of \$250. Grants from a Donor Advised Fund may invade principal of the fund provided the fund balance remains at \$10,000.

The Foundation performs due diligence to be sure all recipients of grants are qualified charitable recipients. 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 Administrative Committee. Special fees may apply on grants to foreign charities.

Donors, advisors or any other related parties should not receive more than incidental benefits from any distributions for a donor advised fund. The Foundation will not approve any grant distributions that do not adhere with this policy.

The primary purpose of a community foundation is to encourage active philanthropy. For a fund to remain active the Foundation recommends that the advisor propose at least one approvable grant during the course of a calendar year. If after two years no activity has occurred, and the Foundation is unable to make contact with the named advisor(s) at the address furnished, the fund may be transferred to the Fund for Greater Salina Unrestricted Fund. It is the sole responsibility of the advisers to notify the Foundation of changes in addresses or contact information.

5. 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 advisors' attention to special community needs and programs. Foundation staff is available to consult with fund advisors.

6. 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, advisor 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, advisor or any related party.

7. 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. 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.

8. Tickets and Events

Whether they are tickets to a dinner, a performance or for general admission to a facility, tickets have economic value, generally the fair market value of the goods and services provided. 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. Therefore, the Foundation does *not* allow the purchase of tickets from Donor Advised Funds.

The Pension Protection Act of 2006 clearly indicates that donors, advisors 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.

9. Loans or Compensation

Donors, advisors 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, advisors, or related parties.

10. 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.

11. Successor Advisors

Donors may recommend other living persons – children, friends, or business associates – as successor advisors to recommend grants from the fund. However, for advised funds with balances of less than \$500,000, successor advisors selected by the donor may *not* name others to serve as their successors. Exceptions to this policy may be made when, for example, the special expertise or knowledge of advisors is felt to be critical in managing a fund such as a medical research fund.

Exceptions to the single generation successor advisors can be requested on funds that maintain a balance of at least \$500,000. Such exceptions may be made when a private family foundation terminates and becomes an advised fund, or when a new fund is established with at least \$500,000. The request for unlimited successor advisors must be made by the original donor and be specified in writing. Successor advisers have the privilege of suggesting grants from the income of the total fund, and, in addition, from the principal that has been contributed by the successor adviser. Successor advisers may not recommend grants that invade the original principal gift. It is recommended that annual grants be limited to 5% of the total fund balance each year.

In the event that there are multiple advisers on a fund, one adviser must be named as the Primary Adviser, who will have the authority to communicate suggestions to the Foundation. Advisers must be at least 18 years of age; however, donors may wish to include younger children or grandchildren as a part of a plan to pass on family values to the next generation. Minor children must serve in conjunction with an adviser of legal age.

Donor advised funds established by corporations or entities other than individuals or families are often advised by an appointed committee with a process for selecting new members. A list of these committee members/advisers must be submitted to the Foundation annually. Grant suggestions 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.

The primary purpose of a community foundation is to encourage active philanthropy. For a fund to remain active the Foundation recommends that the successor advisor propose at least one approvable grant during the course of a calendar year. If after two years no activity has occurred, and the Foundation is unable to make contact with the named advisor(s) at the address

furnished, the fund may be transferred to the Fund for Greater Salina Unrestricted Fund. It is the sole responsibility of the successor advisers to notify the Foundation of changes in addresses or contact information. The Foundation has a Successor Advisor Form that should be completed.

Rather than naming a successor advisor, Donor Advised Fund holders may rather choose to request that their fund:

- 1) Become a named fund within the Fund for Greater Salina unrestricted fund
- 2) Become a designated fund with the distributable earnings designated to specific nonprofit organizations
- 3) Be transferred to an existing fund or funds within the Foundation
- 4) Be come a new Field of Interest Fund within the Foundation
- 5) Other options can be explored

The Foundation has a Future Grant form that can be completed as a guide for the Foundation's Board of Directors.

12. Restricted vs. Unrestricted Funds

At the time the Fund is established, through the execution of a Donor Advised Memorandum, 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 advisor. Funds that become unrestricted will continue to be recognized in Foundation materials.

13. Subject to Governing Instruments

All funds are subject to the terms and conditions of the Foundation's governing instruments, as amended. Among other things, the governing instruments provide that the Foundation has the power to modify and vary any donor direction or restriction in the event it becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable purposes of the Foundation.

14. 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 that supports the Foundation's work, the Foundation reserves the right to annually assess from each fund a contribution in an amount not to exceed 1% of its average daily fund balance as of June 30; provided, however, that for funds greater than \$1 million in size, the contribution will be based only on the first \$1 million of their average daily fund balance. 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) If the Foundation opts to exempt (in part or in full) component funds from the maximum 1% contribution for a given year, Donor Advised Funds that designate more than 80% of their annual distributions to charitable organizations whose operations are not principally within the greater Salina area (i.e., Saline County charitable organizations and non-Saline County charitable organizations that are Founding Donors to the Foundation) will not be exempt and will contribute the full 1% for that year on the full (i.e., even if in excess of \$1 million) average daily fund balance. The Foundation recognizes that its generous administrative

endowment was created by individuals, families, private foundations, and businesses within the greater Salina area, largely for the betterment of the greater Salina area. Therefore, a fund that does not provide for at least 20% of its annual distribution to go to one or more charitable organizations operating principally within the greater Salina area will contribute the full 1%.

(c) Each specific component fund will be charged a fee for any extraordinary expenses 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.