

**COMMUNITY FOUNDATION OF ST. CLAIR COUNTY**  
**DONOR ADVISED FUND ACTIVITY POLICY**  
(Board Approval 1/24/2017)

*A contribution to a donor advised fund is an irrevocable charitable contribution that is legally owned by the Foundation. These funds are institutional funds of the Foundation—not a personal savings account of the donor—and may only be used for charitable purposes which do not confer any private benefit on the donor or any other person.*

**ACCEPTABLE TYPES OF FUND ACTIVITY**

A fund is considered active when there is regular communication between a donor (or named successors) and the 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. Fund rep generally recommends grants at least annually to qualified charitable organizations. The amount of grantmaking can vary from year to year.
- Developing a Philanthropic Program. Fund rep 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 rep 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. Fund rep 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. For instances in which a fund has dropped below its historic gift level, the spending rate for the following year will be reduced to net income, defined as dividend and interest income less administrative and investment management fees (unless otherwise specified in a donor fund agreement). This amount to be calculated based on the net income for the previous 12 months. See the Foundation's spending policy for more detail.
- Project Grants. Fund rep makes a substantial contribution to a donor advised fund and determines to recommend grants to a specific qualified charitable organization over a period of several 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. Fund rep 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 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 fund reps 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 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.

### **ACTIVATING GRANTMAKING**

Should grant activity stop for more than an 18 month period, steps will be taken by the staff to activate that fund. Foundation staff will make every effort to contact the Fund Rep to encourage grant recommendation(s) from the DAF. These steps may include such activities as:

- Notifying the fund rep regularly and periodically (for example, three times over a period of 1 year) to encourage the fund rep to activate the fund.
- Distributing grants from the fund to qualified grant recipients that align with donor intent, but if the Foundation determines such intent is obsolete, incapable of being fulfilled, impractical, or inconsistent with the community's charitable needs, then exercise of the Foundation's overriding variance power to enable the 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.
- Closing of a "starter" fund if the "starter fund" balance does not reach the Foundation's required minimum amount within 5 years and, for example but not limited to, re-allocating of the fund proceeds to the Foundation's Community Investment Fund or issuing the balance as a charitable grant to a qualified recipient.

### **DEFINITIONS OF TERMS**

#### ***Fund Rep (sometimes referred to as "Donor 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 the 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.