



Policies and Procedures for Donor Advised Funds

Definition of a Donor Advised Fund

A donor advised fund is an irrevocable charitable contribution that is legally owned by the Yampa Valley Community Foundation (“Foundation”). These funds are institutional funds of the Foundation and may only be used for charitable purposes which do not confer any private benefit to the donor or any other disqualified person.

Minimum Fund Size & Type of Fund

A donor advised fund may be opened with a minimum donation of \$10,000. A donor advised fund of the Yampa Valley Community Foundation may be either an endowed fund or a fully spendable, non-endowed fund. The donor elects one or the other option at the time the fund is founded.

- a. If endowed, the amount available to grant each year will be calculated in accordance with the Foundation’s Spending Policy.
- b. If non-endowed, the full balance of the fund may be granted out.

Funds with balances below \$5,000 shall be moved to the Short-Term Investment Pool to preserve the principal.

These policies and amounts are subject to change at any time.

Contributing to a Fund

Gifts to a fund are irrevocable. The assets of donor advised funds are owned and controlled by the 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, personal property, trusts and life insurance if in accordance with the Foundation’s Gift Acceptance Policy. Contributions are subject to acceptance by the Foundation. Contributions should be clearly designated by fund name: “The XYZ Fund of the Yampa Valley Community Foundation.”

Many donors make contributions using appreciated, publicly traded stock that has been held for longer than a year to enjoy maximum tax benefits. Contributions of property that may not have immediate liquidity are accepted at the discretion of the Foundation 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.

Variance Power

The board of trustees of the Foundation has the authority to modify or eliminate any designation, restriction or condition on the use or distribution of the Fund for any specified charitable purposes or to

specified organizations, or on the investment of the Fund, if in the sole judgment of the Board of Trustees such designation, restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served by the Foundation. The Foundation shall make reasonable efforts to consult with the donor prior to exercising this variance power.

Fund Advisors

The initial advisors to the fund are those persons named in the fund agreement. Usually, the fund advisors are the people who created the fund or their family members. The fund advisors are the people who are authorized to make requests for distributions of grants from the fund. The donor may, by written agreement with the Foundation, appoint one or more successor advisors to make distribution recommendations upon the death of the donor. Additional advisors may be named if permitted and in the manner stated in the fund agreement.

Recommending a Grant

Grants must be for charitable purposes. The minimum recommended grant amount is \$250.

Fund advisors 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 or organizations engaged in hate activities (please refer to the Foundation's Anti-Hate Policy). Fund advisors may also recommend grants to most units of government (e.g., public schools, colleges and universities, town and municipal governments, police departments, etc.) when it is for a charitable purpose or a purpose that provides a community benefit. The Foundation does not make grants from donor advised funds to for-profit organizations.

The Foundation makes grants to US organizations that carry on their work in other countries. However, the Foundation does not generally make grants from donor advised funds to non-US organizations or non-US governmental entities.

To make a grant recommendation, the advisor needs to contact the Foundation's staff or use the online portal through which the advisor can access their fund.

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.

The Foundation processes grants based on internal policies which the Foundation retains the right to amend from time to time. Generally, the Foundation processes grant requests and makes grant distributions twice per month.

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, or 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, general operating support for an organization for which the donor or

advisor is an employee, 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 Yampa Valley Community Foundation.” The recipient organization is encouraged to acknowledge the gift to the advisor and also to the Foundation. 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 Yampa Valley Community Foundation.” With written instruction from the donor, the Foundation may include the donor’s name and contact information in the grant letter so the recipient organization may thank the donor directly.

Fundraising

Donors sometimes want to raise money from other people to add to their advised funds. The Foundation’s policies on fundraising are found in the Foundation’s Donor Initiated Fundraising Policy. 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 the commingling of assets shall be recommended by the Foundation’s Investment Committee to the Board of Trustees. Upon establishment of the fund, the donor will have the option to select one of the Foundation’s current investment pools for the fund. Donor advised funds are customarily invested and commingled with assets of other funds of the Foundation.

Fees and Minimums

The Foundation assesses fees, including investment management 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 fee charged by the Foundation shall be in accordance with policies, fee schedules, and payment schedules established by the Board of Trustees of the Foundation and may be amended from time to time. The Foundation’s current professional services fee schedule for donor advised funds is found in the Foundation’s Fee Schedule.

Investment management fees are determined by the agreement between the Foundation and the Foundation’s investment manager, are incurred separately from the professional services fee, and may be amended from time to time.

Fees are deducted from the fund directly. The donor is not billed separately for these fees.

Fund Activity and Exceptions

The Yampa Valley Community Foundation is committed to helping donors meet their charitable goals and to building a healthy and vital community through the power of philanthropy. With this in mind, the Foundation believes that it is in the best interest of both the donor and the Foundation to prevent donated funds from languishing without clear charitable intent or benefit. Therefore, if a donor advised fund is established and over time becomes inactive due to a variety of causes, the Foundation will earnestly attempt to communicate with the donor and clarify expectations for the fund's future charitable purposes. If all attempts to contact the donor are futile, the Board of Trustees is charged with determining the best use of the funds to benefit the community.

All funds must have some level of activity or future planned activity as described in this section. If this policy ever conflicts with federal law or state law (including UPMIFA), the relevant law controls.

A fund is considered active when a donor recommends grants or an interfund transfer to another grantmaking fund held by the Foundation within a 3-year period. Exceptions may be made in certain scenarios, such as those listed below, and should be documented by an addendum included or added to the original fund agreement with an explanation.

- *Developing a Philanthropic Program*: Fund advisor makes a substantial contribution to donor advised fund, for example, upon the sale of a business, and refrains from recommending grants for a given initial period while consulting with the sponsoring charity and/or doing research to determine what types of grants will best meet community needs and/or their philanthropic goals. This period is not to exceed two (2) years.
- *Long-term Giving Plan*: Donor/fund advisor deliberately reduces the frequency or size of grant recommendations from fund, to:
 - Build the fund balance to ensure grantmaking during retirement and/or when income changes.
 - Build the fund balance to leave a charitable legacy for the next generation to advise.
 - Grantmaking is deferred for a set period in order to make a larger grant or grants for a specific project. This period is not to exceed five (5) years.
- *Starter "Acorn" Fund*: Donor plans to build the fund balance over time according to the Foundation's policies. Typically, no distributions are made until the fund balance reaches a pre-determined minimum amount and timeframe stated in the fund agreement and the Foundation's policies. This period is not to exceed five (5) years.
- *Specific Occasion Grant*: Fund 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:
 - 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;
 - 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);
 - Founders of fund who are also the fund 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;

- 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);
- 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.
- Other Issues: Other exceptions to this Fund Activity Policy made for an individual fund must be approved by the Foundation's CEO and documented in the Fund record.

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 (3) years and, during such period, the advisor or successor advisor does not reply to the Foundation's attempts to contact them.

Communication

The Foundation reviews grant activity on an annual basis. After two (2) years of inactivity, the Foundation will contact the donor by email or phone and document the communication in the donor record. The Foundation may distribute a list of community projects to the donor as suggested recommendations. After three (3) years of inactivity, the Foundation will contact the donor by email or phone and document the communication in the donor record. The donor will be reminded of this Fund Activity Policy.

Activating Grantmaking

When a donor advised fund has not distributed a grant in more than three years, the Foundation will take steps to activate the fund, such as:

- Final attempts to contact the donor/fund advisor,
- Distributing up to the full balance with consideration of the fund's original purpose and in accordance with the Foundation's mission to best serve the community,
- Distributing grants to qualified grant recipients that align with donor intent demonstrated in previous grant distributions,
- Distribution or asset transfer to a grantmaking fund of the Foundation,
- Any other distribution in accordance with the fund agreement and Foundation's policies. This may include termination of the fund. If those provisions are incomplete, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served, the Foundation may exercise its variance power to direct these resources to meet the needs of the community, or
- Extension of time for an inactive donor advised fund if the donor or advisor makes a request in writing and documents a long-term charitable plan requiring accumulation of funds beyond the specified period above.

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 shall be transferred to the Foundation's unrestricted funds.

Right To Amend

Yampa Valley Community Foundation reserves the right to amend any Donor Advised Fund Policy or procedure which, in the sole discretion of the YVCF Board of Trustees, should be changed.

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. The Foundation can confirm for a fund advisor whether any particular organization is a qualified charitable organization.

Sponsoring Organization: An organization, like a community foundation, that owns and controls donor advised funds.

Donor/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.

Disqualified Person: As applied to public charities, the term disqualified person includes (1) organization managers, (2) any other person who, within the past five years, was in a position to exercise substantial influence over the affairs of the organization, (3) donors and fund advisors with regard to transactions with a particular donor advised fund, (4) investment advisors to assets of donor advised funds, (5) and disqualified persons of supporting organizations who are also disqualified persons of the supported organization, (6) family members of the above, and (7) businesses they control. Paying excessive benefits to a disqualified person will result in the imposition of penalty excise taxes on that person, and, under some circumstances, on the charity's board of directors (see "Intermediate Sanctions": <http://www.cof.org/content/glossary-philanthropic-terms>).