

- I. **Purpose.** The purpose of this Donor Advised Fund Policy (“Policy”) is to guide Benton Community Foundation (“BCF”) board, staff and donors in complying with the law applicable to donor advised funds and with BCF administrative policies while achieving donors’ charitable goals.
- II. **Scope.** This Policy applies to all funds or BCF accounts that meet the federal tax law definition of a donor advised fund. Pursuant to federal tax law, a fund will be a donor advised fund if it has all three of the following characteristics:
- The fund is separately identified with reference to the contribution(s) of a donor or donors
 - The fund is owned and controlled by BCF
 - The donor or persons appointed by the donor have, or reasonably expect to have, the privilege of providing advice with respect to the fund’s investments or distributions
- III. **Establishing a Donor Advised Fund/Minimum Contribution.** A donor advised fund will be created with a fund agreement between the donor(s) and BCF. Donor advised funds are typically not endowed. Unless otherwise restricted in the agreement, grants may be recommended out of the original principal, as well as accumulated investment earnings, if any. There is a \$15,000 minimum contribution amount required to establish a donor advised fund. Donor has five (5) years from the date of the Fund Agreement to build the principal of the donor advised fund to the amount of fifteen thousand dollars (\$15,000). No distributions shall be made from the donor advised fund until the principal balance is at least fifteen thousand dollars (\$15,000). Should Donor be unable to build the principal of the donor advised fund to a minimum of \$15,000 by the 5th anniversary of the date of the fund agreement, then the fund shall be terminated and the balance and accumulated investment earnings, if any, of said fund will be transferred to the BCF Leadership Fund. BCF requires a minimum balance of ten thousand dollars in a Donor Advised Fund for the first year after same is established (i.e. the principal of the fund is at least \$15,000) in order to stabilize the fund in the market.
- IV. **Contributions to Donor Advised Funds.** Contributions to a fund are irrevocable. The assets of donor advised funds are owned and controlled by Benton Community Foundation. Contributions may be made, including cash, securities, and other assets, subject to acceptance by BCF. Donors may establish or add to a donor advised fund through a bequest or other estate gift. Contributions may be added at any time and in any amount, subject to acceptance by BCF.
- V. **Variance Power.** Some donor advised fund agreements restrict distributions to a specific charitable purpose, such as education or the environment. Others may limit distributions to particular named organizations. Any such restrictions are subject to the Board’s variance power; that is, the Board shall have the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to specified organizations if, in the sole judgment of the Board (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 area served.
- VI. **Fund Advisors.** Donors may be individuals, families, businesses or charitable organizations. In the fund agreement, donors will appoint at least one advisor who is authorized to recommend grants from the

fund. Donors may appoint up to two successor advisors who are authorized to act in the event the initial advisor is unable or unwilling to act. Changes to the advisor of the fund may be made only in writing by the original donor(s). If at any time there is more than one advisor to the fund, the advisors will appoint a designee and all communications to and from the Foundation will be through the designee. If no designee has been appointed, the Foundation will consider the first advisor named in the agreement to be the designee.

VII. Distributions from Donor Advised Funds. Donor advisors may recommend grants to qualified charitable organizations as well as school districts, public libraries and other units of government. Qualified charitable organizations include charitable, religious and educational organizations described as public charities (not private foundations) in Section 501(c) 3 of the Internal Revenue Code. BCF will not approve grants to non-charitable organizations, individuals, or for any purpose prohibited by the Internal Revenue Service.

IRS rules prohibit the following types of distributions from donor advised funds:

- A donor advised fund grant cannot be used to satisfy all or a portion of any pledge or other financial obligation of the donor, advisors or any related parties. Advisors may recommend that a grant be paid out over multiple years, subject to BCF's grant approval and annual due diligence.
- Grants from a donor advised fund cannot result in the donor, advisors or any related parties receiving goods or services or any benefit that is more than incidental. Prohibited benefits include event tickets, memberships, meals, preferred parking, preferred seating, discounted merchandise or other preferential treatment from a donee organization.
- Donor advised funds may not make any grants to individuals, such as scholarships, emergency hardship grants or disaster relief grants. This includes payments directly to an individual or to an entity for the benefit of a specified individual (e.g., to a university for a scholarship for a particular student). If donors wish to grant scholarships, a different type of fund can be established.
- Donors, advisors or any related parties may not receive grants, loans, compensation or similar payments (including reimbursements for travel, lodging or other expenses) from a donor advised fund.

Donor advisors may make grant recommendations by completing, signing and submitting the form provided by BCF at the time the fund was created. The minimum amount for a grant from a donor advised fund is \$500. Unless otherwise restricted in the agreement, grants may be recommended out of the original principal, as well as accumulated investment earnings, if any.

Grant recommendations can be made at any time during the year. Once a grant recommendation is received, BCF staff will perform due diligence to verify that the organization is a qualified charity or unit of government. Upon due diligence verification of grantee BCF President/CEO is authorized to approve and issue payment for any single expenditure of fifty-thousand dollars (\$50,000) or less, provided said expenditure is made in accordance with donor advisor. BCF staff will notify the Board of Directors of the disbursement at a regular monthly meeting. Benton Community Foundation, in accordance with tax law, retains final discretion over disbursements from all donor advised funds.

Unless other arrangements have been made (e.g. anonymity requested), the grant letter will indicate that the contribution is from the named donor advised fund and that it has been given upon the recommendation of the named advisor. The recipient organization is encouraged to acknowledge the gift to the advisor and also to BCF. Additional language confirms that no benefits have been offered or provided

to the donor, advisor or related parties in connection with the 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 named donor advised fund of Benton Community Foundation.

VIII. **Acceptable Types of Fund Activity.** The following are definitions of fund activity that leads to fund distributions that apply to Donor Advised Funds which have \$15,000 at inception, and requires a minimum balance of ten thousand dollars for the first year after same is established (i.e. the principal of the fund is at least \$15,000) in order to stabilize the fund in the market. If this policy ever conflicts with federal law or state law (including UPMIFA), the relevant law controls.

A fund is considered active when there is regular communication between a donor (or named successors) and the Benton Community 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.** Donor advisor generally recommends grants at least annually to qualified charitable organizations. The amount of grantmaking can vary from year to year.
- **Developing a Philanthropic Program.** Donor advisor makes a substantial contribution to donor advised fund, and refrains from recommending grants for a given initial period while the fund advisor 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.** Donor advisor 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.
- **Project Grants.** Donor advisor makes a substantial contribution to a donor advised fund and determines to recommend grants to a specific qualified charitable organization over a period of 20 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.
- **Acorn 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.** Donor 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 but are not limited to:
 1. 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.
 2. Grants are suspended during litigation involving a fund;
 3. 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);
 4. 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;

IX. **Activating Grantmaking.** Advisors are not required to recommend grants from their fund on an

annual basis, but a fund will be subject to termination as a donor advised fund if annual distributions of income have not been made for more than 24 months. Should grant activity stop for more than a two year period, steps may be taken by the staff or the board to activate that fund. These steps may include such activities as:

- Notifying the fund advisor regularly and periodically (up to six times over a period of two years) to encourage the fund advisor to activate the fund.
- Distributing grants from the fund to qualified grant recipients that align with donor intent, but if the community foundation determines such intent is obsolete, incapable of being fulfilled, impractical, or inconsistent with the community's charitable needs, then exercise of the Board's overriding variance power to enable the community 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.

X. **Termination of Donor Advised Funds.** A donor advised fund will terminate in the following events:

- At such time as the last person authorized to act as advisor is unable or unwilling to act in such capacity or voluntarily relinquishes the right to act as advisor.
- If the currently appointed advisor of the fund fails to recommend grants for a period in excess of 24 months, but only after a 30 day written notice is provided to the current advisor.

Upon termination, and the balance and accumulated investment earnings, if any, of said fund will be transferred to the BCF Leadership Fund.

XI. **Administration of the Donor Advised Funds.** BCF shall hold, manage, invest and reinvest donor advised funds and shall pay and disburse the distributable amount for public educational and charitable uses and purposes, in accordance with BCF's Articles of Incorporation, By-Laws and Policies in effect, as amended from time to time. BCF will assess an annual administrative service fee to be deducted from each donor advised fund on a monthly basis. The Board of Directors will, from time to time, set and review the fees assessed on donor advised funds. If the Board of Directors determine the annual fees should be revised, BCF staff will notify the Donor Advisors.

*Approved by the Board on April 18, 2013
Reviewed and Approved with no revisions on 7/16/2015
Revised and approved by the Board of Directors on 7/15/2016
Revised and approved by the Executive Committee on 11/7/2017
Reviewed and approved by the Board of Directors on 5/17/2018
Reviewed and approved by the Board of Directors on 7/19/2018
Revised and approved by the Board of Directors on 11/19/2020
Schedule for review by the Executive Committee in 2022*