

Donor Advised Fund Handbook

The Hendricks County Community Foundation (HCCF) is pleased to offer families, businesses and others the opportunity to create and leave a lasting impact on Hendricks County and our community through our Donor Advised Funds. Donor Advised Funds are the most flexible fund option available at the HCCF.

A donor advised fund defined under the Internal Revenue Code (IRS) possesses three characteristics:

- The Fund is separately identified with reference to the contributions of a donor or donors (for example, the Smith Family Fund established by the Smith family children)
- The Fund is owned and controlled by a sponsoring organization, in this case HCCF
- The donor or persons appointed by the donor expect to have the privilege of providing advice (as opposed to control) with respect to the fund's investments or distributions

A Donor Advised Fund (DAF) typically is established to provide support for various charitable and similar exempt purposes recommended by the Donor, or persons designated by the Donor to advise the Community Foundation. The recommendations must be advisory only, and the Community Foundation must be free to reject any or all recommendations. This allows the donor to be involved in grant recommendations and to support a variety of organizations. DAFs are often used to involve a whole family in fulfilling charitable goals, and to address goals that may shift or change over time.

This handbook and its policies are approved by the HCCF Board of Directors, and have been created to ensure that your Donor Advised Fund ("DAF") will be consistent both with the charitable purposes of the Community Foundation and the regulations governing Donor Advised Funds issued by the IRS. The policies stated in this Handbook are binding on all our DAFs. The Community Foundation reserves the right to amend this Handbook from time to time.

Opening a fund: Opening a Donor Advised Fund with HCCF is easy. Simply decide the name of the fund – which can take any of a number of forms and honor any individual, business or family – as well as general purpose of the fund, and determine who will serve as Fund Advisors (see more on Fund Advisors below). HCCF will prepare a Fund Agreement for your review. Our Fund Agreements are standard forms used by community foundations throughout Indiana. You may wish to have it reviewed by your professional advisors. HCCF, its employees, volunteers, and/or its legal counsel cannot serve as your advisors with regard to the creation of a fund or any planned gift instrument. Once the draft Fund Agreement is acceptable, simply sign it. Once the Fund Agreement is signed and the first gift received, your fund is open.

Gifts: Gifts to a fund are irrevocable. The assets of donor advised funds are owned and controlled by HCCF. Gifts can be made to a Donor Advised Fund at any time, by any individual or organization. Donations to Donor Advised Funds are tax-deductible as allowed by law. Gifts can take any of a number of forms and can be an integral part of your overall planning. We can accept many types of gifts, including immediate gifts (such as cash or checks, marketable securities, retirement plan rollovers, closely held stock, personal property, real estate), delayed or deferred gifts (such as through a will or bequest, a living trust, a life insurance or retirement plan beneficiary designation), or even gifts that may provide income to the donor (such as a Charitable Gift Annuity, a Charitable Remainder or Charitable Lead trust). One or more of these options may fit into your overall planning. Please see our current *Gift Acceptance Policy* for more details.

Once a fund has reached the required minimum balance (see below) gifts can either be made to the endowed, or permanent, part of the fund (a gift to principal), or made directly to the spendable amount available for grantmaking. Please specify in writing how HCCF should apply the gift when making your gift. Undesignated gifts will be applied to principal.

Administration of the Fund: Community Foundation staff, overseen by our volunteer Board of Directors, administers aspects of each fund's investment management, grantmaking, check writing, bookkeeping, tax reporting, auditing, and evaluation. HCCF makes available to the Fund Representative reports of fund income, expenses and grantmaking, as appropriate. To make charitable giving a rewarding experience, HCCF provides a wide range of personalized donor and financial services, tailored to the needs of donors and their families. Administrative fees support these services and HCCF's other activities with its role as a philanthropic leader in the community.

Fund Advisors: The original donor or donors (the Fund Founders) or their written designees may serve as Fund Advisors who can make grant recommendations for grants from the DAF. Fund Advisor(s) must be determined at the time that the Fund is established. Fund Founders may in the Fund Agreement designate children and/or grandchildren as successor Fund Advisors to serve after the resignation, incapacity or death(s) of the Fund Founder(s). No more than two generations of family members may serve as Fund Advisors. Fund Founders may, during their lifetime, nominate other living persons to act as a member of an advisory committee to suggest grants from the DAF. These members cannot, however, appoint other members—only a Fund Founder can do so. The advisory committee shall report to the Fund Advisor, and the Fund Advisor is solely authorized to communicate with HCCF on the advisory committee's behalf.

If at any time there is more than one Fund Advisor to the fund, the advisors will appoint a designee and all communications to and from HCCF will be through the designee (the Fund Representative). If no designee has been appointed, HCCF will consider the first advisor named in the agreement to be the designee.

Typically, after the resignation, incapacity or death of all Fund Advisors, the Hendricks County Community Foundation Board of Directors will determine how to distribute the available spendable amounts to address the greatest needs and opportunities in the community, at the discretion of the

Board of Directors (the DAF becomes an “unrestricted fund”). Grants will then be made in the name of the DAF. A donor may request that preference be given to a particular field of charitable interest or may specify the charity or charities to receive grants from their fund after their death. These requests must be made in writing in the Fund Agreement.

Once there are no longer active Fund Advisors, the DAF Fund Agreement may restrict distributions to a specific charitable purpose (such as education, animal welfare or the environment) or limit distributions to particular named organizations. Any such restrictions are subject to modification by HCCF if it determines, in its sole discretion, that the restriction or condition is unnecessary, incapable of fulfillment, unlawful, or inconsistent with the charitable needs of the community or area served.

Administrative Fees and Minimum Balance: HCCF assesses fees, including investment management fees, against all its funds to cover the cost of administration and to continue our 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. HCCF also requires a pledge of a minimum balance to open a fund. Please see our current *Administrative Fees and Minimum Balance Policy* for more information.

Fundraising: Fundraising for a specific fund can be done by the donors or their representatives. Please see our current *Donor Initiated Fundraising Policy* for more information on the requirements for fundraising.

Grantmaking: Grants can be recommended once a fund reaches the minimum balance and funds are available in the spendable amount. Fund Advisors may submit recommendations regarding the distribution of the spendable amount from the DAF to charity. All recommendations by Advisors are subject to review, due diligence review, and approval by the Board of Directors of the Hendricks County Community Foundation.

Recommendations for grants must be in writing using the current *Grant Recommendation Form*. Grants from a DAF must be a minimum of \$100. Grant requests are generally fulfilled within two weeks, however grant awards over \$25,000 are reviewed by the Program or Executive committees, or the Board of Directors, prior to being issued and may be delayed.

From time to time the Community Foundation may bring to the Fund Advisor’s attention grant making opportunities in which the Fund Advisor may have an interest. There is no obligation to recommend a grant for the identified program. Donors may be furnished with lists of the unmet charitable needs of the community as determined by HCCF.

A grant agreement letter accompanies all grant checks from a DAF, and the letter specifically states the name of the fund and the purpose of the grant. Grants can also be made anonymously if the Fund Advisor desires. Each grant recipient is asked to complete a Grant Report. A notification of each grant paid is sent to the Fund Advisor.

HCCF must adhere to IRS regulations regarding recommendations from Fund Advisors (see below on Grant Restrictions). IRS rules stipulate a donor cannot make a tax-deductible contribution and at the same time retain future control over the contribution. However, the law expressly recognizes the right of living donors to make grant recommendations.

Grant Restrictions: Grants from donor advised funds must be for charitable purposes.

The Internal Revenue Code prohibits grants made to individuals (or for an individual's benefit) from a DAF. 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, and businesses they control. Failure to observe this restriction can subject the fund advisor to tax penalties. Examples of benefits include event tickets, meals, sponsorships, registration fees, discounted merchandise, preferred parking and/or seating, and memberships unless the membership confers nothing of value. Please contact us if you have specific questions about whether a grant you are considering recommending will result in a prohibited benefit. Expense reimbursements, loans, compensation, and other similar payments are not permitted from a DAF to a donor, Fund Advisor, or related party.

In order to comply with these restrictions, the Hendricks County Community Foundation will only make grants to an organization described in section 501(c)(3) of the Internal Revenue Code, including houses of worship (with the exception that HCCF will not make grants from DAFs to private foundations). Grants may also be made to most units of government (such as public schools, colleges and universities, town and municipal governments, police and fire departments, etcetera).

HCCF does not make grants from DAFs, even for charitable purposes, to other types of nonprofit organizations (non-charities) or to businesses. Examples of organizations to which the Foundation will not grant from DAFs include veterans' organizations, cemeteries, Chambers of Commerce and similar business associations, social welfare organizations (501(c)(4)s), fraternities and sororities, social clubs, and fraternal organizations such as Elks and Moose. HCCF will make grants to US organizations that carry on their work in other countries, but HCCF does not make grants from DAFs to non-US organizations or governmental entities.

Inactive Funds: 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 Fund Advisor has been named.
- All named successor Fund Advisors are unable or unwilling to serve as such.
- No recommendations are made with respect to grants from the fund for a period of two years and, during such period, the Fund Advisor or successor Fund Advisor does not reply to HCCF's attempts to contact them.

If the fund becomes inactive, HCCF will deem the advisory period to have ended and will initiate distributions from the fund in accordance with the provisions of the fund agreement. See our *Fund Activity Policy* for more information.

Investments: As a permanent, or endowed, fund at HCCF, the principal of the fund (total of all gifts to principal) is invested and a portion of income each year is made available for grantmaking (see our *Spending Policy for Endowed Funds* for more information on spending from endowed funds). Assets of permanent funds at HCCF are generally pooled together for investment purposes. Investments are professionally managed. The HCCF Board of Directors and Finance Committee set policy for and oversee our investments. See our *Investment Policy Statement* for more details.

HCCF 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 commingling of assets shall be made by the Foundation's Finance Committee and Board of Directors.

Fund reports: HCCF will provide Fund Representatives activity reports on the fund showing current balance as well as gifts and grants on a regular basis. Currently, fund reports are provided twice a year. Reports of gifts received may also be provided on a monthly basis. Fund Representatives or Fund Advisors may contact HCCF for balance information at any time.