



## Donor-Advised Fund Guidelines

*Revised October 2005*

Coastal Community Foundation (CCF) welcomes the opportunity to partner with those who wish to be active grant makers. Advised funds provide a flexible, effective way for staying involved with your personal giving and achieving your charitable objectives.

The IRS allows community foundations to offer donors the opportunity to make tax-deductible gifts at the most advantageous time for them and then to recommend grants over a period of time. The IRS expects that CCF will administer its donor-advised funds in a manner that will maximize the benefits to the community and ensure charitable giving.

Advised funds are component funds and therefore, while advisors may recommend grant recipients, the assets have been given to CCF. All funds are subject to CCF's bylaws, including the Board's ability to redirect funds, should the original cause for which the fund was established become obsolete. This is known as "variance power" and is a distinguishing feature of community foundations.

### **Establishing a Fund**

**Fund agreement:** Advised funds are created using a simple two-page agreement that outlines the fund's purpose and how it will operate, including naming advisors and successor advisors. Both the donor and CCF's president sign the agreement.

Soon after the fund is established, CCF staff arranges an orientation meeting for the donor and advisors to meet CCF staff and review logistics.

**Contributions:** Advised funds are established with a minimum gift of \$10,000. Additional gifts of any amount may be made to the fund at any time. Advised funds have been created for as much as \$10 million.

Donor-advised funds may also be started as endowments-in-progress (EIP's) with as little as \$2,000. Donors are strongly encouraged to build the fund to \$10,000 over a five-year period. If, after five years, the fund has not reached \$10,000, the fund may be closed and assets transferred to the *Public Trust Fund* to support unrestricted grantmaking.

**Minimum balance:** The standard advised fund must maintain a \$10,000 minimum balance, as a permanent endowment. Our aim is to encourage donors to think in terms of building resources for the future and after their lifetimes.

CCF also offers other fund investment options (including fully endowed funds and non-endowed funds) to meet donors' individual philanthropic planning needs.

### **Grantmaking**

**Recommendation process:** Donors have the privilege of making non-binding recommendations as to the timing, amount and charitable recipient of distributions. Donors do not retain any legal right to direct grants. All grants are to be used for purely charitable purposes; no goods or services (including meals at special events) may benefit the donor or advisors.

Grant distributions must be made to: organizations classified by the IRS as 501(c)(3) organizations; to recognized houses of

worship; and to incorporated governmental entities and not classified as private foundations under 509(a).

CCF's focus and expertise involves organizations within the coastal region of South Carolina. Advised funds may certainly make grants outside CCF's service area and within the United States.

**Grantable amount:** Advisors may make grant suggestions utilizing any amount over the \$10,000 minimum fund balance.

For fully endowed funds, the grantable amount is determined annually by CCF's Board of Directors, and is based on long-term investment performance. It is currently four percent of the fund's average balance over the most recent twenty quarters.

To ensure the permanence of all funds, no grants will be made from any endowed or partially endowed fund whose balance is below \$10,000 on June 30<sup>th</sup>, the last day of CCF's fiscal year. This policy was instituted in July 2003, after two years of weak investment returns, to ensure the viability of your funds for years to come.

**Approval process:** Donors submit a simple grant recommendation form which can be found on our website. Grants to organizations on CCF's annual pre-approved list are processed within seven days. For all other grant recommendations, checks are processed after staff review and Grants Committee approved at its monthly meeting. A month's notice may be required to process a grant of \$100,000 or more. Should the staff discover information that causes concern and may lead to an unfavorable vote on a grant recommendation, this information is first given to the advisor. Should the Board not approve a grant, the advisor is notified immediately.

If asked, staff will monitor grant recipients to help donors evaluate the impact of their money at work in the community.

**Minimum distribution:** Grant recommendations should be sufficiently large to warrant the administrative time and expense involved in making the grant; a \$200 minimum is the rule. When recommending organizations that have not recently been evaluated by CCF, it is preferable that the grant amount justifies the time involved in evaluating the organization.

**Dues/pledges:** Grants from donor-advised funds may not be used to pay membership dues or to satisfy a legally enforceable personal obligation or personal pledge of a donor. However, where a donor-advisor is neither discharging a legal obligation nor satisfying a personal pledge, the donor may indicate to a charitable institution that he will recommend a grant. Multi-year grant recommendations may be submitted.

**Active grantmaking funds:** All funds are intended to be active grantmaking funds. Should advisors cease to provide annual recommendations over a 36-month period, despite attempts by CCF to gain the advisors' participation, the Board will assume grantmaking responsibility, using the fund to support CCF's unrestricted grantmaking, (unless otherwise specified in the original fund agreement). This policy assures the original donors that effective grantmaking will always continue.

**Grant recommendations to support competitive grants programs:** CCF offers several competitive grants programs, to which non-profit organizations in the counties served by CCF may apply. CCF encourages donor-advisors to support these competitive programs by recommending grants each year from their donor-advised funds.

**Fund recognition:** When a grant is made, CCF lets the recipient organization know the

name of the fund providing the grant and the donor-advisor recommending the grant (unless the donor requests to remain anonymous). The recipient organization is asked to thank the donor for recommending the grant. It is CCF's practice to list all funds in its annual report and newsletters, unless donors request otherwise.

### **Investment Management**

CCF invests assets with due regard for prudent risks, grantmaking objectives, and timing of grants from the fund. CCF offers donors three investment pools to match their grantmaking needs.

**Long-term pool:** In this pool CCF's primary investment objective is to provide for long-term growth of capital, without undue exposure to risk. This objective is accomplished by investing in a mix of equities, fixed income and cash equivalents that allows participation in rising markets while providing reasonable protection in falling markets. This pool is recommended for funds where the donor's grantmaking objective is satisfied by a long-term spending rate of 4%.

**Balanced pool:** In this pool, the primary objective is to provide modest growth of capital, with reasonable exposure to risk. The objective is accomplished by investing in a balanced mix of equities and fixed income. This pool is recommended for funds where the donor's grantmaking objectives are greater than 4% but less than 20% of the fund's balance.

**Short-term pool:** In this pool, the primary objective is to conserve capital for immediate grantmaking needs. The objective is accomplished by investing in short-term bond funds. This pool is recommended for funds whose annual grantmaking objectives are greater than 20% of the fund's balance.

**Fund statements:** Donors will receive quarterly financial statements reflecting contributions, grants made, income, appreciation/depreciation, fees, and grantable proceeds available for grantmaking. At any other time, donors may call staff for a current report.

**Fees:** The current annual fee is the greater of one percent (1%) of the first one million dollars or \$250; for the next \$4 million the fee is .75%; for amounts over \$5 million the fee is .50%. Fees are calculated and deducted quarterly. *For additional services or extraordinarily large grants, additional fees may be applied.*

### **Advisors/Successor Advisors**

Donors may designate their spouse, children or others to serve as advisor with, or in place of, the donor. They may also name one or more successor advisors. Successors must be living at the time the fund is created and must be named in writing by the donors in the fund agreement. Successor advisors may act by unanimity or by majority.

After the lifetime of the founding donors, the fund will become a fully endowed advised fund. The Board will determine the grantable amount. Successor advisors may make recommendations as to the recipients of this grantable amount.

### **Designation of Fund after Advisors'**

**Lifetime:** Endowments generate grants in perpetuity. To provide the greatest flexibility to meet future community needs, when the advising ceases, funds generally become unrestricted. Donors may also request in their fund agreement that their fund support grantmaking in a broad field-of-interest. All grants will be made at the Board's discretion in the fund's name.

*These policies are designed to protect the interests of both donors and CCF. Exceptions to these policies may be made with approval of CCF's Board.*