**Donor Advised Fund Policy and Guidelines**

The Chaffee County Community Foundation (CCCF) welcomes the opportunity to partner with donors through the establishment of Donor Advised Funds, allowing donors to build a permanent charitable resource in their community and play a more active role in their charitable giving through the vehicle of the CCCF organization, thereby benefitting from the Foundation’s experience in fund and grant management.

**DONOR ADVISED FUND (DAF) DEFINITION**

Per the Internal Revenue Code, a DAF possesses three characteristics:

1. 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.
2. The fund is owned and controlled by a sponsoring organization. In this case, the sponsoring organization is the Chaffee County Community Foundation.
3. The donor or persons appointed by the donor (“Fund Advisor(s)”) expect to have the privilege of providing advice with respect to the fund’s investments or distributions.

**KEY FEATURES OF A DAF**

A DAF is named by the donor who also retains the right during their lifetime or the lifetimes of their named successor advisors to recommend grants to specific organizations or charitable program areas important to the personal values of the donor. While the CCCF expects the DAF to primarily benefit Chaffee County community organizations, grants can also be awarded to qualifying nonprofits outside the community.

Establishing and funding a DAF generates a charitable tax deduction and any further contributions to the fund are also tax deductible. In addition, any subsequent growth accumulated in the fund is tax-free. The donation into a DAF eliminates the need for the donor to obtain a receipt for tax purposes from each charity to which the Fund awards a grant. For many donors, DAFs also provide the benefit of anonymity, ensuring the donor does not become a target for unwanted charitable solicitations.

The donor, through the guidance of the Foundation, receives professional assistance and administrative support in grant making. The Foundation can call the Fund Advisor’s attention to needs in the community and/or projects needing critical support, therefore enhancing their understanding of various community nonprofits and programs. Also, the financial activity and balance in each DAF is reported to the Fund Advisor in periodic statements and the Foundation provides for all accounting, auditing, and tax returns regarding the fund.

Finally, establishing a DAF provides the opportunity to build a permanent community resource, ensuring an enduring charitable presence in the donor’s chosen name for the Fund. The Fund can be constructed to continue a donor’s charitable values even after their death.

**DAF POLICIES**

***Establishing and Contributing to a Fund***

To establish a DAF, the donor must first select a name for the fund and sign a binding agreement with the CCCF. Once the fund is established, gifts may be made at any time, as long as the fund meets minimum balance requirements. Family and friends may also contribute to the fund. Contributions should be clearly designated with the fund name: “XYZ Fund of the Chaffee County Community Foundation”. All gifts are irrevocable and are owned and controlled by the Foundation in accordance with Internal Revenue Code requirements.

Contributions to a fund may be made in the form of cash, publicly traded securities, IRA rollovers, or other property such as real estate, personal property, trusts and life insurance. Gifts in any form other than cash are accepted at the discretion of the Foundation and are subject to completion of the Foundation’s due diligence procedures. Donors considering a noncash gift should contact the Foundation in advance to discuss its appropriateness and obtain delivery instructions.

***Contribution Restriction***

The Pension Protection Act of 2006 (PPA) precludes DAFs from holding more than a minor interest in a business when the donor, fund advisor, or a related party of any such person also holds an interest in the business. Holding such an interest would subject the Foundation to tax due to the “excess business holdings” rule under Section 4943 of the Internal Revenue Code.

Specifically, this excludes any gift of closely held stock that would result in the DAF holding:

* a 20% or greater interest in a business or in an entity for which that activity and regularly produces income from the sale of goods or the performance of services, or
* any interest in an entity in which any interest is owned by a donor or advisor to the DAF, by a family member of any such person, or by an entity in which any of the foregoing persons has an interest.

***Fund Minimums***

The minimum amount required to establish a DAF is $10,000. A fund can be started with a smaller amount, but must reach the minimum amount within two years. Distributions cannot begin until the fund has reached its $10,000 minimum balance. The minimum amount is subject to change at any time by the CCCF Board of Directors. Active DAFs, after having reached the initial minimum funding level, need not maintain a minimum fund balance.

***Fundraising***

There may be times in which donors would like to raise money to add to their advised funds. Because the Foundation has ultimate responsibility for all fundraising and cannot transfer that responsibility to other organizations, agencies, or individuals, any donor-initiated fundraising must first be approved by the Foundation before commencing.

***Fund Advisors***

At the time a DAF is established, the donor shall select a fund advisor. Often the donor names themselves as the original fund advisor, but they may also opt to designate others in addition to or instead of themselves as advisors. The donor also has the opportunity to name successor advisors, should they so choose.

***Grant Recommendation Guidelines***

Donors or other advisors named by the donor when a fund is established are invited to submit recommendations for grants of $500 or more to be made from the fund by notifying CCCF Executive Director in writing electronically or via CCCF software as available. Recommendations should include:

* Organization name
* Organization mailing address
* Organization EIN (Employer Identification Number)
* Restriction or designation desired (if applicable)
* Amount recommended

Such recommendations will be given careful attention. They are advisory, however, and do not bind the Foundation, which, by law, must have the final authority to determine the use and distributions of all of its funds. Suggestions made by donors will be evaluated to determine that they are consistent with the broad purposes of the Foundation and that recommended agencies are eligible to receive charitable distributions. Recommendations of up to $10,000 are then acted upon by the Foundation's Executive Director. Recommendations over $10,000 will include review by the Foundation’s Finance Committee, which may refer the recommendation to the entire board for consideration.

The minimum grant amount is $500. An advisor 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. An advisor may also recommend grants to most units of government (e.g. public schools, etc.). The Foundation does not make grants from Donor Advised Funds, 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 include social welfare organizations (501 (c)(4)); veterans' organizations; cemeteries; Chambers of Commerce and similar business associations; fraternities and sororities; social clubs; and fraternal organizations such as Elks and Moose.

The Foundation makes grants to United States organizations that carry on their work in other countries. However, the Foundation does not make grants from Donor Advised Funds to non-US organizations or governmental entities.

Once a grant recommendation is received, CCCF staff will perform due diligence to verify that the organization is a qualified charity. Approved grants will be disbursed within two weeks of the receipt of the donor recommendation.

Grants may not be made to individuals. If at any time a grant recommendation is for an organization that is other than a 501 (c)(3) or for a supporting organization, additional research and assessment will be undertaken (expenditure responsibility) to determine the exact tax-exempt classification of the organization and any possible relationship of the donor to the supporting organization or the organization supported.

Unless the donor wishes to remain anonymous, the Foundation lists the fund in the annual report and identifies the named funds from which grants are paid. Grant recipients are encouraged to acknowledge the donor whose generosity made the grant possible through the Foundation.

The Foundation encourages donors to leave funds as unrestricted as possible upon the termination of the role of the last advisor. At the time the Fund is established, however, donors may identify areas of charitable interest for which the fund always will be used.

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.

***Variance Power***

Some DAF agreements restrict distributions to a specific charitable purpose, such as education or the environment. Others may limit distributions to particular named organizations. These restrictions may apply from the inception of the fund or may come into effect at the conclusion of the advisory period.

Any such restrictions are subject to modification by the Foundation if it determines, in its sole discretion, that the restriction or condition is unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served. The Foundation maintains final say over all grants.

***Fees***

The Community Foundation assesses fees, including administrative and potentially 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 Foundation’s current DAF administrative fee is a one-time 2% and is charged at the time of each contribution into the Fund. This fee is subject to change at any time by the Foundation’s Board.

***Investments***

The Foundation has the sole responsibility and authority for investment of the assets of each DAF. The Foundation will manage all DAF funds according to its Investment Policy to the mutual benefit of the Foundation and the DAF.

***Inactive Funds***

A fund is deemed inactive if any of the following occurs:

* 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; or
* No recommendations are made with respect to grants from the fund for a period of two years and, during such period, the advisor or successor advisor does not reply to the Foundation’s attempts to contact them.

If the Fund becomes inactive, steps will then be taken towards termination of the Fund.

***Fund Termination***

Unless otherwise specified in the Fund agreement, the Fund will be terminated under either of the following circumstances:

* The death, resignation or incapacity of the last advisor to the Fund.
* The Foundation Board determines the Fund to be inactive.

Upon termination, the Foundation will deem the advisory period to have ended and the remaining assets of the Fund will become part of the Foundation’s unrestricted funds. At the Foundation Board’s discretion, if the remaining principal balance exceeds $25,000 at the time of termination, the Fund will continue to be maintained as a separately named fund. If a restriction has been specified per the Fund agreement for one or more broad fields of interest, the donor’s charitable purpose set forth by those restrictions will carry forward in accordance with the provisions of the fund agreement.