



## **Donor-Advised Fund Grant Guidelines**

### *Helpful Tips for Using Your Charitable Giving Account*

A donor advised fund as defined by the Internal Revenue Code possesses three distinct characteristics:

- The Fund is separately identified with reference to the contributions of a donor or donors (e.g. the Smith Family Fund was established by the Smith children.
- The Fund is owned and controlled by a sponsoring organization such as the Community Foundation
- The donor or persons appointed by the donor expect to provide advice with respect to the fund's investments and/or distributions.

There is a \$10,000 minimum amount required to establish such a fund, and a \$10,000 on-going minimum is expected to keep the fund active.

With your donor advised fund, you can enjoy supporting any 501(c)(3) public charity in the United States, including governmental, educational and religious institutions. Rest assured that the Community Foundation for Nantucket will exercise due diligence to make sure grants from your fund are given to organizations that have met 501(c)(3) IRS requirements. Our approach to grant making is grounded in the principles of the First Amendment. We do not police the ideology of our donors, but we do not allow grants to groups that promote, incite or engage in violence. We rely on the IRS to regulate organizations, but if we become aware of a public charity that is promoting violence, no matter the ideology of the group, we will exercise our variance power. In some cases, we may need to contact you and/or the suggested grant recipient for additional information before approving the grant. Following these guidelines will help expedite our approval process.

### **GRANT SUGGESTIONS, RECOMMENDATIONS AND REQUESTS**

Grants from your donor advised fund must be made to charitable organizations. When making your grants, you may see the terms grant suggestion, grant recommendation and grant request. This is because the Community Foundation technically owns the assets in your fund, and any grant suggestions are subject to review and approval by the Foundation. Each grant request is reviewed by the Foundation staff, and consultants in Kansas City ensure that every intended grant recipient is in good standing with the IRS. We make every effort to approve all grant suggestions that are made in accordance with IRS regulations. 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. Benefits include the payment of pledges, event tickets, meals, sponsorships, registration fees, discounted merchandise, preferred parking and/or seating, and memberships unless the membership confers nothing of value.

### **GRANT SUGGESTION FORM**

*To keep the IRS happy, in relation to this grant, I agree that every penny of this grant will be used for a charitable purpose, and neither I nor anyone I know will receive anything more than a coffee mug or any other incidental benefit in return. I also acknowledge that this grant will not fulfill a legally binding pledge or commitment*

## **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. 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.

## **EVENTS**

You may use your fund to make grants to charities in support of their events, but here are a few things to keep in mind:

### **Tickets, Tables and Sponsorships**

The full cost to attend events (both the tax-deductible and non-tax-deductible portions) must be paid from your personal bank account. You may pay any remaining sponsorship costs from your fund, as long as you do not receive more than an incidental benefit in return. Logo or name recognition in event materials is not considered more than an incidental benefit. When submitting a grant request for a sponsorship, please note in your grant suggestion that you will cover the full cost of the tickets or table separately.

Keep in mind that the amount that can be paid from your donor advised fund is not always the tax-deductible amount published by the charity. The Community Foundation staff can help you calculate what portion of the event sponsorship can come from the fund based on the benefits received. If you choose not to accept any benefits associated with a sponsorship, the entire amount may be paid through the fund.

### **Raffles and Auctions**

## **MEMBERSHIPS**

You may use your fund to cover the cost of a membership if the charity confirms that the full cost is 100 percent tax deductible. You may also use your fund to cover the cost of a membership if your grant suggestion states that you waive all benefits related to the membership.

## **SCHOLARSHIPS AND TUITION**

You may use your fund to support a scholarship program administered by a 501(c)(3) public charity or educational institution, but you may not earmark dollars to assist a specific individual.

## **MISSION TRIPS, RACES AND OTHER DONATIONS IN HONOR OF INDIVIDUALS**

You may make a contribution to a 501(c)(3) public charity or religious institution in honor of an individual as long as the charity exercises complete discretion and control over the donation.

The Community Foundation understands that many donations do not provide a direct benefit to an individual but are in recognition of an individual's fundraising efforts. Therefore, when submitting grants in honor of individuals, please explicitly state that the donations are "in honor of [individual's name]."

*"In honor of John Smith's Mission Trip." or "In honor of Jane Smith's 5k Race Team."*

## **PLEDGES AND COMMITMENTS**

By law, you may not use your fund to fulfill pledges and commitments to support 501(c)(3) public charities if they are irrevocable and legally binding. However, we understand that many pledge and commitment forms are not legally binding but are simply statements of intent to make a donation. When submitting grants for non-legally binding pledges and commitments, it is best to describe them as “annual gifts.” If you must reference a non-binding pledge or commitment in your grant suggestion, please state that it is for a “non-legally binding pledge/commitment.”

### **Communications to Charities**

When you are asked to provide a written commitment to support a charity, and you wish to use your fund, the Community Foundation suggests using the following language, so the charity understands that your grant is in response to a request for a non-legally binding pledge or commitment: “*I commit to recommend that the Community Foundation for Nantucket make a grant for \$\_\_\_\_\_ from my donor-advised fund.*”

## **SUCCESSIVE ADVISERS**

CFN allows one generation of successive advisers for each DAF. Exceptions may be made with approval by the Foundation’s Board of Trustees. Upon the death of the last designated fund adviser, the corpus of the fund will be transferred to the Nantucket Fund, through which the Foundation awards Community Grants to Nantucket charities, unless otherwise specified in the fund documents.

## **FUND ACTIVITY**

We encourage all fund advisers to utilize their charitable funds to support causes that are important to them. We require all CFN funds to be active: a fund is considered to be active when there is regular communication between a fund adviser, or successive advisers, and Community Foundation staff specific to the status and purpose of that fund. For Donor Advised Funds (DAFs) there are more specific requirements that include at least annual grant recommendations to qualified charitable organizations. Donors may also contact the Foundation about developing a philanthropic program, or a long term giving plan without regular grant making, and exceptions may be made to the annual grant requirement with approval by CFN’s Executive Director. Other exceptions could be made for the following reasons:

- A fund adviser is incapacitated with no named successor adviser(s), in which case the Foundation will wait until the donor’s death to distribute the fund in accordance with the donor’s original intent.
- Successive advisers are minors, grants resume when at least one becomes an adult.
- Fund advisers are getting a divorce and CFN has been advised by both fund advisers that grant making is suspended until there is an agreement on disposition of the fund.
- There is litigation pending involving the fund, and CFN had been notified about the litigation, i.e. an estate that is being challenged, so grant making is suspended until the litigation is resolved.
- Fund adviser leaves a bequest to a fund and if distributions are to be made periodically to the fund, grants are not made until the estate is settled.

## **DEFINITION OF AN INACTIVE FUND**

For DAFs, inactivity is defined as three consecutive years without grant recommendations.

## **PROCEDURES**

The Community Foundation will make at least one attempt to contact fund representatives to discuss the intentions of the fund once a fund has officially become “inactive.” If no activity occurs after a brief period following the last attempted contact, the Community Foundation will proceed with Foundation-directed distributions from the fund according to the Foundation’s spending policy (currently 3-5% of the past 36 months’ trailing asset average). That distribution would be made to the Nantucket Fund, barring any legal restrictions placed on the fund by donors. For funds falling below the \$10,000 minimum fund balance, the Foundation’s Board of Trustees may exercise the option to retire the fund and move the corpus to an unrestricted fund or field of interest fund. To the extent practicable or feasible, the Board of Trustees shall distribute charitable grants from the converted Fund for purposes that are consistent with the original Donor's charitable interests.