

Blue Mountain Community Foundation
Policy Manual

Donor Advised Fund Policy

A donor advised fund defined under the Internal Revenue Code 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 such as the Foundation.
- The donor or persons appointed by the donor expect to have the privilege of providing advice with respect to the fund's investments or distributions.

1. Minimum Fund Size & Type of Fund

A donor advised fund may be opened with a minimum donation of \$10,000. The Fund may be either a permanent, endowed fund or a fully spendable, non-endowed fund. The donor elects one or the other option at the time the fund is founded.

- A. If endowed, the amount available to grant each year will be calculated in accordance with the Foundation's Spending Policy.
- B. If non-endowed, the full balance of the fund may be granted out.

2. Contributing to a Fund

Gifts to a fund are irrevocable. The assets of donor advised funds are owned and controlled by the Foundation. As long as the Fund meets the minimum balance requirements, contributions to a fund may be made in any amount and at any time. Contributions may be made using cash, publicly traded securities or other property, including closely held stock, partnership interests, real estate, personal property, trusts and life insurance. Contributions are subject to acceptance by the Foundation. Contributions should be clearly designated by fund name: "The XYZ Fund of Blue Mountain Community Foundation."

Many donors make contributions using appreciated, publicly traded stock that has been held for longer than a year, to enjoy maximum tax benefits. Contributions of property that may not have immediate liquidity are accepted at the discretion of the Foundation and subject to completion of our due diligence procedures. Donors considering a gift in any form other than

cash should contact the Foundation to discuss its appropriateness and to obtain delivery instructions.

3. 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. Federal law requires that any such restrictions are subject to modification by the Foundation if the Foundation 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.

4. Fund Advisors

The initial advisors to the fund are those persons named in the Fund Agreement. Usually the Fund Advisors are the people who created the fund or their family members. The Fund Advisors are the people who tell the Foundation which grants they'd like to make out of their fund. Additional advisors may be named if permitted in the Fund Agreement creating the fund and in the manner stated in the Fund Agreement.

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.

5. Recommending a Grant

Grants must be for charitable purposes. The minimum grant amount is \$25.

You 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. You may also recommend grants to most units of government (e.g., public schools, colleges and universities, town and municipal governments, police departments, etc.). The Foundation does not make grants from donor advised funds to for-profit organizations.

The Foundation will only make grants to other types of nonprofit organizations (non-501(c)(3) entities) if the Foundation CEO determines on a case-by-case basis that the grant is for a charitable, 501(c)(3) purpose and the Foundation is able to effectively exercise expenditure responsibility over the grant.

The Foundation makes grants to US organizations that carry on their work in other countries. However, the Foundation does not generally make grants from donor advised funds to

non-US organizations or non-US governmental entities. A fund advisor who would like to make such a grant should speak with the Foundation's CEO to seek an exemption to the general rule.

To make a grant recommendation, the advisor needs to contact the Foundation's CEO or Funds Administrator or use the online portal through which the advisor is able to access their fund.

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.

6. Grant Restrictions

The Internal Revenue Code prohibits grants to individuals from donor advised funds. 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. 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 the Foundation if you have specific questions about whether a grant you are considering recommending will result in a prohibited benefit.

7. Payments from a Donor Advised Fund

Expense reimbursements, loans, compensation, and other similar payments are not permitted from a donor advised fund to a donor, fund advisor, or related party.

8. Grant Acknowledgment

Unless other arrangements have been made (e.g. anonymity requested), the grant letter will indicate that the contribution is from "The XYZ Fund of Blue Mountain Community Foundation" and that it has been given upon the recommendation of the fund advisor. The recipient organization is encouraged to acknowledge the gift to the advisor and also to the Foundation. Additional language confirms that no benefits have been offered or provided to the Foundation or the advisor in exchange for the accompanying 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 XYZ Fund of Blue Mountain Community Foundation."

9. Fundraising

Donors sometimes want to raise money from other people to add to their advised funds. The Foundation's policies on fundraising are found in the Foundation's "Donor Initiated

Fundraising Policy,” which the Foundation would be happy to give to you at any time. Fundraising, if permitted, must strictly adhere to the guidelines in the policy and to any additional restrictions imposed as a condition of the Foundation’s consent.

10. Investments

The Foundation 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 Investment Committee. Donor Advised Funds are customarily invested and commingled with assets of other funds of the Foundation.

When the size of a fund warrants separate investment consideration, typically for funds over \$250,000 dollars, the Foundation will endeavor to accommodate requests from donors for separate investment of fund assets or use of a particular investment manager, broker, or agent in accordance with the Foundation’s Investment Policy and Investment Partnership Policy.

11. Fees and Minimums

The Foundation assesses fees, including 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 administrative fee schedule for donor advised funds is found in the Foundation’s Fee Schedule.

Investment management fees vary depending on the investment manager.

12. Required Activity in the Fund

All funds that have more than \$10,000 in assets must have some level of activity or future planned activity as described in this section. 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 Foundation regarding the existence and purpose of that fund. Examples of some of the activities that would deem a fund to be active include (but are not limited to):

- Regular Grant Recommendations. Fund 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. Fund advisor makes a substantial contribution to the donor advised fund, for example, upon the sale of his or her business, 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. Fund 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 (the idea being the donor is leaving a charitable legacy for the next generation to administer).
 3. Fund advisor refrains from recommending grants for a given period because the fund is invested in an illiquid or undervalued investment. Fund advisor intends to begin making grant recommendations when the investment can be sold at a reasonable price.
- Project Grants. Fund 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 (for example) 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.
- Starter 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. Fund 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:
 1. 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;
 2. 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);
 3. Founders of fund who are also the fund advisors are getting divorced so that grants are suspended until both the husband and wife agree on grants, which may include splitting the fund into two separate funds, one for each spouse to advise or eventually dissolving the fund by the making of charitable grants;
 4. Grants are suspended during litigation involving a fund (e.g., the donor has left his/her estate to a fund, but the donor's children are disputing the bequest so the community foundation does not allow grants until the litigation is resolved);

5. 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.

13. Remedies if There is No Activity

Should there be no activity in or in relation to a fund that meets the requirements listed above, steps will 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 (for example, three times over a period of three 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 Foundation determines such intent is obsolete, incapable of being fulfilled, impractical, or inconsistent with the community's charitable needs, then exercise of the Foundation's overriding variance power to enable the 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.
- Closing of a "starter" fund if the "starter fund" balance does not reach the Foundation's required minimum amount within a stated period of time, and, for example but not limited to, re-allocating of the fund proceeds to the Foundation's unrestricted fund or issuing the balance as a charitable grant to a qualified recipient.

14. Termination

Unless otherwise specified in the fund agreement or this Policy, upon the death, resignation or incapacity of the last advisor to the fund, or if the fund is determined to be inactive, the assets of the fund will become a part of the Foundation's unrestricted permanent endowment. If the principal balance of the fund exceeds \$250,000, the Fund will continue to be maintained as a separate named endowed fund for discretionary purposes or as a field of interest, if the donor(s) or successor-advisor(s) have specified in writing one or more broad fields of interests for the fund.

15. Definitions of Terms

Qualified Charitable Organization: Donors may deduct charitable contributions in accordance with Federal and their respective state tax codes only if donations are made to a qualified organization. Most organizations, other than churches and governments, and public schools must apply to the IRS to become a qualified organization. The Foundation can confirm for a fund advisor whether any particular organization is a qualified charitable organization.

How to check whether an organization can receive deductible charitable contributions. You can ask any organization whether it is a qualified organization, and most will be able to tell

you. Or go to IRS.gov. Click on “Tools” and then on “Exempt Organizations Select Check” (www.irs.gov/Charities-&-Non-Profits/Exempt-Organizations-Select-Check). This online tool will enable you to search for qualified organizations.

Sponsoring Organization: An organization, like a community foundation, that owns and controls donor advised funds.

Fund Advisor: A donor or person appointed or designated by the donor who has or reasonably expects to have advisory privileges with respect to the fund’s distributions or investments. The donor retains the privilege to recommend grants from the charitable fund for which he or she has been designated as fund advisor.

Disqualified Person: As applied to public charities, the term disqualified person includes (1) organization managers, (2) any other person who, within the past five years, was in a position to exercise substantial influence over the affairs of the organization, (3) donors and fund advisors with regard to transactions with a particular donor advised fund, (4) investment advisors to assets of donor advised funds, (5) and disqualified persons of supporting organizations who are also disqualified persons of the supported organization, (6) family members of the above, and (7) businesses they control. Paying excessive benefits to a disqualified person will result in the imposition of penalty excise taxes on that person, and, under some circumstances, on the charity's board of directors (see “intermediate sanctions”: <http://www.cof.org/content/glossary-philanthropic-terms#sanctions>).

16. Right To Amend

Blue Mountain Community Foundation reserves the right to amend any Donor Advised Fund Policy or procedure which, in the sole discretion of the BMCF Board of Trustees, should be changed.

Amendment History:

Amended: July 21, 2021

Amended: May 23, 2013

Amended: November 20, 2007

Originally Adopted: March 15, 2005