

DONOR-ADVISED FUND GUIDELINES

The following policies and procedures have been established for donor-advised funds in a manner consistent with the mission of the Foundation and in keeping with applicable federal legislation and IRS regulations. We share them with you.

1. Donor-advised funds are component funds of the Foundation. They are the property of the Foundation and are subject to the terms and conditions of its governing instruments. New funds must be accepted by the Foundation's Board of Trustees and grants recommended from donor-advised funds must be ratified by the Grants Committee.
2. A donor-advisor may submit grant recommendations for a fund. Such recommendations will be given careful attention. They must be advisory, however, and may not bind the Foundation's Board which, by law, has final authority to determine the use and distribution of all of the Foundation's funds and assets. Recommendations will be evaluated by Foundation staff to determine if they are consistent with the broad charitable purposes of the Foundation and if recommended grantees are eligible to receive charitable distributions. From time to time, the Foundation may call advisors' attention to special community needs and programs and invite participation in special program initiatives. A recommendation must be made from a donor-advised fund at least once every four years.
3. The Foundation is intended to be the source of permanent charitable capital for the community. A donor-advised fund may be created as an endowment (spending only the income based on the Foundation's spending policy) or a quasi-endowment in which case the donor-advisor designates a portion of the fund as spend-able, provided the fund minimum, as determined from time to time by the Foundation's board, is always maintained. Currently \$10,000 is the required minimum to start and maintain in the fund. Donor-advised funds become permanent endowment funds after the advisement period ends.

(GRANTS)

4. Grants from donor-advised funds are to be made only to nonprofit organizations exempt from Federal taxation under section 501(c)(3) and 509(a)(1) or (2) of the Internal Revenue Code for a charitable purpose and may not be made to, or for the benefit of, an individual.
5. Donor-advised grants are to be made primarily to agencies and institutions located within Oneida and Herkimer counties. Grants cannot be made to foreign charities unless they have an IRS determination letter.
6. Grants may not be used to satisfy a personal or pre-existing pledge made to a charity by the donor, advisor or other disqualified person. (*By law, a "disqualified person" includes a relative, employee, business partner, attorney or designee of the donor.*)
7. Recommendations for new commitments of up to five years from the fund may be considered but must be approved by the Foundation.
8. IMPORTANT PAYOUT INFORMATION: Federal legislation prohibits a donor-advised fund from making grants, loans, compensation or similar payments (including expense reimbursements) to donors, advisors or other disqualified persons. Additionally, fund expenses of any kind, whether from an event or a development activity such as a special mailing, will not be paid from a donor-advised fund to anyone. Nor shall any disqualified person receive more than an "incidental benefit" from a fund or from any grant recipient receiving a distribution from the fund. Thus, grants from donor-advised funds may not be

used to pay for anything that might be perceived as a material benefit to the donor, advisor or other disqualified person – including dinner tickets, membership fees, golf fees, admission tickets or other gifts. If sponsorship of a fundraising event includes a material benefit, a grant from a donor-advised fund cannot be used for this purpose. Further, the IRS has taken the position that the charitable and non-charitable portion of a ticket are inseparable and the donor-advisor cannot correct the private benefit problem by offering to pick up the “non-charitable” portion of the ticket. Community foundation grants must be entirely for charitable purposes.

9. Unless the donor wishes to remain anonymous, the Foundation identifies to the grantee (recipient organization) the name of the fund from which grant is made and the donor who made the recommendation.
10. Advisors are requested to make recommendations of grants in the amount of \$200 or more.

(ADVISOR)

11. The Donor/s has the right to serve as advisor to the fund or appoint a designee. In the event the donor-advisor cannot or does not wish to continue acting as advisor, he/she may appoint a substitute or successor advisor – from children, family members, or a trusted friend, not to exceed one generation. Upon the death of the successor advisor, the fund becomes a permanent endowment of the same name which will be unrestricted, unless the Donor has applied a use restriction in the original fund agreement.
12. Grant recommendations shall be submitted in writing by the donor advisor through the Advised Fund Grant Recommendation Form. Upon review and approval, a grant will be made to the recipient (s). Checks are issued bi-monthly and are sent with an accompanying letter acknowledging the fund and Donor – the letter is copied to the Donor.

(OTHER TERMS & CONDITIONS)

13. The fund will be subject to an administrative fee as established from time to time by the Board of Trustees. Currently, the administrative fee is 1.5% of the fund’s market value or \$375, whichever is greater. The fee has historically been between 1-2% of the market value of the fund.
14. All funds are subject to the terms and conditions of the Foundation’s governing instruments, as amended. The governing instruments provide that the Foundation has the power to modify and vary any donor restriction in the event the restriction becomes unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community.

Thank you for creating this charitable fund. If you have questions regarding Donor-Advised Funds, please contact the Foundation at 735-8212, or email us at: info@foundationhoc.org.