



Donor Advised Fund Information and Policies

What is a Donor Advised Fund?

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.

Minimum Fund Size

A donor may establish either a **permanent advised fund** from which only a set percentage – established by the Foundation's Board of Trustees – may be distributed as grants annually, or a **non-permanent advised fund** from which all assets may be granted. Advised funds require a minimum initial contribution of \$10,000. After the initial contribution, gifts of any amount may be added to the fund at any time. Nonpermanent advised funds must maintain a minimum balance of \$1,000 or be fully expended and dissolved.

Minimum contributions to establish a fund and the minimum balance to maintain a fund are established by the Foundation's Board of Trustees and are subject to change at any time.

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 Connecticut 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.

Contributions from individual retirement accounts (IRAs) to donor-advised funds are not Qualified Charitable Distributions and are therefore not tax exempt.

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.

Fund Advisors

The initial advisors to the fund are those persons named in the fund agreement. Fund founders may name themselves or others as the advisors to recommend grants from the fund. A fund founder may also authorize, in writing, one or more successor advisors to make recommendations for grants either during his or her lifetime or upon his or her death. Fund founders may designate only one generation of successor advisors.

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.

Recommending a Grant

Grants must be for charitable purposes. The minimum grant amount is \$200.

Except as prohibited in the section below entitled Grant Restrictions, you may recommend grants to any type of 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.) and to established religious denominations anywhere in the United States. Collectively, these are sometimes referred to as “qualified charitable organizations.”

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; 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 U.S.-based organizations that carry on their work in other countries. However, the Foundation does not make grants from donor advised funds to non-U.S. organizations or governmental entities.

In order to recommend grants from an advised fund, the advisor must submit a signed, written grant recommendation from or a verifiable recommendation via electronic form or email to the Foundation, or by accessing the Foundation's Donor Advisor portal on the website. If by email, development staff will send the advisor a grant recommendation form to sign and return.

In order to meet Treasury regulations for advised funds, the Board of Trustees cannot be bound by the advice of the advisor and must always maintain the right to distribute the funds in accordance with the charitable purpose of the Foundation. The Treasury regulations are designed to ensure that donors do not receive a maximum charitable deduction at the time of the gift and still maintain control over the gift.

Grant request are normally processed within 7-10 days. If a grantee is not approved, the advisor will be notified and asked to make an alternative suggestion. When the Board of Trustees approves the recommendations, the advisor will receive an email or mailed letter confirming the grants have been made.

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.

Grant Restrictions

General 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.

Likewise, pursuant to the Internal Revenue Code, the full amount of any grant recommendation must be eligible for a charitable deduction for income tax purposes. Grants may not result in benefits, goods, or services to the donor, the fund advisor, members of their families, or businesses they control. Failure to observe this restriction can subject the fund advisor to tax penalties. Benefits include the payment of legally enforceable pledges, 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.

Policy Against Funding of “Hateful Activities”

Per federal regulation, decisions regarding grant distributions made from a donor advised fund at Connecticut Community Foundation are made at the sole discretion of the Foundation, in furtherance of its charitable mission. In exercising this discretion, the Foundation prohibits grants to, or other support for, organizations engaged in “hateful activities,” defined to mean activities that incite or engage in violence, intimidation, harassment, threats, or defamation targeting an individual or group based on their actual or perceived race, color, religion, national origin, ethnicity, immigration status, gender, gender identity, sexual orientation, or disability. These activities are contrary to the Foundation’s mission and its charitable status.

Connecticut Community Foundation will not accept funds from donors or make contributions to grantees that the Foundation believes, based on its diligence and in its sole discretion, intend to support or engage in hateful activities, whether online or offline. While not everyone agrees on what constitutes hate, at a minimum we will not fund activities that are explicitly racist, misogynist, anti-LGBTQ, anti-Muslim, anti-Semitic, or anti-immigrant.

The Foundation will implement this policy through due diligence to ensure that hateful activities are identified and steps are taken to avoid any Foundation support for them. As part of its review, the Foundation may conduct its own research and may consult resources created by third parties, such as the Southern Poverty Law Center, Anti-Defamation League and others, to identify and update information regarding organizations potentially engaged in hateful activities.

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.

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 Connecticut Community Foundation,” and that it has been given upon the recommendation of the named advisor. The recipient organization is encouraged to acknowledge the gift to the advisor directly (if the grantee has this information) or if not, to the Foundation who will then forward the acknowledgement to the advisor.

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 Connecticut Community Foundation.”

Fundraising

The Foundation does not sponsor or provide financial support for donor-initiated fundraising for donor advised funds. Please see the *Guidelines for Soliciting Donations for Your Fund at Connecticut Community Foundation* for more details about other ways the Foundation may provide assistance to people raising funds for donor advised funds.

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 and/or Board of Trustees. Donor advised funds are customarily invested and commingled with assets of other funds of the Foundation.

The Foundation maintains three investment pools with different risk and return objectives. These pools are described below. All investment options are reviewed and approved by the Foundation's Investment Committee and may change from time to time as the Committee or the Board of Trustees determines. You may make recommendations to the Foundation for investment of your fund in any one or a combination of these pools. All recommendations must be in writing.

Contributions to a permanent advised fund may be held in the Foundation's balanced endowment portfolio, or in the ESG portfolio, where investments are screened for performance based on market risk and return as well as environmental, social and governance factors. The rate of return for either of these portfolios will fluctuate with market conditions. The advised fund will be allocated its proportionate share of the portfolio's investment gains or losses quarterly.

Contributions to a non-permanent advised fund may be invested in the Foundation's balanced endowment portfolio, in the ESG portfolio or in a money market or equivalent account.

The Foundation's long-term investment objective for the balanced endowment and ESG portfolios is to achieve a total rate of return equal to or greater than the Foundation's grantmaking, expenses, assessments, and the average inflation rate as measured by the Consumer Price Index. The Foundation measures whether it has achieved that objective over a rolling five-year period. Total rate of return takes into consideration dividends and interest income plus realized and unrealized capital gains.

The Foundation appoints an investment consultant to carry out some of its investment management responsibilities with respect to its invested asset pool.

Excess business holdings

The Pension Protection Act of 2006 amended section 4943 of the Internal Revenue Code to limit ownership of closely-held business interests in a donor advised fund. A fund's holdings, together with the holdings of disqualified persons (donor, advisor, members of their families and businesses they control) may not exceed any of the following:

- 20% of the voting stock of an incorporated business;
- 20% of the profits interest of a partnership, joint venture, or the beneficial interest in a trust or similar entity;
- Any interest in a sole proprietorship.

These limitations do not apply if the donor advised fund holds an interest that does not exceed two percent of the voting stock and two percent of the value of the business.

Donor advised funds receiving gifts of interests in a business enterprise have five years from the receipt of the interest to divest holdings that are above the permitted amount, with the possibility of an additional five years if approved by the Secretary of the Treasury. To prevent a violation of these rules, it is the Foundation's policy to divest itself of such holdings within five years from the date the Foundation acquired the asset. If that is not possible, the asset will be transferred to a new or existing fund that is not an advised fund.

Assessments

The Foundation makes assessments against all its funds to cover the cost of administration and to continue the Foundation's important work in our community. Assessments provide the necessary resources to operate efficiently and effectively, ensuring fiscal responsibility in grant due diligence, donor and nonprofit education, research, and other activities. In addition, the fee supports the Foundation's efforts to serve as a change agent through leadership, convening power, collaboration and grant making; to strengthen area not-for-profit organizations in terms of efficiency, effectiveness and leadership; and to enhance the Foundation's ability to deliver on its mission. The Foundation's current assessment schedule for permanent donor advised funds is 1.8% annually, and charged quarterly, based on the Fund's quarter-end market value. Non-permanent donor advised funds are subject to a 1.8% annual assessment, charged quarterly, based on the highest market value of the fund during the quarter.

Policies governing fund activity

A fund's advisor is responsible for ensuring the fund remains active according to policies established by the Foundation's Board of Trustees and amended from time to time.¹

A donor advised fund is considered active when there is regular communication between the advisor and the Foundation regarding the existence and purpose of the fund. Activities that mark an active fund may include, but are not limited to:

- **Making regular grant recommendations.** Fund advisors typically recommend grants at least annually. The number and value of recommended grants may vary from year to year.
- **Developing a philanthropic plan.** A donor advisor may refrain from making grants for a period following a substantial contribution while the fund advisor consults with charities and/or conducts research to determine what types of grants will best meet community needs and the advisor's philanthropic goals. The donor advisor may seek the Foundation's assistance in developing a philanthropic plan for the fund.

¹ If at any point this policy conflicts with federal or state law (including Connecticut's Uniform Prudent Management of Institutional Funds Act (UPMIFA)), the relevant law controls.

- **Implementing a long-term giving plan.** A donor advisor deliberately reduces the frequency or size of grant recommendations from the fund to achieve long-term philanthropic objectives. Examples of long-term strategies include:
 1. Limiting grants during the advisor's working years with the intention of growing the fund's balance over time to support grantmaking during the advisor's retirement.
 2. Limiting grants in order to build the fund over time so the donor's children or another named successor advisor can make grants later, thus creating a charitable legacy.
- **Making periodic project grants.** A donor advisor may make a substantial contribution to the fund with the intention of recommending grants to a specific charitable organization over a period of many years so that the donor can monitor how the organization performs and consider whether the grants are achieving the donor's charitable objectives.
- **Building a fund:** A donor may build the fund for up to five years to meet the initial \$10,000 fund minimum. A fund will be considered active during this building period, although no grants may be made from the fund until the fund minimum is met.
- **Planning for a special occasion.** A fund advisor may refrain from recommending grants for a number of years with the specific charitable goal of recommending a grant upon a specific occasion.
- **Inactivity due to legal considerations.** A fund may be deemed active despite a lack of grant recommendations where legal considerations make grant recommendations impossible or inadvisable. Examples include but are not limited to the following:
 1. If a donor advisor is incapacitated with no successor advisor named, the Foundation may wait until the donor regains capacity or dies to distribute the fund according to the donor's intent, as set forth in the fund agreement.
 2. If a fund has transitioned to named successor advisors, but the successor advisors are minors and no adult representative is named to represent them, the fund will remain active until the advisors are adults and legally competent to recommend grants.
 3. If joint donor advisors are divorcing, they may suspend making grant recommendations until they agree on how the fund and the advisor privilege will be handled following the divorce. Options may include splitting the fund into two separate funds, or eventually dissolving the fund by recommending grants.
 4. Grants may be suspended pending resolution of litigation involving a fund (e.g., the donor has left an estate gift to a fund, but the donor's children are disputing the bequest).

5. If a donor leaves a bequest to a fund and distributions are made periodically to the fund during the estate settlement process, the Foundation may refrain from making grants until the estate is fully settled.

A fund is deemed inactive if:

- The fund advisor dies or resigns or evidence of his or her incapacity is provided to the Foundation, and no successor advisor has been named.
- All named successor advisors are unable or unwilling to serve as such.
- No recommendations are made with respect to grants from the fund for a period of three years and, during such period, the advisor or successor advisor does not communicate regarding their plans for the fund as set forth above or otherwise reply to the Foundation's attempts to contact them.

Should a fund advisor fail to make grant recommendations for an extended period, the Foundation will notify the fund advisor regularly and periodically to encourage the fund advisor to recommend grants and maintain the fund as an active fund.

If a fund is deemed inactive, the Foundation will distribute grants from the fund to qualified grant recipients that align with the donor's intent as set forth in the fund agreement. However, if the Foundation determines such intent is obsolete, incapable of being fulfilled, impractical, or inconsistent with the community's charitable needs, it may exercise its variance power to use its resources to meet the needs of the community and to address the charitable purposes for which the funds were committed.

If the fund becomes inactive, the Foundation will deem the advisory period to have ended and will initiate distributions from the fund in accordance with the provisions of the fund agreement.

Termination

Unless otherwise specified in the fund agreement, 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 \$10,000, the Fund will continue to be maintained as a separate named endowed fund for discretionary purposes or as a designated fund for a specified charitable organization or field of interest fund, if the donor(s) or successor-advisor(s) have specified in writing one or more designees or broad fields of interests for the fund.

**Approved by Board of Trustees
December 12, 2024**