



Donor Advised Fund Policy and Guidelines

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.
- The Fund is owned and controlled by the Community Foundation of Louisville (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 Advised Fund is established upon receipt by The Community Foundation of Louisville of a fully executed Fund Agreement and a minimum gift of \$25,000.

Contributing to a Fund

Gifts to a fund are irrevocable. The assets of donor advised funds are owned and controlled by the Foundation. 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."

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.

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. The Advisory Committee, for a period of 99 years, may make recommendations at any time to the Foundation as to possible recipients of grants from the Fund. Such recommendations are subject to approval by Foundation's Board of Directors.

The Advisory Committee shall cease to exist at the end of the 99 year term or upon the death, incapacity or resignation of the last remaining member of the Advisory Committee. The last remaining member shall be considered incapacitated if he or she is unable to handle business affairs, as determined solely by the Foundation. Additionally, the Advisory Committee shall cease to exist if, for a two-year period, attempts to contact the Advisory Committee have been unsuccessful and no grants have been recommended. If at the end of the 99 year term Foundation policy, law, and IRS regulations permit, an Advisory Committee made up of family members may continue to recommend grants from the Fund.

If at any time there is more than one advisor to the fund, the advisors will appoint a designee to serve as the Donor Advised Fund Chair and all communications to and from the Foundation will be through the Chair.

Recommending a Grant

Grants must be for charitable purposes. The minimum grant amount is \$100.00.

You may recommend grants to any organization described in section 501(c)(3) of the Internal Revenue Code. Donor Advised Fund grants may not go to private, non-operating 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.).

Pursuant to IRS rules, certain types of grants from Donor Advised Funds require the exercise of "expenditure responsibility". Expenditure responsibility is a process designed to ensure that a

grant is used for charitable purposes and that the Foundation maintains appropriate oversight and documentation. Expenditure responsibility is required for grants to (1) organizations not described in Internal Revenue Code Section 170(b)(1)(A); (2) type III supporting organizations that are not functionally integrated with the supported organization; and (3) supporting organizations of any type if the supported organization is controlled by the donor, advisor or a related party. The decision to fulfill a grant request requiring expenditure responsibility is up to the Foundation's discretion and will be made following a review of the request.

The Foundation makes grants to US 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.

Grant recommendations are made in writing via the Foundation's Grant Recommendation Form or on the Foundation's website using the secure donor portal called MyFund. Grants that are received by Friday are generally processed and mailed the following Friday. A single grant recommendation of higher than \$250,000 requires board approval and may be delayed. Grants to organizations requiring additional due diligence may also be delayed. Advisors will be notified if a grant recommendation is delayed.

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.

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 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. Please contact the Foundation if you have specific questions about whether a grant you are considering recommending will result in a prohibited benefit.

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” 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. 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.”

Fundraising

Donors sometimes want to raise money to add to their advised funds. The Foundation’s Donor Initiated Fundraising Policy is attached to this document. 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.

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.

The Foundation maintains investment pools with varying 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 determines. You may make recommendations to the Foundation for investment of your fund in one or more of these pools. All recommendations must be in writing.

SIGNATURE FUND

Our most popular fund option, the Signature Fund is designed to balance long-term return requirements with short-term stability needs. The Signature Fund employs a combination of active and passive investment management styles that are structured to maintain and grow fund principal and thereby increase the amount that is available for grants over the long-term. The Signature Fund’s strategic asset allocation is 65% traditional equities, 10% non-traditional assets, 23% fixed income securities and up to 2% cash.

EQUITY FUND

The Equity Fund employs a combination of active and passive investment management styles, but is allocated 100% to a diversified mix of equity investments. The Equity Fund has the potential for greater returns than the Signature Fund, but with the potential for greater volatility.

FIXED INCOME FUND

The Fixed Income Fund is comprised of a 100% allocation to a variety of fixed income securities designed to generate a modest amount of income and the least amount of volatility of our investment pools. The Fixed Income Fund offers greater stability with lower expected returns.

SOCIALLY RESPONSIBLE FUND

The Socially Responsible Fund is a diversified mix of assets managed by Boston Common Asset Management. Up to 75% of the Socially Responsible Fund may be invested in equity securities with the balance in fixed income securities. Investments for the Socially Responsible Fund are selected based on analysis of financial, environmental, social and governance factors.

When the size of a fund warrants separate investment consideration, 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.

The Foundation's long-term investment objective is to preserve the real value of its permanent funds. This means that the Foundation seeks a total rate of return that supports the Foundation's grantmaking, expenses, investment fees, and inflation. The Foundation will normally measure whether it has achieved that objective over a rolling five-year period.

The Foundation engages Fourth Street Performance Partners to serve as an independent advisor to the Investment Committee. Fourth Street is completely independent of the firms selected to manage our investments and is charged with providing the Investment Committee with return data and objective information concerning the performance of each investment manager. Fourth Street also helps the Investment Committee to identify and evaluate new managers, as well as maintain the investment policy statements governing our investment pools.

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 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:

- the greater of \$300, or 1% on the first \$1 million of the Fund balance, plus
- 0.5% on the next \$1 million of the Fund balance, plus
- 0.2% on the Fund balance exceeding \$2 million.

The administrative fee shall be charged based upon the average daily balance of the Fund and withdrawn from the Fund monthly. The Foundation reserves the right to change this fee as long as such change is made consistently for all such funds within the Foundation. Investment advisor and investment custodial fees shall be charged directly to the Fund on a monthly basis.

Inactive Funds

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 if 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 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, 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.



DONOR-INITIATED FUNDRAISING GUIDELINES

The Community Foundation of Louisville (Foundation) is pleased to work with donors to develop their component funds. Some individual donors, or organizations that are not classified as IRS-approved 501(c)(3) charities, may wish to organize special fundraising events to raise money for a particular component fund.

The Foundation is legally responsible for all fundraising undertaken on its behalf, and the Foundation, as well as the donor, can face serious penalties if procedures are not established and carefully followed. Therefore, the following guidelines apply to special event fundraising activities for component funds within the Foundation.

If you are considering a fundraising event, solicitation or project of any kind, we request that you discuss your plans with the Community Foundation in advance. Please contact Kate Biagi-Rickert at 502.855.6942 or katebr@cflouisville.org.

A. Foundation Approval of Events

The fundraising group must submit the attached Fundraising Application at least 30 days prior to the fundraising event. Advance written approval from the Community Foundation is required.

All uses of the Foundation's name in advertising and promotion must be approved in advance. All fundraising materials should indicate that funds are being raised on behalf of rather than by the Foundation.

The Foundation may assess an administrative fee agreed upon by both parties in advance to defray the cost of additional services required by the event.

You are not authorized to bind the Foundation to any contract or agreement unless specifically authorized in writing.

B. Payment of Expenses

The fundraising group will be responsible for all expenses and will maintain appropriate financial controls and records related to fundraising events. Prior to the event, it will be determined whether the expenses will be paid by the Foundation or by the group. In all cases, the fundraising group must provide copies of invoices and receipts to the Foundation so that all record keeping and reporting responsibilities are fulfilled. The Foundation will not provide reimbursement of expenses to the fund's donors, advisors and related persons. Where appropriate, the foundation can provide tax

acknowledgements allowing donors to deduct reasonable expenses incurred in connection with a fundraiser.

C. Designation of Checks and Receipt of Cash

Checks related to the event must be made payable to the Community Foundation of Louisville with the fund name in the memo line. Cash receipts are to be deposited intact. Checks and cash must be delivered to the Foundation within a reasonable amount of time after the conclusion of the fundraising event.

D. Tax Requirements and Acknowledgements

The Foundation will provide the appropriate gift acknowledgement to the donors who contribute \$250 or more at the event provided the Foundation receives certain detailed information about the donors. The fundraising group must provide the Foundation with:

1. The donor's name and address
2. Date and amount of contribution
3. Whether the contribution was cash or property
4. If property, a description of the type of property and a good faith estimate of its fair market value
5. Detailed description of any goods and services provided in exchange for the contribution

If the fundraising group provides goods or services in exchange for a donation, certain disclosures are required so that donors are properly informed of the fair market value of any good or service received. For example, if the group is sponsoring a dinner, the donor can only deduct the excess of the ticket price above the fair market value of the dinner. This limitation is known as "a quid pro quo disclosure" and must be disclosed at the time of the solicitation. Disclosure on the event ticket or invitation is the preferred method.

The Foundation will work with the fundraising group in determining the fair market value amounts and the appropriate disclosure language prior to the event. The fundraising group needs to ensure that the required quid pro quo disclosures are made.

E. Charitable Gaming

Charitable gaming in The Commonwealth of Kentucky is regulated by the Department of Charitable Gaming. Charitable gaming events on behalf of funds at the Foundation are prohibited and will not be approved. This includes but is not limited to bingo, charity game tickets, raffles and any form of gambling.

F. Liability Insurance and Liability for Losses

The fundraising group will contact the Foundation prior to the event to assess the need to secure liability insurance. The Foundation will determine if liability insurance is required and the fundraising group is responsible for reimbursing the Foundation for the cost of the premium.

The Foundation's Responsibilities

The Foundation will be responsible for:

- The management of money and property as it may accept into the component fund from donors, other contributors and sources
- The application of principal and income to charitable uses, in accord with the Foundation's governing documents
- Providing appropriate acknowledgements to donors

The Fundraising Group's Responsibilities

The fundraising group will retain responsibility for all public fundraising events and matters relating to them, including:

- Payment of all costs and expenses
- Compliance with the laws
- Reporting and other requirements of every kind such as licensing, tax payment, and liability insurance covering the foundation

Fundraising Event Application

Please return this application to Kate Biagi-Rickert, Director of Stewardship at the Community Foundation at 502.855.6942 or katebr@cflouisville.org.

Fund Name: _____

Name of Fundraising Event: _____

Date of Event: _____

Describe the fundraising event (include a detailed description of activities, number of participants expected, the fundraising group's experience in this type of fundraising event and any other information that will help us support your effort).

Attach an estimated budget including projected gross revenue from identified sources and projected expenses with name of vendor.

Net Fundraising Goal: \$ _____

Contact person: _____

Email: _____

Address: _____

Phone(s): _____

I / We agree to use all disclosures as instructed by the Community Foundation, to review all printed and promotional material with the Community Foundation staff before distribution and to submit detailed donor records along with all fundraiser proceeds and invoices. I / We have received a copy of the Donor-Initiated Fundraising Guidelines and agree to abide by the responsibilities as detailed in the document.

Printed Name: _____

Signature: _____

Date: _____