



DONOR ADVISED FUND ACTIVITY POLICY

FUND ACTIVITY AND EXCEPTIONS

The following definitions of fund activity and distributions apply to funds that have more than \$10,000 OR the Community Foundation of Howard County, Inc. ("CFHoCo") minimum required balance to maintain a donor advised fund. If this policy ever conflicts with federal law or state law (including UPMIFA), relevant law controls.

A fund is considered active when a donor recommends grants or an interfund transfer to another grantmaking fund held by CFHoCo within a 3-year period. Exceptions may be made in certain scenarios, such as:

- **Developing a Philanthropic Program:** Fund advisor makes a substantial contribution to donor advised fund, for example, upon the sale of a business, and refrains from recommending grants for a given initial period while consulting with the sponsoring charity and/or doing research to determine what types of grants will best meet community needs and/or their philanthropic goals. This period is not to exceed 3 years.
- **Long-term Giving Plan:** Donor/fund advisor deliberately reduces the frequency or size of grant recommendations from fund, to:
 - build the fund balance to ensure grantmaking during retirement and/or when income changes.
 - build the fund balance to leave a charitable legacy for the next generation to advise. This period is not to exceed 3 years.
 - grantmaking is deferred for a set period in order to make a larger grant or grants for a specific project.
- **Starter "Acorn" Fund:** Donor plans to build the fund balance over time according to CFHoCo's policies. Typically, no distributions are made until the fund balance reaches the minimum amount and timeframe stated in the fund agreement and CFHoCo's policies.
- **Asset transition:** The Fund Advisor defers recommending grants while DAF assets are illiquid (such as real estate or restricted stock). CFHoCo will document steps being taken to liquidate assets and establish the fund's grantmaking ability.
- **Legal Issues:** In some cases, legal issues may require suspension of grantmaking from a Fund until resolution. CFHoCo will document steps being taken toward clarifying advisory authority and the fund's grantmaking ability. Examples might include:
 - Donors/fund advisors are in the process of divorce. Grants may be suspended until the fund's status is resolved.
 - Assets are being transferred to the fund during an estate settlement process; grants will not be made until the estate is fully settled.
- **Other Issues:** Other exceptions to this Fund Activity Policy made for an individual fund must be approved by the CFHoCo's President & CEO and documented in the Fund record.

COMMUNICATION

CFHoCo reviews grant activity on an annual basis. After 1 year of inactivity, CFHoCo will contact the donor by best available means. CFHoCo may distribute a list of community projects to the donor as suggested recommendations. After 2 years of inactivity, CFHoCo will contact the donor by best available means. The donor will be reminded of the CFHoCo's fund activity policy.

ACTIVATING GRANTMAKING

When a donor advised fund has not distributed a grant in more than a 3-year period, CFHoCo will take steps to activate the fund, such as:

- Final attempts to contact the donor/fund advisor,
- Distributing grants to qualified grant recipients that align with donor intent demonstrated in previous grant distributions,
- Distribution or asset transfer to a grantmaking fund of CFHoCo, or
- Any other distribution in accordance with the fund agreement and CFHoCo's policies. This may include termination of the Fund. If those provisions are incomplete, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served CFHoCo may exercise its variance power to direct these resources to meet the needs of the community.

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. Refer to CFHoCo's grantmaking policies for local grant making protocol.

Sponsoring Organization

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

Donor/Fund Advisor

The 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/fund advisor retains the privilege to recommend grants from their charitable fund.

Donor Advised Fund

A fund may be classified as "donor advised" if it has at least three characteristics: (1) a donor or person appointed or designated by the donor has, or reasonably expects to have, advisory privileges with respect to the fund's distributions or investments, (2) the fund is separately identified by reference to contributions of the donor(s), and (3) the fund is owned and controlled by a sponsoring organization, such as a community foundation. A fund possessing these characteristics may be exempt from the donor advised fund classification if it grants to one single public charity or government unit or if the fund meets certain requirements applicable to scholarship funds.

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 donor advisors with regard to transactions with a particular donor advised fund, (4) and disqualified persons of supporting organizations who are also disqualified persons of the supported organization, (5) family members of the above, and (6) 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.