



## **Community Foundation of West Alabama Advised Fund Guidelines**

The Community Foundation of West Alabama welcomes the opportunity to partner with individuals, families, and corporations who wish to be actively involved in grant making. The Advised Fund is designed to provide donors with a flexible vehicle for achieving their charitable objectives while promoting their personal values.

The IRS allows all community foundations to offer donors the option to make tax-deductible gifts from which to recommend grants over a prolonged period of time. In addition, the IRS expects that a community foundation will administer its donor advised funds in a manner that will maximize the community benefit.

**Establishing a Fund:** The minimum initial contribution required to establish an Advised Fund is \$10,000. This can be made with a gift of cash, stock or other asset. A fund can be started with a smaller amount with the intent to grow the fund.

**Testamentary or Deferred Gifts:** An Advised Fund can also be established through a will, trust or gift of personal property. Ideally, the fund is defined during the donor's life to define charitable goals and to designate an individual to continue the privilege of making grant recommendations from the fund.

**Non-Endowed Advised Fund:** A non-endowed advised fund can be created if the intention is to begin participating in grant making and with the goal of learning about community needs.

**Key Features:** The Advised Fund is named by the donor; it can be established immediately, which generates a charitable tax deduction whenever contributions are made to the fund. Also, the subsequent growth accumulated in the fund is tax-free. The charitable account eliminates the need to obtain a receipt from each charity for tax purposes; the donor receives professional assistance and administrative support in grant making; and the donor can build a permanent fund to continue their charitable values even upon their death.

**Investments:** Advised Funds are component funds of the Community Foundation of West Alabama. As such, the Community Foundation's Investment Committee and Board of Directors set the overall investment policy. The Community Foundation invests assets with due regard for prudent risks, long-term market conditions, conservation of principal, grant making objectives, and planned giving objectives.

Under the Community Foundation's unitized accounting system, each Advised Fund owns a percentage share of the combined investment portfolio. This allows Advised Funds to take advantage of lower management fees, ensure investment diversity and maximize distributions to charitable organizations and institutions. Thus, Advised Funds grow at a rate equal to the rest of the Community Foundation's endowment. Additional information about the Foundation's asset allocations and investment performance is available upon request.

**Grants:** The donor makes written non-binding recommendations regarding the amount and the recipient(s) of Advised Fund distributions.

**Types of Charitable Recommendations Considered:** Grant recommendations may be made to qualified charitable organizations. A qualified charitable organization is an organization that has been given a 501(c)(3) determination letter from the IRS stating that it is a charitable organization and is not a private foundation. Municipal, state and federal governments, public schools and some religious organizations are also considered charitable organizations even though they have not received a determination letter. The Foundation recognizes grant recommendations as long as the IRS recognizes the grantee organization as a public charity, public school, religious organization or governmental entity.

**Grant Recommendations Not Considered:** The IRS regulations state grants cannot:

- Be made to individuals or on behalf of a specific individual
- Be made to non-U.S. organizations in foreign countries (grants can be made to US organizations that operate in foreign countries)
- Pay invoices or bills unless it is an operating expense of the DAF such as real estate taxes or insurance
- Pay membership dues, tickets to a fundraising event, or fees for any such purposes
- Fulfill pledges or pre-existing obligations
- Give benefits to fund advisors or their families in receiving goods or services from a charity in return for a grant

**Donor Education:** It is the goal of the Community Foundation to provide educational resources that will keep donors informed of the region's charitable needs and opportunities. This is accomplished primarily through one-to-one communications with donors. The staff makes every effort to tailor this information to the donor's initiatives or areas of interest. Overall, the Community Foundation will serve as a resource to donors in making grant recommendations.

**Additional Contributions:** Contributions to the Advised Fund can be made at any time and in any amount. The quarterly statement will reflect all contributions and income added to the fund. Also family and friends may contribute to the fund to recognize special dates or events.

**Reports:** Donors will be provided with a quarterly financial report showing the market value of the Advised Fund, grants made during that quarter, any administrative charges, and the asset balance. The Community Foundation provides for all accounting, auditing, and tax returns regarding the fund.

**Publicity and Acknowledgments:** Advised Funds can be either public or anonymous, depending on the donor's desires. Some donors want complete anonymity. Others allow public recognition of the Advised Fund and the programs and projects supported by the fund. When a grant is awarded, the Advised Fund is identified unless the Community Foundation has been requested to keep the donor's identity confidential.

**Fees:** The Foundation charges a fee for the administrative services it provides and a separate fee for investment services charged by the Foundation's investment manager. A copy of the current Fee Policy is available from the Foundation office. The current fee for the Foundations management fee and for the investment manager fee is one percent (1.0%).

**Termination:** The Community Foundation recommends that the duration of the fund be no longer than the lifetime of the donor(s) plus one succeeding generation. At the close of the second generation, the Foundation assumes the grant making role on behalf of the donor(s) and in compliance with their charitable intent. Other termination directives are outlined in the fund agreement. If the Foundation has not received in writing the designation of additional advisors or successor advisors to the fund by the time of death or incapacity of a Donor Advised Fund's Donor(s), the Fund shall continue as part of the Community Endowment Fund of the CFWA.