



Donor Advised Fund Guidelines

Donor advised funds give donors an opportunity to:

- play an active, personal role in their charitable giving;
- enhance their understanding of community agencies and needs;
- benefit from the Foundation’s expertise in fund and grant management;
- obtain immediate tax benefits; and
- build an enduring, permanent resource that ensures perpetuation of their charitable presence in the community.

In creating a donor advised fund, donors retain the right during their lifetimes or during the lifetimes of successor advisors they name, to recommend grants to specific organizations or program fields. Donors may consult with the Foundation’s staff about community needs, programs and agencies. Grant distributions are handled by the Foundation.

The following policies and guidelines have been established to govern the handling of donor advised funds in a manner consistent with the purposes of the Foundation, and in keeping with applicable tax regulations.

1. Minimum Amount

The minimum amount required to establish a donor advised fund is \$10,000, designated as an endowment. Donors who intend to establish a fund may take up to five years to reach the fund minimum. If at the end of five years, the fund balance has not reached the minimum, all assets in the fund will become part of the Foundation’s community grant fund.

2. Contributions and Additions to the Fund

Donors may contribute cash or property to the Foundation at any time during the year. A contribution is deemed made at the time of its “delivery” to the Foundation, in accordance with applicable law. For more information, see the Foundation’s Gift and Fund Acceptance Policy.

3. Investment of Funds

Donor advised funds belong to the Foundation and are subject to the terms and conditions of its governing instruments. Donor advised funds are co-mingled with other Foundation funds to encourage maximum investment performance. The Foundation’s portfolio is managed with a view toward maximization of total return considering inflation risk, interest rate risk, and

business or economic risk, while at all times being prudently diversified. A copy of the Foundation's Statement of Investment Policy is available on request.

4. Outside Investment Managers

Donors may request to use an outside investment manager if the fund maintains a minimum as stated in the Policies and Procedures for Establishment and Operation of Component Funds. If the request is granted, the fund remains a component fund of the Foundation, but is managed and invested by a bank, trust company or other entity of the donor's choice. In order to manage component funds for the Foundation, outside fund managers are required to sign an investment management agreement with the Foundation and maintain an investment performance level that is acceptable to the Foundation's Finance Committee.

5. Spending Policy

The Foundation strives to preserve capital for long-term charitable endowment purposes. The Foundation's general spending policy for grants and scholarships is as follows:

- The Foundation will make grants and scholarships from each fund according to the individual fund agreement.
- Primarily, fund agreements for donor advised funds are written to allow the Foundation to act upon grant recommendations for distributions as long as the minimum balance in the fund is maintained.

6. Corporate Advised Funds

Donor advised funds established by corporations or entities other than individuals or families are often advised by an appointed committee with a process for selecting new members. A list of these committee members/advisors must be submitted to the Foundation annually. Grant recommendations must be signed by an officer or authorized representative of the entity that established the fund. Any changes in the structure of grant recommendation process within the entity must be communicated in writing by an officer or authorized representative of the entity that established the fund.

7. Grant Recommendations

Donors/advisors may recommend grants to qualified charitable organizations. Qualified charitable organizations are defined as 501(c)(3) public charities, and government, education, and religious entities. The Foundation performs due diligence on all donor advised fund grant recommendations to make sure grants meet the definition of a qualified charity.

All assets of donor advised funds are owned and controlled by the Foundation, and therefore subject to review and approval by the Foundation. However, every effort is made to approve all grant recommendations that are made in accordance with Foundation policies and tax regulations.

All grant recommendations must be submitted to the Foundation through a donor recommendation form signed by the donor advisor, or through the Foundation's online donor portal. The minimum amount for a grant recommendation is \$250.

International grant recommendations will be considered on a case-by-case basis by the Foundation and special fees may be charged.

8. Permissible Grant Recipients

Grants from donor advised funds are made primarily to qualified organizations defined as 501(c)(3) public charities, and government, education, and religious entities. Grants to other organizations are typically not permitted

Grants may be made to a qualified charity in honor of an individual as long as the charity exercises complete discretion and control over the donation, and there is no direct benefit to an individual (see Grant Restrictions). Examples of this include mission work and races to benefit a specific charity (not a specific individual).

When submitting grants in honor of individuals, please explicitly state that the donations are “in honor of [individual’s name].” Example—“In honor of John Smith’s Mission Work,” or “In honor of Jane Doe’s 5K Race Team.”

9. Grant Restrictions

The Pension Protection Act of 2006 clearly indicates that donors, advisors or related parties should not receive more than incidental benefits from donor advised fund distributions. Because of this, restrictions have been put on the following types of grant requests:

Scholarships and Tuition

Donors/advisors may use their fund to support a scholarship program administered by a qualified charity, but they may not earmark dollars to assist a specific individual. Example—Grants may be made to support the Kansas State University General Scholarship program, but NOT to Kansas State University to support student John Smith.

Emergency Hardship or Disaster Relief

Donors/advisors may make grants to support qualified charities that are responding to emergency hardships or disaster reliefs, but they may not make grants for specific individuals. A permissible example would be to Catholic Charities to support local flood victims, and NOT to the fund at the bank to assist John Smith’s family after the tornado.

Satisfaction of Pledges

By law, donors/advisors may not use their fund to fulfill pledges and commitments if they are irrevocable and legally binding. However, the Foundation understands that many pledge and commitment forms are not legally binding but are simply statements of intent to donate. When submitting grants for non-legally binding pledges and commitments, it is best to describe them as “annual gifts.” Example—“Annual Gift to support the Field House Campaign.”

Charity Events—Tickets, Tables, and Sponsorships

The full cost to attend events (both the tax-deductible and nontax-deductible portions) must be paid from a donor’s/advisor’s personal bank account. However, the donor/advisor may pay sponsorship costs from the fund, if they do not receive more than an incidental benefit in return.

Logo or name recognition in event materials is not considered more than an incidental benefit. When submitting a grant recommendation for a sponsorship, donors/advisors must indicate that they have covered the full cost of the tickets or table separately.

Raffles and Auctions

Donors/advisors may use their fund to support “fund a need” or “itemless items,” for donations at charitable events, but they can NOT use the fund to purchase raffle tickets or auction items. Example of an “itemless item,” includes a donation towards a new lighting system at the community theatre.

College and University Funds

Grants to scholarship funds and other similar funds that enable the donor/advisor to be eligible to purchase tickets to athletic or other events are not permissible.

Loans or Compensation

Donors, advisors or other related parties may not, at any time, receive a grant or loan from a donor advised fund. The Foundation does not compensate donors, advisors, or related parties.

Memberships

Donors/advisors may use their fund to cover the cost of a membership if the charity confirms that the full cost is 100% tax-deductible.

10. Grant Activity

A donor advised fund is considered active if there is regular communication between the Foundation and the donor/advisor about its charitable distribution goals. Examples of this include:

- a. Regular Grant Recommendations. Donor/advisor generally recommends grants at least annually to qualified charitable organizations. The amount of grantmaking can vary from year to year.
- b. Developing a Philanthropic Program. Donor/advisor makes a substantial contribution to a fund, for example, upon the sale of his or her business, and refrains from recommending grants for a given initial period while the donor/advisor consults with the Foundation and/or does his or her own research to determine what types of grants will best meet community needs and/or the donor/advisor’s philanthropic goals.
- c. Long-term Giving Plan. Donor/advisor deliberately reduces the frequency or size of grant recommendations from the fund, for example:
 - a. During his or her working years, with the intention of increasing the fund balance to support grantmaking during retirement when the donor/advisor expects his or her income to change.
 - b. To build a fund over time so the donor/advisor’s children can make grants later (the idea being the donor/advisor is leaving a charitable legacy for the next generation to administer).
- d. Project Grants. Donor/advisor makes a substantial contribution to a fund and determines to recommend grants to a specific qualified charitable organization over a period of years so that the donor/advisor can monitor how the charitable organization performs, and to

consider whether another organization would better achieve the donor/advisor's charitable objectives.

- e. Starter Fund. Donor/advisor wants to build the fund balance to make substantial grants to the community. Therefore, there may be no distributions until the fund balance reaches an amount stated in the fund file based on the Foundation's conversations with the donor/advisor. .
- f. Specific Occasion Grant. Donor/advisor refrains from recommending grants for a number of years with the specific charitable goal of recommending a grant upon a specific occasion. Examples may include, but are not limited to:
 - a. Donor/advisor is incapacitated with no successor advisor(s) named. Foundation waits until the death of the donor/advisor to distribute the fund according to the original intent of the donor/advisor on file with the Foundation.
 - b. The fund has transitioned to named successor advisors but they are minors and no adult representative is named to represent them (grants will resume when successor advisors are adults);
 - c. Founders of fund who are also the donor/advisors are getting divorced and are suspending all grantmaking until both spouses agree on who will advise the fund after the divorce is settled. This may include splitting the fund into two separate funds, one for each spouse to advise, or eventually dissolving the fund by the making of charitable grants;
 - d. Grants are suspended during litigation involving a fund (e.g., the donor left his/her estate to a fund, but the donor's heirs are disputing the bequest so the Foundation does not allow grants until the litigation is resolved); or
 - e. Donor leaves a bequest to a fund and distributions are made periodically to the fund during the estate settlement process, but the grants are not made until the estate is fully settled and the fund receives a final distribution from the estate.

Should there be no grant activity in a donor advised fund for at least two years, and the Foundation is unable to make contact with the named advisor(s) at the address furnished, the fund may be transferred to the Foundation's unrestricted community grant fund. It is the sole responsibility of the donors/advisors to notify the Foundation of changes in addresses or contact information.

11. Anonymity

Unless the donor/advisor wishes to remain anonymous, the Foundation identifies for grant recipients the named funds from which grants are paid, and the grant recipients are encouraged to acknowledge the donor whose generosity made the grant possible.

12. Future Grant Form

Donors/advisors can choose to name a successor advisor or designate their fund for a charitable purpose at death. The Foundation has a Future Grant Form that can be completed as a guide for the Foundation.

13. Successor Advisors

Donors/advisors may designate one or more adult (i.e., at least age 18) person(s) as successor advisors to recommend grants from the fund upon the donor's/advisor's death. Minor children

may be designated in conjunction with a legal adult advisor. In the event that there are multiple advisors on a fund, one advisor must be named as the primary advisor, who will have the authority to communicate recommendations to the Foundation.

Each successor advisor to the fund that was designated by the donor may likewise designate a successor advisor to act in his or her place (who in turn may designate a successor advisor to act in his or her place, and so on).

After the donor's/advisor's death, the Foundation will contact the successor advisor(s) to inform them that they have been named as successor advisor for the fund. If after two years from the date of the initial correspondence, there has been no response or action from the successor advisor(s), the Foundation will follow instructions set by the donor on the Future Grant Form. If there are no such instructions, the fund will be transferred to the Foundation's unrestricted community grant fund.

14. Additional Advisors

Founders of the fund and/or primary advisors may designate one or more adult (i.e., at least age 18) person(s) as additional advisors to recommend grants from the fund while the founder is living. Any additional advisor has the same abilities to recommend grants. At the time of death of the founder, any additional advisors will become void and the Foundation will then follow the instructions outlined in any Future Grant Form on file.

15. Monitoring Function and Variance Power

The Foundation will monitor and periodically evaluate all funds to determine that payments therefrom are being used for charitable purposes consistent with the Foundation's purposes and the donor's intent. If the Foundation determines that circumstances are such that continued payments from a fund for the specified charitable purposes or to the specified charitable organizations have become unnecessary, obsolete, inappropriate, incapable of fulfillment, impractical, illegal, or inconsistent with the Foundation's purposes or the donor's intent, the Foundation has the power, exercisable at the sole discretion of its board of directors, to designate an alternative charitable beneficiary or fund (taking into account the donor's intent) as the recipient, or to transfer the property and assets in the fund in question into the Foundation's community grant fund, or to effect some combination of the foregoing.

The Foundation will use its best efforts to give affected donors and organizations advance written notice of its intent to exercise the variance power outlined above.

16. Administrative Fees

All component funds are required to share in the administrative costs of operating the Foundation. Although the Foundation has a separate and permanently endowed administrative fund that enables the Foundation to keep fees to a minimum, the Foundation reserves the right to annually assess a fee against each component fund. Administrative fees help cover grant processing, gift processing and receipts, fund statements, and the annual audit to assure financial accountability. See the current Administrative Fee Schedule for current fees for each fund type.

17. Definition of “Charitable Purpose”

As used herein, the term “charitable purpose” is an educational, scientific, literary, public, religious, or other purpose permitted to be carried on by an organization described in Section 170(c)(2) of the Internal Revenue Code of 1986, as amended.

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