



Guide to Fund Activity and Donor Advised Funds

As a donor to the Community Foundation for Loudoun and Northern Fauquier Counties, you play a key role in increasing the financial resources in northern Virginia. On behalf of our Board of Directors, *thank you*. We hope you find working with the Community Foundation satisfying and enjoyable and that your partnership with the Foundation helps you fulfill your charitable vision, both in Loudoun and northern Fauquier Counties and beyond.

This guide is a resource **for donors who have created a donor advised fund** within the Community Foundation and for anyone who serves on your donor-advised fund committee. It addresses the following aspects of using your fund:

- How to get started
- Making a grant recommendation
- How the Foundation processes your grant recommendations
- The Foundation's role in managing your fund
- How to make additional gifts to your fund
- What to expect from our staff
- How to continue your tradition of giving
- More on the Community Foundation's policies for Donor Advised Fund
- FAQs

Please don't hesitate to contact us at (703) 779-3505 info@CommunityFoundationLF.org whenever we can be of help.

How to Get Started

You may recommend specific grants from your fund. As all donor advised funds are component funds of the Community Foundation for Loudoun and Northern Fauquier Counties, we use the word *recommend* because our Board of Directors retains final discretion over the grants made from each fund. Fund assets are held and administered by the Community Foundation. This is reflected in the letter of agreement that initially created your fund.

Although our focus is on resident who live in Loudoun and northern Fauquier Counties, we also distribute grants to organizations across the country, and permissible

internationally. You may recommend a grant to any public charity located in the U.S., including your place of worship, public libraries, and most educational institutions. The Community Foundation cannot distribute grants to foreign charitable organizations. We can, however, make grants to U.S. public charities that fund and support foreign charitable activities that comply with current U.S. laws and regulations.

IRS regulations prohibit grants from any Community Foundation's funds to be used to pay for benefits rendered to fund advisors. In other words, the Foundation is unable to honor grant requests that cover costs for tickets to fundraisers or benefit dinners, or for the purchase of memberships for you or your family. We are unable to give grants to organizations you have already pledged or promised a gift, or for any other purpose from which you will receive any personal benefit. (However, we typically are able to quickly process your grant recommendations. Once approved, we'll let you know so that you may let the charity know of a forthcoming gift!) We are unable to make grants to individuals or to support political campaigns.

Restrictions on Gifts from Your Fund

- no gifts to cover expenses for events or fundraisers
- no gifts to fulfill a pledge made by you or any member of your advisory committee or any related parties* to you, your advisors, or your fund
- no gifts to benefit you or any member of your advisory committee or their family or any related parties to you, your advisors, or your fund
- no grants or loans, compensation, or expense reimbursement to you or any member of your advisory committee or their family or any related parties to you, your advisors, or your fund
- no gifts to individuals
- no gifts to political campaigns

*NOTE: A "related party" includes businesses or organizations controlled by you, your family, any of your fund advisors

Making A Grant Recommendation

You may make a grant suggestion from endowment once your fund has been accepted by the Community Foundation and exceeds a \$10,000 in value. You can also begin grantmaking with an Acorn Fund (a fund of less than \$10,000 formally accepted by the Community Foundation) with "pass through" gifts.

Keep in mind, too, that each month, our small administrative fee will be assessed to the fund (up to 1/12th percent assessed monthly of a total annual fee of 1 percent), and your fund may be subject to 2% fees for "pass-through" grants. Our fees are reduced for funds with balances of \$1 million and \$3 million or more.

We need to know the name and address of the recipient organization, the amount of the recommended grant, and any special instructions relating to the purpose of the grant, such as for special equipment or a particular program. Otherwise, we will assume that a grant is for general purposes and will notify the organization that there are no special

instructions for the gift. We'd also like the phone number and contact for the group unless it's a charity in our community.

A minimum of \$100 is suggested for all grants made from donor advised funds. We ask that all year-end grant recommendations be provided to us no later than December 15th of each year. For organizations that are new to the Foundation or outside of Loudoun and northern Fauquier Counties, such recommendations should be made by December 1st.

Gift and Timing Guidelines

A minimum gift of \$100 per agency
Request no later than December 1st for new groups or
December 15th for groups known to the Community Foundation

[You may make grant suggestions at any time and as often as you wish.](#) Based on your vision set forth in your original fund agreement, grants may be from income or principal as long as a minimal balance of \$10,000 is kept. Be sure to factor in the Foundation's modest administrative fees and annual investment fees associated with your fund when calculating the total sum available for possible grant recommendations.

You may also add to your fund with "pass through" gifts to be held in reserve for grantmaking and not added to endowment.

[Grants made in memory, in honor, or in celebration](#) of may be made to area charities. Let us know, and we will inform the organization receiving the grant of the tribute.

[Existing funds within the Community Foundation](#) may also benefit from your grants. The process is similar to any other grant recommendation you might make. They will be processed rapidly as the gift is a simple transfer among funds.

[The Foundation is available to assist you](#) with your grantmaking questions and decisions. We are in partnership with you and your family and can help you define your charitable objectives to best meet the needs of our community. You will receive helpful mailings from the Foundation, our annual Report to the Community, and invitations to events that bring grantors and grantees together, building a network of charitable relationships here at home.

How the Foundation Processes Grant Recommendations

[The Community Foundation Board of Directors must approve all grants recommended by donor advisors.](#) We have systems in place that make this a quick and timely process—typically within 24 hours, particularly for charities and groups that are familiar to the Community Foundation. Checks and grant award letters are mailed directly to the recipient organizations naming your fund as the source of the gift, unless you prefer anonymity. We typically approve and mail distributions within two weeks. There may be a delay if there are not sufficient assets in your fund to cover all grant requests, or if we are unable to verify the charitable status of an organization.

When we receive your grant suggestions, we check every proposed grant recipient to ensure that it is a recognized charitable organization within IRS guidelines and to collect IRS letters of determination from each group. We will contact you directly if an eligibility issue arises.

If your recommendation is for a grant of \$25,000 or more, a more rigorous approval process may be necessary with organizations that are new or unknown to the Community Foundation.

[Anonymous giving](#) is a hallmark of your Community Foundation. On request, the Community Foundation will protect the anonymity of your grants.

Our Board of Directors recognizes its responsibility to support charitable organizations that donors wish to help while balancing the need to exercise good judgment in grant making. The Board of Directors maintains final authority over distribution decisions and is not legally bound to comply with a donor's suggestions.

Our Role in Managing Your Fund

Assets within donor advised funds are invested and professionally managed by a qualified investment firms. As you begin your fund, you may recommend an investment agent if assets allow for the allocation and diversity in our applied investment model.

[Our investment policy](#) is based on a balanced portfolio to produce funds for grantmaking while providing for asset growth and security of principal. All investment aspects of our donor advised funds are managed by the Community Foundation's Investment Committee that meets four times per year. This committee reviews investment policy and performance. While you may also coincidentally invest with agents or trust banks used by the Community Foundation, we have strict investment performance and criteria specific to the Community Foundation.

We are pleased to keep you informed. At least once each year, you will receive a summary that contains a statement of activity for your fund. And, upon request, we can provide this information during other times of the year, as well.

[Donor advised funds administrative fees](#) provide a second gift of philanthropy to your Community Foundation, supporting our day-to-day work. Administrative fees for endowment do not exceed 1% and are based on the fund's market value as calculated under the Foundation's Spending Policy and are deducted annually. Complex gifts restricted by you and accepted by the Community Foundation as "pass-through" may be subject to a one-time fee of 2%. We'll let you know of such fees before they are assessed and the recommended grant executed.

How to Make Additional Gifts to Your Fund

As reflected in your letter of agreement that initially created your fund, [you or other persons or groups may add to your fund at any time](#) and in any amount. Assets such as cash and securities, including stocks, bonds, and mutual fund shares are routinely

accepted. Other gifts such as real estate, interests in closely held businesses, partnership shares, and tangible personal property such as art, antiques, and jewelry may also be accepted, based on review and necessary appraisals. Such gifts often take significant time to process, so please allow ample time for gift acceptance.

If you plan to make a gift of stock via electronic transfer, please let us know prior to the transfer so we may provide you with our account information, process the gift properly, and provide you with accurate substantiation.

Many of our donors make additions to their fund in December to realize a tax benefit for that year. The following table can help you plan your year-end giving schedule to ensure tax-year benefits:

| | |
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| Check | Postmark or hand delivered on or before December 31 |
| Stock Certificates | Postmark or hand delivered on or before December 31 |
| Electronic Stock Gift | Begin processing gifts through your broker no later than December 20 |
| Mutual Funds | Submit to the Foundation a completed letter of instruction and your most recent mutual fund statement no later than November 30 |
| Real Estate | Real estate gifts require a Phase I Environmental Site Assessment, visual inspection, and qualified appraisal. We recommend beginning the gift transfer no later than September 1 |
| Tangible personal property, & life insurance | We recommend beginning gift transfer no later than between September 1 and October 1 |
| Closely Held Stock | Very specific policies guide a gift of Closely Held Stock into a donor advised fund. Please talk to our staff. |

We are eager to accept gifts that fulfill the endowment-building mission of the Community Foundation. However, some gifts take considerable processing time.

“Pass-through gifts” may also be accepted by the Community Foundation from donors who have created an endowment fund with the Community Foundation. Pass-through gifts are not placed in the donor’s endowment, but, upon approval, are redirected to the charity as recommended by the advisor. Pass-through gifts may be subject to a one-time fee of 2% (we’ll let you know of such fees before they are assessed and the recommended grant executed) and should follow our \$100 gift minimum.

Continuing Your Tradition of Giving

Only you and other advisors may recommend distributions from the fund. New advisors may be added to your advisor committee as clarified in your fund agreement. You should keep the Foundation updated regarding the fund’s primary contact and all fund advisors.

Fund advisors may designate a successor, often a son or daughter or other trusted relative or friend, to advise the fund. By choosing a successor advisor to the fund, the charitable

causes and organizations you care about most will continue to benefit from your generosity for years to come.

More on the Community Foundation's Policies for Donor Advised Funds

Creation, Purpose, and Grantmaking: Foundation fund agreements shall be subject to Foundation policies that:

- guide the creation of a donor advised funds and Fund activity (Gift Acceptance Policy);
- State the Fund's purpose (Fund Agreement) and,
- Determine grantmaking (Grants Due Diligence)

The Community Foundation prohibits grants to or the establishment of component funds for organizations that promote hate, violence, or harm to specific groups or individuals and to organizations that negatively affect the actual and perceived safety and wellbeing of others, both explicit and implied.

Definition: 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.
- The Fund is owned and controlled by the Foundation.
- The donor or persons appointed by the donor expect to have the privilege of providing *majority* advice with respect to the Fund's investments or distributions.

As with all component funds owned by the Foundation whereby a Fund shall become, "unnecessary, incapable of fulfillment, or inconsistent with the mission" of the Foundation, application of variance power shall be applied to a donor advised Fund. Staff shall research similar programs in the community that relate most specifically to the original Fund designation. Recommendations for variance power application shall require final action by the full Board of directors.

Shared Grantee Information: From time to time, the Foundation may bring to advisors' attention grantmaking opportunities in which an 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.

Successor Advisors: A donor advised Fund agreement shall name founding advisors to the Fund and make provision for successive advisors. The Foundation does not limit the number or generations of successive advisors but does require a primary designee for communications.

Public Acknowledgement: Unless other arrangements have been requested (e.g. anonymity requested), a grant letter will indicate that the contribution is from and encourages public acknowledgement as "the XYZ Donor Advised Fund of Community Foundation for Loudoun and Northern Fauquier Counties." A grant recipient organization is encouraged to acknowledge the gift to the advisor and also to the Foundation. Additional language confirms that no benefits have been offered or provided to the Foundation or the advisor in exchange for the accompanying grant.

Fundraising: Fundraising for donor advised Funds is subject to the Foundation's policies (Donor Initiated Fundraising Policy).

Investment: 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 Board of Directors or its assigned committee. Donor advised Funds are invested and commingled with assets of other Funds of the Foundation unless otherwise determined by the Foundation (Investment and Distribution Policy).

Fund Activity: The following are definitions of fund activity that lead to fund distributions and grantmaking for funds that have more than a minimum required balance to maintain a component endowment fund. This policy shall be superseded by federal law or state law (including UPMIFA) as applicable.

A fully endowed fund is considered active when there is regular communication between a donor (or named successors) and the Foundation regarding the existence and purpose of that fund. Grants are generally distributed or recommended at least annually to qualified charitable organizations. The amount of grantmaking can vary from year to year and may include endowment generated as well as "pass-through" grants.

Unless otherwise clarified through circumstances as outlined below, a donor advised fund shall ensure grantmaking at least once every five years.

Planned Fund Activity: As per the Foundation's Grants Due Diligence and Fund Activity Policy, component funds, including donor advised funds, may intentionally seek to develop and clearly state grantmaking plans over a period of time affecting immediate or annual distributions from endowment. To the greatest extent possible, planned fund activity should be documented by staff to clarify donor intent and vision.

Acceptable planned fund activity, including donor advised funds, shall include the following examples:

A donor advisor makes a substantial contribution to donor advised fund, for example, upon the sale of his or her business, and refrains from recommending grants for a given initial period while the fund advisor consults with the sponsoring charity and/or undertakes research to determine types of grants best meet community needs and/or philanthropic goals.

A donor may want to build a fund over a stated period of time so the donor's children can make grants later in order to build a charitable legacy for a next generation to administer.

A donor refrains from recommending grants for a stated period of time because the fund is invested in an illiquid or undervalued investment as accepted by the Foundation and the Foundation's Gift Acceptance Policy. Donor advisor intends to begin making grant recommendations when the investment can be sold at a reasonable price.

A donor may determine a goal to build the fund to set amount before making distributions. There may be no distributions made until the fund balance reaches an amount stated in the fund file.

A donor may refrain from recommending grants for a number of years with a specific charitable goal of recommending a grant upon a specific occasion or event, such as:

- Donor is incapacitated with no successor advisor(s) named so the community foundation waits until the donor's death to distribute the fund according to the donor's original intent;
- Founders of fund are getting divorced whereby grants are suspended until both parties agree on grants and processes;
- Grants are suspended during litigation involving a fund, e.g., a donor has left an estate to a fund, but the donor's children are disputing the bequest so the community foundation does not allow grants until the litigation is resolved;
- Donor leaves a bequest to create or add to an existing fund, however, grants are not made until the estate is fully settled.

Inactive Funds: A Fund is deemed inactive if:

- The Fund advisor dies or resigns or evidence of donor 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 years as specifically set forth in the fund agreement or not more than three years, and during such period, the advisor or successor advisor does not reply to the Foundation's reasonable attempts to contact them.

If the Fund becomes inactive whereby no advisory committee recommendations are made for a clearly stated number of successive years in the Fund agreement not to exceed three years, the Foundation's designated Grantmaking Committee shall be authorized to assume selection responsibility and apply the criteria for grants selection as set in the agreement with consideration of past grant recommendations of the donor advisors.

Frequently Asked Questions

Can I make a grant outside of Loudoun and northern Fauquier Counties

Yes. Give us ample time to perform due diligence on charities new to the Foundation.

Can I give to my church or children's school?

Yes. Places of worship and education institutions are charitable. So are grants that lessen the burden of government through poverty abatement and community improvement.

Can I recommend grants and be anonymous to the public?

Yes. The Community Foundation will protect the anonymity of its donors. If you wish, your fund also will not appear in our Report to the Community.

Can I recommend grants in memory or in honor of someone?

Yes. Include this information with your grant recommendation.

Can I make a grant to a charity on whose board I serve?

Yes, as long as you do not pledge such a grant or receive personal benefit from the grant.

Can I fulfill a pledge to give to a charity?

No. Memberships, pledges, sponsorships, tickets or other grants that provide a personal benefit to you or your family cannot be approved.

Can I recommend multi-year grants?

Yes. The Community Foundation will consider such requests. But, don't overextend your fund's resources.

How do I get more Donor Recommendation Forms?

Contact us at 703) 779-3505, via email at info@CommunityFoundationLF.org

Can staff help me with ideas and research on area charities?

Yes—that's our job! Our day-to-day work includes helping you learn as much as you wish about our community and its charities. We can help you in a number of ways. Please contact us.

When and how much can I add to my donor advised fund?

Unless your fund is set up otherwise, you or anyone may add any amount at any time, including gifts of stock, real estate, insurance, and other forms of giving.

May I recommend grants from both income and principal of my fund?

As long as your fund agreement does not expressly prohibit expenditure of principal, you may make grants from both.

Is there a limit to how many grants I can recommend in a year?

No. A minimum grant of \$100 is suggested.

Contact us, anytime, at info@CommunityFoundationLF.org or call (703) 779-3505; Post Office Box 342 Leesburg, VA 20178; Post Office Box 402 Middleburg, VA 20118.

