

The Dayton Foundation

Subject: Donor Advised Fund Activity Policy
Governing Board Approval: September 13, 2023
Signature/Title: Michelle Lovely/VP Development & Donor Services
Area: Development

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. For example the Smith Family Fund established by the Smith family children.
- The Fund is owned and controlled by a sponsoring organization such as the 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.

Fund activity for The Dayton Foundation's Donor Advised Funds is governed by this policy which incorporates the attached Guideline for each specific fund type: Advised Funds; Family Foundation *Plus* Funds; and, Committee Advised Field-of-Interest Funds ("Guidelines"). (The pertinent attachment according to fund type is provided to Donor/Advisor upon establishment of donor advised fund. Notice of policy availability is provided on quarterly statements as well as on Foundation Donor Express portal.)

Endowed or Non-Endowed

Donor Advised Funds may be non-endowed or permanent endowments of The Dayton Foundation (Foundation). Non-endowed funds do not have any required minimum balance; however permanent endowments typically have a minimum balance of \$25,000. Any endowed fund that fall below \$25,000 will be reviewed by the Foundation's Governing Board to determine if the fund has potential to recover to the endowed level of \$25,000. If the determination is made that Fund will not have the potential to reach \$25,000 endowment level, Foundation will work with fund advisors to determine the appropriate spend-out plan.

For endowed funds, the fund need not make any distributions during any year in which assets of Fund total less than twenty-five thousand dollars (\$25,000), adjusted in accordance with the increase or decrease in the Price Index. The following definitions shall apply:

1. **Price Index.** The term "Price Index" shall mean the Consumer Price Index for All Urban Consumers (CPI-U), U.S. City Average, All Items, without seasonal adjustment, which index is published by the Bureau of Labor Statistics of the United States Department of Labor. If such index is no longer in existence, Foundation shall use such equivalent price index as may then be published.
2. **Base Amount.** The base amount, which is subject to adjustment is \$25,000.

3. **Base Price Index.** The term “Base Price Index” shall mean the price index for the month and year in which Fund is established.
4. **Current Price Index.** The term “Current Price Index” shall mean the price index for the current month and year.
5. **Adjusted Base Amount.** The Adjusted Base shall be determined by adding to or subtracting from the Base Amount an amount obtained by multiplying:
 - A. The percentage difference between the Current Price Index and the Base Price Index by
 - B. The Base Amount.

Example: The Fund Agreement was entered into in December, 2013, when the CPI-U was 233.0 (1982-84=100). The CPI-U for the current month is 238.3. The calculation is as follows:

CPI for current period	238.3
Less CPI for base period	233.0
Equals index point change	5.3
Divided by base period CPI	233.0
Equals	.0227
Result multiplied by 100	.0227 x 100
Equals percent change	2.27
% Difference x Base Amount	2.27% x \$25,000
Equals increase or decrease	\$567.50
Add or subtract from Base Amount	\$567.50 + \$25,000
Equals Adjusted Base Amount	\$25,567.50

Variance Power

NOTE: Variance Power **does not** apply for Charitable Checking Accounts.

In the event that the Foundation’s Governing Board finds that circumstances and conditions shall exist such as to render it unnecessary, undesirable, impractical or impossible to comply with the use of Fund’s assets, any money or property in Fund at that time shall be devoted by the Foundation’s Governing Board for charitable purposes as most nearly approximate the purposes of Fund.

Contributions to Fund

All contributions to Donor Advised Funds are irrevocable charitable contributions that are legally owned by Foundation. Contributions may be made using check, money order, credit card, publicly traded securities or other property including closely held stock, partnership interests, real estate, personal property, trusts and life insurance.

The Foundation does not accept cash donations. Any cash donation must be converted to one of the accepted donations forms prior to its remittance to the Foundation. The Foundation takes no responsibility for this conversion. Money order or check donations should be made payable to “The Dayton Foundation” with the fund name included in the memo line.

If a donation to the fund is an asset other than cash, the amount to be credited to the fund will be net of all expenses and taxes, if any, incurred by Foundation prior to or in connection with the sale, redemption, liquidation or transfer of the asset. Contributions are subject to acceptance by the Foundation. Contributions should be clearly designated by fund name: “The XYZ Fund of The Dayton Foundation.”

Funds may only be used for charitable purposes as outlined in the Guidelines.

Fund Advisors

An Advisor is a donor(s) or person(s) appointed or designated by the donor who has or reasonably expects to have advisory privileges with respect to the fund’s distributions. The advisor retains the privilege to recommend grants from the charitable fund.

The initial advisors to the fund are those persons named in the fund agreement. Based upon the type of advised fund, the process for naming successor advisors and for modifying or changing current advisors is outlined in the specific guideline for that fund type as well as the preferred method of notifying Foundation of this change.

Suggesting a Grant

The Guidelines outline the process for the advisor to suggest grants to charities of their choice. The minimum grant amount is **\$15.00**. Grant suggestions can be submitted using a donor suggestion form or through The Foundation’s website portal. Foundation reviews all suggestions and upon approval, issues grants to the chosen charities. Advisors are given grant submission guidelines of any deadlines for grants to be processed and distributed during the week or at holiday times. Grant suggestions must be consistent with the purpose of the fund as outlined in the fund agreement.

Advisors may suggest grants to any organization described in section 501(c)(3) of the Internal Revenue Code except that Foundation does not make grants to private foundations. Advisors may also suggest grants to most units of government (e.g., public schools, colleges and universities, town and municipal governments, police departments, etc.). Foundation does not make grants from donor advised funds, even for charitable purposes, to other types of nonprofit

organizations (non-charities) or to businesses. Examples of organizations to which the Foundation will not grant include social welfare organizations (501(c)(4)); veterans' organizations; cemeteries; Chambers of Commerce and similar business associations; fraternities and sororities; social clubs; and fraternal organizations such as Elks and Moose. Foundation makes grants to US organizations that carry on their work in other countries. However, Foundation does not make grants from donor advised funds to non-US organizations or governmental entities without sending these grants through an intermediary organization such as Charities Aid Foundation (CAF). The Internal Revenue Code prohibits grants to individuals from donor advised funds. Also prohibited are grants for political contributions or to support political campaigns.

According to our governing documents, the Foundation is organized to "assist, encourage and promote the well-being of mankind and primarily of the inhabitants of the Greater Dayton Area." Foundation prefers donations be made to our local area, but advisors may suggest grants to any 501(c)(3) organization.

Generally, a fund will make regular payouts, but no minimum grant or annual payout is required and grant making may vary from year to year. Should a fund be endowed, the fund will follow our then current annual spending policy. If advisor to the endowed fund elects to not spend the current annual spending amount, Foundation will allow advisor to save up the annual grants budget to make a larger grant. Advisor would need to make this request in writing to Foundation staff.

Grant Restrictions

Grants may not result in benefits, goods, or services to the donor, the fund advisor, members of their families, or businesses they control. Failure to observe this restriction may subject you to tax penalties. These types of benefits are often given in exchange for memberships, sponsorships, or events. **Ineligible benefits include event tickets, meals, registration fees, merchandise, preferred parking and/or seating.**

You may not use your fund to fulfill personal pledges to an organization. A pledge consists of any commitment you have signed in writing, promising a future payment.

Expense reimbursements, loans, compensation, and other similar payments are not permitted from a donor-advised fund to a donor, fund advisor, or related party, with the exception of Committee Advised Funds whose expenses are approved by the committee.

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 of The Dayton Foundation" 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 and also to Foundation. Additional language confirms that no benefits have been offered or provided to Foundation or 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 of The Dayton Foundation”

Fundraising

Advisors sometimes want to raise money to add to their advised funds. The Foundation’s policies on fundraising are provided to the donor at the time the fund is created and donor acknowledges receiving this by initialing receipt in the fund agreement. Fundraising must strictly adhere to the guidelines in the policy and to any additional restrictions imposed as a condition of Foundation’s consent.

Investments

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 Foundation’s Governing Board. Donor advised funds may be either invested or non-invested. If invested, these funds are customarily invested and commingled with assets of other funds of Foundation. The investment policy is provided to the donor at the time the fund is created and donor acknowledges receiving this by initialing receipt in the fund agreement. Investment management fees vary depending on the investment manager. It should be noted that our Charitable Checking Account, a type of donor advised fund, is NOT invested.

Foundation Fees

Foundation assesses fees, including investment management fees, against all its funds to cover the cost of administration and to continue Foundation’s important 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. Foundation’s current administrative fee schedule for donor advised funds is:

CCA Funds: No Fee

All other Donor Advised Funds: Fees are outlined in the Guidelines.

Support from Foundation

The Foundation's professional staff is available at all times for consultation and assistance. Most advisors find the experience and information provided by the staff useful in fashioning an effective program of response to the needs of the community.

Extensive research or other support services desired by an advisor may involve a fee, but never without advance agreement between the advisor and the Foundation.

Summary Reports

A quarterly and/or annual summary report is available to advisors detailing all activities, fees and value of the fund's assets.

Fund Inactivity

Fund activity may take many forms including, but not limited to, regular grant suggestions, long-term giving plan and/or project associated grants.

Pursuant to the Foundation's Inactive Funds Policy, the Foundation periodically reviews the grantmaking activity of all funds. Unless noted differently in the Guidelines, should a fund not make any grants after two years, The Dayton Foundation will contact the advisor to discuss intentions for the fund. This conversation is documented in the fund records. If a fund does not make any grants for another year, advisor will be given the following options:

- Provide a plan for funding a specific charitable project that requires an accumulation of resources for more than the three (3) year period.
- Recommend a grant or grants, to one or more 501(c)(3) public charities of the donor's choice. If the fund is endowed, the grants requested may be in an amount up to the endowment spending limit (currently 4%). If the fund is not endowed, the grants requested may be in an amount up to the total fund balance.
- Recommend that the remaining fund balance be transferred to the Emerging Community Needs Fund of The Dayton Foundation, to meet the most pressing needs of the region, or to one of the Foundation's Field-of-Interest Funds.

Fund Termination

In the event that advisor cannot be located or is/are unresponsive after another year, making the fund inactive for a total of four years, the fund will be considered terminated and any balance in the fund will be transferred to Foundation's Emerging Community Needs Fund to meet the most pressing needs of the Miami Valley region, unless otherwise specified in the fund agreement.

Laws/Regulations Governing Funds

All advised funds must adhere to federal regulations published by the Internal Revenue Service which set forth guidelines under which the Service will determine whether an advised fund qualifies as a component fund of Foundation. It is important for advisors and the Foundation to carefully adhere to these regulations. Should a fund be disqualified as a component fund, it would be deemed a separate private foundation, subject to more stringent limitations on the deductibility of gifts, excise taxes, and annual minimum pay-out requirements.

If this policy should conflict with federal or state law (including UPMIFA), the relevant law controls.