

# DONOR-ADVISED FUND POLICIES AND PROCEDURES



*This Policies and Procedures document serves as a guideline for establishing and maintaining a Donor-Advised Fund ("Fund") with the Jewish Community Federation of San Francisco, the Peninsula, Marin and Sonoma Counties ("the Federation").*

## **DONOR-ADVISED FUNDS**

Includes:

- Basic due diligence on all grants
- Access to the Federation's Portal to access Fund information and submit grant recommendations online at any time/from any place
- Quarterly Fund statements available on the portal
- Invitations to exclusive Federation Philanthropy Partners educational, networking, and social events and opportunities
- Access to the Federation's Philanthropy Advisors for assistance in identifying potential grantees and creating your philanthropic vision and goals

## **FEES**

*The Federation charges an annual fee in order to provide advice, guidance, and all grantmaking administration. Fund administration includes due diligence, liquidating assets, sending donation checks, distributing statements, and providing the underlying platform for the efficient delivery of these services.*

- \$100 minimum fee per year
- 1.0% on the first \$3 million
- 0.75% on the next \$7 million
- 0.5% on the next \$15 million
- 0.25% over \$25 million

*Fees are currently calculated on the average daily balance of the Fund, and withdrawn from the Fund quarterly and based on the average daily value of all cash and non-cash assets held in the fund. Fees are subject to change. Any such changes will be communicated to fund holders in writing.*

## **FUND REQUIREMENTS**

- A Fund may be established with a minimum gift of \$5,000 and upon receipt of the signed Donor-Advised Fund Agreement. The date on which the initial contribution is received by the Federation constitutes the "establish date" of the Fund. Delivery of the Property constitutes an irrevocable gift by the Donor to the Federation.

## **CONTRIBUTIONS**

- Contributions to your Donor-Advised Fund may be made by check, wire or gift of stock. Complex gifts may also be accepted based upon the Gift Acceptance Policies detailed below.
- Checks should be made out to the Jewish Community Federation and should note the Fund name and number in the memo section.
- Stocks and wires should be sent according to the instructions on the Contribution Transmittal Form.
- Any shares of stock received by the Federation which are not subject to SEC restrictions are sold as soon as is practicable, except as determined to be in the best interests of the Federation in its sole discretion.

## ACCEPTANCE POLICIES

- The following types of complex gifts may be considered for acceptance by the Federation according to specific criteria to ensure accurate valuation, an understanding of legal and accounting issues, and a thorough understanding of the asset: securities; real estate and interests in real estate; interests in closely-held corporations, partnerships or limited liability companies; life insurance; and retirement plan assets.
- Review by counsel may be sought in connection with proposed gifts of illiquid assets, transactions involving potential conflicts of interest or issues concerning federal or state tax laws.
- Any legal fees will be charged to the Fund.
- A qualified appraisal must be provided at the donor's expense, when required by law, so that the Federation may record the value. Certain alternative investments may require additional appraisals, from time to time, for audit purposes, for which appraisal fees will be charged to the Fund.
- The Federation will not provide legal, financial, investment, accounting or other advice. The Federation strongly encourages that donors seek the assistance of their own professional advisors.
- If any assets proposed to be contributed are not readily marketable or are subject to liabilities or restrictions, the Chief Executive Officer, Chief Financial Officer or such person as may be designated by the Federation, shall have authority to accept or reject the assets proposed to be included in a Fund. A donor may not impose any material restriction or condition which prevents the Federation from freely and effectively employing the contributed assets, or the income derived therefrom, in furtherance of the charitable purposes of the Federation.
- Why is discretion and control an issue? In order for a donor to take advantage of the tax benefits that flow from a charitable gift, the gift has to be complete – that is, the donor has to part with control over the donated assets. The appearance of donor control could put the donor's tax deduction in jeopardy.

## FUND ADVISORY PRIVILEGES:

- Fund Advisors have advisory privileges over a Fund, including grant recommendations, investment recommendations and other Fund administration advisory privileges, consistent with Federation policies. Advisors must be immediate family members, except as determined by the Federation, in its sole discretion. If a Fund is advised jointly, upon the death of one advisor, the remaining advisor(s) retains the rights associated with the fund.
- Multiple Generations: Successive generations of Fund Advisors on Donor-Advised Funds will be allowed, and may be added at a later date if they are not included when the Fund is created.
- Upon the termination, by death or otherwise, of the privilege of all named Fund Advisor(s) to make recommendations, the Fund shall cease to be a Donor-Advised Fund but shall continue as part of the Endowment Fund of the Federation.

## GRANTS

*A donor shall have the privilege of making recommendations as to distributions from a Fund. In addition to recommending grants to thousands of approved 501(c)(3) organizations, a donor may also choose to recommend grants to the Federation. Our Philanthropy Advisors are knowledgeable and steeped in all areas of giving, and are also briefed on initiatives and priorities of both the Federation and the broader Jewish community.*

- There is a grant minimum of \$100.
- Current law prohibits any grants from a Donor-Advised Fund to any individual for any purpose.
- Donors may make grant recommendations at any time, via the Donor Portal or mail, email or fax.
- All grant recommendations must be signed by a Fund Advisor and must contain the No Donor Benefit (NDB) language which is contained on the grant recommendation form and on the Donor Portal. You may put the NDB language onto your own cover letter or grants spreadsheet, as suits your needs.
- Grantees may be selected from the current list of JCF-approved grantees (over 7,000); you may also recommend a grant to a new grantee.

- The Federation will perform due diligence to ensure that the funds are being directed to a qualified charitable organization and in accordance with Federation policy. If the staff determines that a grant does not satisfy this requirement, the Fund Advisor shall be so advised.
- All grants are paid directly to the grantee organization. If a grant is recommended in response to an individual fundraising campaign on behalf of an organization, the Federation will send the check to the organization and will send a copy of the grant award letter to the individual fundraiser at your request.
- Any distribution from a Fund, unless otherwise requested by the Fund Advisor, shall identify to the grantee organization the name of the Fund from which the distribution is made and the name(s) and address of the person(s) who recommended the distribution.
- Approved grants are typically sent within 10 working days of the recommendation being received.
- In compliance with the Internal Revenue Code, grants are not permitted to private non-operating foundations or for non-charitable purposes; to individuals; for political contributions or to support political campaign activities.
- Neither the Fund Advisor(s) nor any related party may receive any benefit or privilege in return for a grant from the Fund. This includes, but is not limited to, tickets to events, auction items, memberships other than religious institutions, school tuition.
- The Fund may not pay the tax-deductible portion of a ticket or membership, while the Fund Advisor pays the non-deductible portion out of their pocket.  
Example: if a charity's fundraising event is \$200 per person, and the charity states that \$100 is tax deductible, and \$100 is for the non-tax-deductible ticket, you may not divide the support between a Donor-Advised Fund and your personal check. You must pay the full \$200 personally. A grant will not be permitted where but for its payment the charity would not receive the full event price. A Fund Advisor is subject to IRS penalties if the Fund's donor(s), advisor(s) or other related parties receive benefits, goods or services in connection with a grant recommendation.
- No distribution from the Fund may be used to satisfy a legally enforceable pledge or obligation.
- Donors can only make non-binding recommendations from their Donor-Advised Fund; they cannot control when and how the Federation will make grants nor control decisions about which grantees will receive funding.

## INVESTMENTS

*The Investment Committee of the Federation provides fiduciary oversight and reviews the performance and management of the investment portfolio.*

- The Federation currently offers a Short-Term Investment Pool, 4 Investment Pools with varying degrees of risk, and a Jewish Values Strategy (JLens). All Funds will have their first \$10,000 allocated to the Short-Term investment pool. Funds above this amount may recommend to either or both of the following:
  - \$1,000 minimum investment in one Federation Investment Pool (4 options)
  - \$1,000 minimum investment in our Jewish Values Fund (JLens)
- Fund Advisors may recommend a change to their investment allocation monthly. Recommendations made by the 20th of the month will be implemented the first business day of the following month.
- As of July 1, 2019, the Federation permits Fund Advisors with Fund balances of \$500,000 or more to work with an outside investment advisor to manage investments in their donor-advised fund. All investment recommendations are subject to approval of the Investment Committee in its discretion.
- The Federation will hold, manage, invest, and reinvest the assets of the Fund (including principal, capital appreciation and any undistributed income) as part of the Federation's investment portfolio consistent with the Federation's investment policy. Although Fund assets may be commingled with other assets of the Federation, the Fund's separate identity will be maintained. The Federation shall at all times retain the full authority and control over the investment of assets contributed to the Fund.
- The Federation does not guarantee that the Fund will earn any particular rate of return. The Federation shall not be liable for any diminution in the value of the Fund, including, but not limited to, any losses that may result from the investment of the Fund.

- The Federation shall not be required by any restriction or agreement with any donor, express or implied, to retain any securities or other investment assets transferred to it. Decisions with respect to the retention, investment or reinvestment of assets and with respect to commingling of assets shall be made by the Federation in its discretion.
- It is generally advisable to maintain at least two years of grantmaking capacity within the Short-Term investment pool.
- If at any time a client would like to create customized guidelines for moving money into/out of the Investment Pool, they may reach out directly to the DAF team to arrange this.

## **OTHER**

### **Inactive Funds**

If a Fund shows no activity (grants or contributions) for three years or more, the Federation will attempt to contact the Primary Advisor(s), other Fund Advisor(s), and/or any Interested Parties. If the Fund remains inactive for another year after this notification, and the Fund is inactive for a total of four years, the Fund may be closed and the Fund assets may be distributed according to this agreement.

### **Zero and Negative Balance Funds**

If a Fund has a zero or negative balance, the Federation will contact the Primary Advisor(s). If the zero or negative balance persists more than three months after this contact, the Fund will be closed unless other arrangements are made.

### **Dissolution of the Federation**

If the Federation dissolves, or for any reason ceases to hold or administer the Fund or otherwise to carry out its obligations under this Agreement, the net assets of the Fund will be distributed to such charitable organizations as the Federation's Board of Directors may select, giving consideration to advice offered by the Fund Advisor. Such distributions will be subject to the provisions of the Federation's Articles of Incorporation and Bylaws and applicable law.

### **Tax Status of Contribution**

Funds established at the Federation are component Funds of the Federation, a Section 501(c)(3) public charity. All contributions to the Federation's Funds are treated as gifts to a public charity and are generally tax deductible, subject to individual limitations.

### **Variance Power**

All assets contributed to Funds become irrevocable gifts to the Federation and legal control and responsibility for the Funds rest with the Federation. The Federation in its normal corporate capacity shall have the ultimate ownership, authority and control over all property in the Fund, and the income derived therefrom, for the charitable, educational and religious purposes of the Federation. All Funds established at the Federation are subject to the Federation's "variance power," as set forth in the Federation's bylaws. Variance power gives the Federation the authority to modify any restriction or condition on the distribution of Funds for any specified charitable purposes or to specified organizations if, in the sole judgment of the Federation's board of directors, such restriction or condition becomes unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community served.

### **Legal Definition**

The Fund shall be a charitable Donor-Advised Fund, as defined in Section 4966 of the Internal Revenue Code of 1986, as amended ("Code") and the Fund shall be administered under and subject to the Federation's policies. The donor-advised fund Agreement shall be interpreted in a manner consistent with the foregoing provisions of the federal tax laws and any regulations issued pursuant thereto. The Federation is authorized to amend the Agreement to conform to the provisions of any applicable law or government regulation in order to carry out the foregoing intention. Reference herein to provisions of the Internal Revenue Code of 1986 shall be deemed references to the corresponding provisions of any future Internal Revenue Code.