



DONOR ADVISED FUND POLICY

The Catholic Community Foundation for Eastern South Dakota (CCFESD) provides donors with many charitable giving options. One such option is a donor advised fund (DAF).

A Donor Advised Fund is a separately identified fund or account that is maintained and operated by a section 501(c)(3) organization, which is called a sponsoring organization. Each account is composed of contributions made by individual donors. Once the donor makes the contribution, the organization has legal control over it. However, the donor, or the donor's representative, retains advisory privileges with respect to the distribution of funds and the investment of assets in the account.¹

A. DEFINITION OF TERMS:

- 1. Advisor(s):** the person(s) named in the DAF agreement or the Advisor Appointment Form as those who may recommend grants from the DAF to charitable organizations. Donor(s) are advisors. If no one else is named, Donor(s) are the sole advisors. Only Donor(s) may name additional and/or subsequent Advisors. All Advisor(s) must be at least 18 years old.
- 2. Advisory Periods:** the time in which Designee may communicate grant recommendations to CCFESD for distribution of funds. The Advisory Period for Spendable Funds is currently without limits, but CCFESD may amend the Spendable Fund Advisory Period at CCFESD's sole discretion. The Advisory Period for the Endowed Funds ends on June 1st of each year. Any amendments to the Advisory Periods shall be given to Designee in writing and shall, at least, permit recommendations annually.
- 3. Annual Distribution Amount:** the amount available from the Endowed Fund portion of the DAF based on the fixed rate of four percent (4%) of the most recent twelve quarter trailing average of the Endowed Funds balance (earnings, less distributions and expenses, plus or minus realized and unrealized gains and losses). The fixed rate is subject to change as determined by CCFESD Board of Directors in consultation with the CCFESD Investment Committee.
- 4. Designee:** the Advisor authorized to communicate with, and receive communication from, CCFESD regarding grant distributions. If not otherwise specified in the DAF Agreement, the Designee shall be Donor(s) or, if Donor(s) are deceased or CCFESD has received Notice of Incapacity, then one of the Advisors on the Advisor Appointment

¹ Donor Advised Fund, found at <https://www.irs.gov/charities-non-profits/charitable-organizations/donor-advised-funds#:~:text=Generally%2C%20a%20donor%20advised%20fund,contributions%20made%20by%20individual%20donors,> visited 1-14-23.

Form, beginning with the first listed and then successively in the order named, becomes the Designee.

5. Donor(s): the person(s) who initially signs the DAF agreement.
6. Notice of Incapacity: A Notice of Incapacity is either:
 - a. A written declaration from Advisor that he/she lacks decision making capacity
OR
 - b. A legal document, such as a copy of an activated financial power of attorney or a note from an attending physician, evidencing that Advisor lacks decision making capacity.

B. ADMINISTRATION OF DONOR ADVISED FUNDS

Gifts to Donor Advised Funds are irrevocable. Once a gift to a DAF is made, CCFESD has absolute and ultimate authority and control of all property in the DAF, including any income derived therefrom.

C. FUNDING THE DONOR ADVISED FUND

Donor(s) may fund the DAF with any and all gifts permissible by federal and state law and CCFESD's Gift Acceptance Policy. Currently, federal law does not allow a DAF to be funded with Qualified Charitable Distributions from retirement accounts.

Contributions to the DAF may be made by any person, however, making a contribution to the DAF does not entitle the contributor to information about the fund and its earnings or distributions and does not give the contributor advisory power.

The DAF can be funded in two (2) ways and according to the following minimum requirements:

1. Spendable Fund: an initial minimum amount of Five Thousand Dollars and 00/100 (\$5,000.00) is required to establish a Spendable Fund portion of the DAF. Once the Spendable Fund reaches the minimum amount, Designee may recommend distributions of any or all of the amount. Designee may also recommend, in writing, that all or a portion of Spendable Funds be transferred to Endowed Funds.
2. Endowed Fund: a minimum of Ten Thousand Dollars and no/100 (\$10,000) is required to establish an Endowed Fund. An Endowed Fund remains permanently and perpetually endowed. An Annual Distribution Amount will be available each year and communicated to Designee in March of that year. In order for distributions to be made from the Endowed Fund, Designee MUST make recommendations to CCFESD by **JUNE 1**. Designee may recommend in writing that the Annual Distribution Amount be transferred to the Spendable Fund. If recommendations are not made by June 1, the Annual Distribution Amount will become principle and remain in the Endowed Fund. The Annual Distribution Amounts do NOT accrue.

The above amounts are subject to change by the CCFESD Board of Directors.

D. FUND ADVISORS

Donor(s) are the initial Advisor(s) of the DAF, unless otherwise stated in the DAF agreement. At the time the DAF is established, or from time to time thereafter if Donor(s) so choose, Donor(s) may appoint other person(s) to serve as Advisors. A Designee, which shall be Donor(s) unless stated in writing otherwise, shall be the person to communicate with CCFESD regarding the DAF, including but not limited to, any distribution recommendations, changes in contact information, and/or permissions to share information with beneficiary charities. Donor(s) may change Designee and Advisors at any time with the Advisor Appointment Form. After the death of Donor(s), and for so long as the DAF remains active, the Advisor(s) through the Designee may continue to recommend grants but not amend Advisors. Upon the death or incapacity of the last surviving Advisor the DAF shall become inactive.

E. GRANT RECOMMENDATIONS

Designee may recommend grants from the DAF to 26 USC Section 501(c)(3) qualified organizations and section 170 qualified charitable purposes that are not inconsistent with Catholic teaching and not otherwise prohibited by CCFESD policy. CCFESD may make grants to US organizations that carry on their work in other countries, however, CCFESD does not make grants from DAFs to foreign organizations or governmental entities.

All recommendations are, just that, recommendations. As per law, Designee may not direct, require, or enforce any distribution from the DAF.

1. Spendable Funds: Recommendations for distributions from Spendable Funds must be made in writing on the DAF Grant Recommendation Form; and may be made at any time during the year. If CCFESD chooses to distribute based on such recommendations, the funds shall be distributed within a reasonable time thereafter.
2. Endowed Funds: Recommendations from Endowed Funds shall be limited to the Annual Distribution Amount as per this Policy. Designee may recommend distribution of all or a portion of the Annual Distribution Amount; may distribute to the Spendable Fund; or may choose not to make any recommendations. If no grant recommendations are made by **JUNE 1** of that year, the Annual Distribution Amount will become principle and remain in the Endowed Fund. The Annual Distribution Amounts do NOT accrue.

Distributions from either Spendable or Endowed funds must be a minimum of \$100.00 per recommended distribution.

Recommendations for distributions shall:

1. Be on the DAF Grant Recommendation Form and mailed to:
Catholic Community Foundation
Attn: Heather Fortin
523 N. Duluth Ave
Sioux Falls, SD 57104
OR
Emailed to: hfortin@ccfesd.org

2. Be signed by the Designee. An electronic signature on a fillable form is sufficient for recommendation purposes;
3. Specify the grantee, the purpose of the grant, if any, and the address of the beneficiary; and
4. Indicate whether or not the Designee is to be identified or prefers to remain anonymous.

F. PROHIBITED RECOMMENDATIONS

1. Designee may not make recommendation from the DAF that would provide more than an incidental benefit to Designee or other individuals.² For this reason, recommended grant distributions may not go to a grantee charity for Designee's or other individual's:
 - a. Meals;
 - b. Certain dues or membership fees;
 - c. Goods purchased at charitable auctions, games of chance, lotteries, or raffles even if the donor does not receive the item;
 - d. Event tickets, sponsorships, preferential access/seating;
 - e. Any part of a quid pro quo or bifurcated contribution; or
 - f. Pre-existing pledge or other financial obligation.
2. In addition, Designee may not make recommendation from the DAF for certain types of non-profits or purposes:
 - a. Foreign entities;
 - b. Lobbying, political contributions, or to support political campaign;
 - b. Private foundations;
 - c. Scholarships if any donor or advisor to the DAF (or any relative) is an eligible recipient or has a role in selecting the scholarship recipient;
 - d. Support of an individual missionary; or
 - e. A specific missionary project of an individual who is related to the Advisors to the DAF.

G. INACTIVE FUND:

1. The fund becomes inactive:
 - a. If grant activity stops for more than a five (5) year period. In this case steps will be taken by CCFESD to activate the DAF. These steps may include such activities as:
 - i. Notifying the Designee of the account and balance regularly and at least annually OR
 - ii. Distributing grants from the fund to qualified grant recipients that align with past distributions and purposes.
 - b. If the last Advisor dies, resigns, or lacks capacity; or
 - c. If the Donor(s) tell CCFESD to inactivate it.
2. If the fund becomes inactive, CCFESD will deem the advisory period to have ended and will initiate distributions from the fund in accordance with the provisions of the fund

² See IRS Notice 2017-73

agreement. If there are no provisions in the fund agreement, the inactive DAF shall become unrestricted funds and distributed by CCFESD Board of Directors according to the Grant Making Policy.

H. GRANT ACKNOWLEDGEMENT

Unless Donor(s) direct CCFESD otherwise, the name of the DAF may be published in CCFESD's annual report and other publications if applicable.

If Designee gives permission in the DAF Grant Recommendation Form, the grant recipient, in order to thank the Designee, may receive the name of the DAF and the name and address of the Designee. 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 Donor Advised Fund of the Catholic Community Foundation for Eastern South Dakota".

I. ADMINISTRATIVE COSTS

CCFESD, in order to efficiently and prudently manage, invest and distribute from this and other funds, accrues certain administrative and investment costs which shall be allocated among its funds.

1. The Spendable Fund shall:
 - a. not accrue interest and
 - b. no costs shall be charged to maintain the Spendable Funds.

2. The Endowed Funds shall:
 - a. be an interest bearing account and
 - b. a charge of 1.65% of the Endowed Funds shall be allocated against such funds.

The Board of Director of CCFESD reviews these costs semi-annually and may amend them as needed.

J. VARIANCE POWER

Some DAFs may be for specific purposes or beneficiaries. Should a designated beneficiary or charitable purpose cease to exist, become obsolete, incapable of fulfillment, be found contrary to the teachings of the Catholic Church, CCFESD may modify or variate the purpose or beneficiary.

K. TERMINATION

Unless otherwise specified in the fund agreement, upon the death, resignation or Notice of Incapacity of the last fund Advisor, or if the fund is determined to be inactive, its assets will become unrestricted funds and distributed by CCFESD Board of Directors according to the Grant Making Policy, and the DAF terminates.