



# Donor Advised Fund Policies

## **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 John and Mary Smith.
- The Fund is owned and controlled by a sponsoring organization such as The Community Foundation of Harrisonburg and Rockingham County (TCFHR).
- The donor or persons appointed by the donor expect to have the privilege of providing advice with respect to the fund's investments or grant distributions.

## **Fund Size**

- The initial minimum amount to establish a Donor Advised Fund is \$5,000, but typically between \$10,000 and \$1 million. Note that this policy and amounts are subject to change.

## **Establishing a Donor Advised Fund**

There are three steps to establish a donor advised fund at TCFHR:

1. The donor selects a name for the fund and signs a binding agreement with TCFHR
2. The donor irrevocably contributes assets to the fund as outlined below.
3. The Foundation's Board of Directors accepts the new fund and the contribution.

## **Contributing to a Fund**

Gifts to a fund are irrevocable. The assets of Donor Advised Funds are owned and controlled by TCFHR. As long as the Fund meets the minimum balance requirements, contributions to a fund may be made in any amount and at any time. Contributions may be made using cash, publicly traded securities or other property, including closely held stock, partnership interests, real estate, personal property, trusts and life insurance. Contributions are subject to acceptance by TCFHR. Contributions should be clearly designated by fund name: "The XYZ Fund of The Community Foundation of Harrisonburg and Rockingham County."

Many donors make contributions using appreciated, publicly traded stock that has been held for longer than a year, to enjoy maximum tax benefits. Contributions of property that may not have immediate liquidity are accepted at the discretion of TCFHR, and subject to completion of our due diligence procedures. Donors considering a gift in any form other than cash should contact TCFHR to discuss its appropriateness and to obtain delivery instructions.

## **Variance Power**

All Funds are subject to the governing documents of TCFHR, including the power contained therein for its Board of Directors 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 Board (without the approval of any trustee, custodian or agent), such restriction or condition

becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community or area served.

### **Fund Advisors**

The initial advisors to the fund are those persons named in the fund agreement. There may be more than one advisor to the fund (John or Mary Smith). In this case, either advisor may make grant recommendations from the fund. All donor advised funds are required to complete the Donor Advised Fund Succession Plan document, Appendix A.

Unless otherwise written in the fund agreement or communicated to TCFHR in a Donor Advised Fund Successor Plan, remaining assets of a Donor Advised Fund less than \$25,000 shall be transferred to TCFHR's unrestricted permanent endowment, the Community Endowment, after the death, resignation, or incapacity of the original donor advisor.

### **Recommending a Grant**

Grants must be for charitable purposes. The minimum grant amount is \$250. There are no exceptions to this minimum.

Donor Advisors may recommend grants to any organization described in section 501(c)(3) of the Internal Revenue Code. Donor Advisors may also recommend grants to most units of government (e.g., public schools, colleges and universities, town and municipal governments, police departments, etc.).

Grants from a Donor Advised Fund may not be made to any specific individual or to organizations that are not qualified 501(c)(3) public charities without sufficient due diligence to establish that such distributions fulfill a charitable purpose.

In addition, grants to organizations not described in Section 170(b)(1)(A) of the Internal Revenue Code require expenditure responsibility. Common examples of such grants include grants to non-charities.

- Appendix B details procedures to follow in both determining if an organization falls into this category and in outlining further steps needed to properly exercise expenditure responsibility.

Donor Advised grant recommendations are generally submitted on-line to TCFHR. TCFHR requests up to ten days to process a grant recommendation or longer if needed at calendar year-end. For more information, see TCFHR Grant Procedures.

From time to time, TCFHR may bring to the advisor's attention grant making opportunities in which the advisor may have an interest. This material is provided for advisor's convenience and the advisor is not obligated to recommend grants for the identified program. Additionally, TCFHR provides information regarding the charitable needs of community nonprofit organizations on our website, newsletters and other publications.

### **Grant Restrictions**

The Internal Revenue Code prohibits grants to individuals from Donor Advised Funds. Also prohibited are grants in support of political campaigns. 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 can subject the fund advisor to tax penalties. Benefits include the payment of pledges, event tickets, meals, sponsorships, registration fees, discounted merchandise, preferred parking and/or seating, and memberships unless the membership confers nothing of value. Please contact TCFHR if you have specific questions about whether a potential grant recommendation results in a prohibited benefit.

### **Payments from a Donor Advised Fund**

Expense reimbursements, loans, compensation, and other similar payments are not permitted from a Donor Advised Fund to a donor, fund advisor, or related party.

### **Grant Acknowledgment**

Unless other arrangements have been made (e.g. anonymity requested), the grant letter will indicate that the contribution is from the “Smith Fund of The Community Foundation of Harrisonburg and Rockingham County” 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 recognize the advisor and TCFHR and the “Smith Fund” in any publication. Additional language confirms that no benefits have been offered or provided to TCFHR or the advisor in exchange for the accompanying grant.

### **Fundraising**

Occasionally, fund holders want to raise money to add to their advised funds and shall adhere to TCFHR Donor-Initiated Fundraising Policy. Fundraising, if permitted, must strictly adhere to the guidelines in the policy and to any additional restrictions imposed as a condition of TCFHR’s consent.

### **Investments**

TCFHR 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 TCFHR’s Investment Committee and Board of Directors in accordance with TCFHR Investment Policy Statement and applicable state and federal regulations. The assets of any Fund may be separately invested or may be commingled with those of other donor funds, endowment funds of TCFHR, or may be invested in units of a common investment fund which may be established or utilized by TCFHR.

TCFHR maintains investment options with varying risk and return objectives. These options are described in the Investment Policy Statement and are available for review at the request of the Donor Advisor. All investment options are reviewed and approved by TCFHR Investment Committee and TCFHR Board and may change from time to time as the Investment Committee or Board determine. Donor Advisors may make recommendations to TCFHR for investment in one or more of the options contained in the Investment Policy Statement. All recommendations must be in writing.

TCFHR seeks long-term principal growth while preserving capital by means of minimizing the risk of substantial loss in asset value through investment in a diversified portfolio of quality investment securities. This means that TCFHR seeks a total rate of return that supports TCFHR’s grantmaking, expenses, investment fees, and inflation. For more information on this, see TCFHR Investment Policy Statement.

TCFHR appoints investment manager(s) from time to time to carry out its investment management responsibilities with respect to its invested asset pool.

### **Fees and Minimums**

TCFHR assesses a Foundation Support Fee, including investment management fees, on its funds to cover the cost of administration and to continue TCFHR's important work in our community. Foundation Support Fees provide the necessary resources to operate efficiently and effectively, ensure fiscal responsibility in grant due diligence, provide donor and nonprofit education, perform research, and services to donor's and our community. TCFHR's current Foundation Support Fee schedule for Donor Advised Funds is assessed quarterly. For more additional information, see TCFHR Foundation Support Fee Policy.

Investment management fees vary depending on the investment manager. The financial activity, administrative and investment fees, and balance information for each Donor Advised Fund are reported in quarterly statements distributed to the designated advisor.

### **Acceptable Types of Fund Activity**

The following are definitions of fund activity that leads to fund distributions (grants) apply to funds that have more than \$5,000. If this policy ever conflicts with federal law or state law (including UPMIFA), the relevant law controls.

A fund is considered active when there is regular communication between a donor (or named successors) and TCFHR regarding the existence and purpose of that fund. Examples of some of the activities that would deem a fund active include (but are not limited to):

- **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.
- **Developing a Philanthropic Program.** Donor advisor makes a substantial contribution to a 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 does his or her own research to determine what types of grants will best meet community needs and/or his/her philanthropic goals.
- **Long-term Giving Plan.** Donor advisors deliberately reduce the frequency or size of grant recommendations from fund, for example:
  1. During his or her working years with the intention of increasing the donor advised fund balance to support grantmaking during his or her retirement, when the advisor expects his or her income to change.
  2. A donor may want to build a fund over time so the donor's children can make grants later (the idea being the donor is leaving a charitable legacy for the next generation to administer).
  3. Donor advisor refrains from recommending grants for a given period because the fund is invested in an illiquid or undervalued investment. Donor advisor intends to begin making grant recommendations when the investment can be sold at a reasonable price.
- **Project Grants.** Donor advisor makes a substantial contribution to a donor advised fund and determines to recommend grants to a specific qualified charitable organization over a period of 20 years so that the donor can monitor how the charitable organization performs, and to consider whether another organization would better achieve the donor's charitable objectives.

- Starter Fund: Donor advised funds may need time to build the fund balance to make substantial grants to the community. Therefore, there may be no distributions made until the fund balance reaches an amount stated in the donor advised fund file.
- Specific Occasion Grant. Donor advisors 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:
  1. 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 or follow the Donor Advised Fund Succession Plan;
  2. Fund has transitioned to named successor advisor, but they are minors and no adult representative is named to represent them (so grants resume when successor advisor is an adult);
  3. Founders of fund who are also the donor advisors are getting divorced so that grants are suspended until both the husband and wife agree on grants, which 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;
  4. Grants are suspended during litigation involving a fund (e.g., the donor has left his/her 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);
  5. Donor leaves a bequest to a fund and distributions are made periodically to the fund during the estate settlement process, but grants are not made until the estate is fully settled.

## **ACTIVATING GRANTMAKING (fund activity)**

As a reminder, the donor advised fund is an irrevocable charitable contribution that is legally owned by TCFHR. These funds are institutional funds of the community foundation and may only be used for charitable purposes which do not confer any private benefit to the donor or any other disqualified person.

Gifts added to a donor advised fund do not qualify as fund activity.

Staff shall notify the fund advisor or successor advisor regularly and periodically (for example, a minimum of two times over a period of two years) to encourage the fund advisor to recommend grant distributions/activate the fund. Should fund/grant activity stop for more than a two-year period; after notifying the fund advisor to encourage activity, steps will be taken by the staff or the board to follow the Donor Advised Fund Succession Plan.

- If there is no such document or plan on file, the balance of the fund shall be transferred to the Community Endowment, a permanent endowment for the needs of the Harrisonburg and Rockingham County community.
- If the fund is a "starter" fund if the "starter fund" balance or current balance does not reach the Foundation's required minimum amount within a stated period of time, and, for example but not limited to, re-allocating of the fund proceeds to TCFHR's unrestricted fund, the Community Endowment, or issuing the balance as a charitable grant to a qualified recipient.

## **DEFINITIONS OF TERMS**

### ***Qualified Charitable Organization***

Donors may deduct charitable contributions in accordance with Federal and their respective state tax codes only if donations are made to a qualified organization. Most organizations, other than churches and governments, and public schools must apply to the IRS to become a qualified organization. Refer to TCFHR's grantmaking policies for local grant making protocol.

How to check whether an organization can receive deductible charitable contributions. You can ask any organization whether it is a qualified organization, and most will be able to tell you. Or go to IRS.gov. Click on "Tools" and then on "Exempt Organizations Select Check" ([www.irs.gov/Charities-&-Non-Profits/Exempt-Organizations-Select-Check](http://www.irs.gov/Charities-&-Non-Profits/Exempt-Organizations-Select-Check)). This online tool will enable you to search for qualified organizations.

### ***Sponsoring Organization***

An organization, like a community foundation, that owns and controls donor advised funds.

### ***Donor Advisor (sometimes referred to as "Fund Advisor")***

A donor or person appointed or designated by the donor who has or reasonably expects to have advisory privileges with respect to the fund's grant distributions or investments. The donor retains the privilege to recommend grants from the charitable fund for which he or she has been designated as fund advisor.

### ***Donor Advised Fund***

A fund may be classified as donor advised if it has at least three characteristics: (1) a donor or person appointed or designated by the donor has, or reasonably expects to have, advisory privileges with respect to the fund's distributions or investments, (2) the fund is separately identified by reference to contributions of the donor(s), and (3) the fund is owned and controlled by a sponsoring organization, such as a community foundation. A fund possessing these characteristics may be exempt from the donor advised fund classification if it grants to one single public charity or government unit or if the fund meets certain requirements applicable to scholarship funds.

### ***Disqualified Person***

As applied to public charities, the term disqualified person includes (1) organization managers, (2) any other person who, within the past five years, was in a position to exercise substantial influence over the affairs of the organization, (3) donors and donor advisors with regard to transactions with a particular donor advised fund, (4) investment advisors to assets of donor advised funds, (5) and disqualified persons of supporting organizations who are also disqualified persons of the supported organization, (6) family members of the above, and (7) businesses they control. Paying excessive benefits to a disqualified person will result in the imposition of penalty excise taxes on that person, and, under some circumstances, on the charity's board of directors (see "intermediate sanctions": <http://www.cof.org/content/glossary-philanthropic-terms#sanctions>).

### **Inactive Funds**

A fund is deemed inactive if:

- After six months of the death of the fund advisor, or resignation or evidence of his or her incapacity is provided to TCFHR, and if no successor advisor has been named.
- All named successor advisors are unable or unwilling to serve as such.

- No recommendations or plan for use of the fund is made with respect to grants from the fund for a period of two years and, during such period, the advisor or successor advisor does not reply to TCFHR's attempts to contact them.

If the fund becomes inactive, TCFHR will deem the advisory period to have ended and will initiate distributions from the fund in accordance with the provisions of the fund agreement and/or the Donor Advised Fund Succession Plan.


### **Termination**

Unless otherwise specified by the donor advisor(s) in the fund agreement or in the Donor Advisor Fund Succession Plan, if the fund is determined to be inactive and less than \$25,000, the assets of the fund may become a part of TCFHR's unrestricted permanent endowment. TCFHR will distribute grants based on greatest benefit of Harrisonburg and Rockingham County.

If the principal balance of the fund is \$25,000 or more, the Fund will continue to be maintained as a separate named endowed fund according to the Donor Advised Fund Succession Plan.

Approved at a regular meeting of the Board of Directors on August 20, 2025

Corporate Secretary



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Lindsay Brubaker



## Appendix A (Donor Advised Fund Policy)

# Donor Advised Fund (DAF) Succession Plan

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When you are no longer advising your DAF, what will happen to it? You can craft a future succession plan now for your DAF to reflect your personal charitable goals once you are no longer the advisor. Circle the options (A – F) that suits your personal goals.

Fund Name \_\_\_\_\_

Advisor(s) \_\_\_\_\_

**A. Add the balance of my fund to an already established Endowment.** Select one or more of the below. Note percentages must equal 100%.

\_\_\_\_\_ %  
Community Endowment –supports the greatest needs of our community.

\_\_\_\_\_ %  
Harrisonburg Rockingham Food Pantry Endowment.

\_\_\_\_\_ %  
Vocational Education Endowed Scholarship.

\_\_\_\_\_ %  
Dolly Parton’s Imagination Endowment.

\_\_\_\_\_ %  
other named endowment

**B. Named unrestricted Endowment** (minimum \$25,000)

Convert your fund to a named endowment, a Forever Fund. This fund would be a sub fund of the Community Endowment and benefit the greatest needs of our community.

**C. Designated Endowment** (minimum \$25,000)

Covert the fund to a named endowment, a Forever Fund, to benefit specific organizations as detailed below. List one or more organizations. The percentages must equal 100%. Add additional page if needed:

\_\_\_\_\_ % of annual grant to organization: \_\_\_\_\_

\_\_\_\_\_ % of annual grant to organization: \_\_\_\_\_

\_\_\_\_\_ % of annual grant to organization: \_\_\_\_\_

**D. Area of Interest Endowment** (minimum \$25,000)

An area of interest fund is for the donor who recognizes that nonprofit organizations change over the years, but they want to support a specific type/area of organization in our community. You select the area that interests you most:

- animal welfare
- arts & culture
- education
- environment
- disaster relief
- faith based
- healthcare
- historic preservation
- human services
- mental health
- recreation
- scholarship
- youth services
- older adults
- wildlife

**E. Continue as Donor Advised Fund with the following Successor Advisor – minimum \$25,000 \* for one generation**

Name \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_  
State/Zip \_\_\_\_\_  
Email \_\_\_\_\_  
Phone \_\_\_\_\_  
Relationship \_\_\_\_\_

**F. Reclassify the fund as an endowment, a Forever Fund. This endowment will remain a Donor Advised Fund with the following Successor Advisor – minimum \$25,000 \* for one generation.**

Name \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_  
State/Zip \_\_\_\_\_  
Email \_\_\_\_\_  
Phone \_\_\_\_\_  
Relationship \_\_\_\_\_

\*Donor Advised Funds may have unlimited generations of successor advisors as long as the fund balance is \$250,000 or more.

\*Any balance in a donor advised fund after this time shall be transferred to The Community Endowment, for the greatest needs of Harrisonburg and Rockingham County unless further instructed by the initial donor advisor.

I understand that the above succession plan is subject to review and approval of TCFHR Board.

\_\_\_\_\_

\_\_\_\_\_


Signature Advisor

Date

For all endowments, please note that grants will be made according to the TCFHR Endowed Annual Distribution Policy.

Approved at a regular meeting of the Board of Directors on August 20, 2025

Corporate Secretary

A handwritten signature in black ink, appearing to be 'Lindsay Brubaker', written over a horizontal line.

Lindsay Brubaker



## Appendix B

# Procedures for Exercising Expenditure

(Responsibility when requested for grants from Donor Advised Funds)

### Grants that require expenditure responsibility

Grants to organizations **not** described in Section 170(b)(1)(A) of the Internal Revenue code will require expenditure responsibility. These could be:

- Grants to non-charities
- Grants to international organizations unless equivalency determination is followed
- Grants to private non-operating foundations
- Grants to certain supporting organizations (Section 509(a)(3) public charities)

### Expenditure responsibility procedure

TCFHR will follow these procedures for expenditure responsibility for such grants described above from donor advised fund and any type of Fund:

- Conduct a pre-grant inquiry - including a reasonable investigation of the grantee - to ensure that the proposed activity is charitable and that the grantee is able to perform the proposed activity
- Execute a written agreement with the grantee that specifies the charitable purposes of the grant, includes provisions that prohibit use of the funds for lobbying activities, and requires the grantee to return any funds not used for the designated purposes
- Require the grantee to maintain the grant funds in a separate fund so that charitable funds are segregated from non-charitable funds
- Obtain receipts or other substantiation of the proper expenditure of grant funds
- Require the grantee to provide regular reports on the use of the funds not less than annually
- Conduct an on-site inspection if appropriate
- Require organization to include this grant on a report on Form 990-PF with a brief description of the grant, the amount, the charitable purpose, and the current status of the grant

TCFHR shall determine whether a public charity is a supporting organization by reviewing the following:

- The potential grantee's IRS determination letter
- Verify exemption using TCFHR accounting system or on the IRS Tax Exemption Organization Search
- [The IRS Business Master File](#) (BMF)
- A report from a third party that includes the following:
  - The grantee's name, Employer Identification Number, and public charity classification under Section 509(a)(1), (2), or (3)
  - A statement that the information is from the most currently available IRS monthly

- update to the BMF, along with the IRS BMF revision date
- The date and time of the grant maker's search.
- Candid is another source that can be used, with further back up.

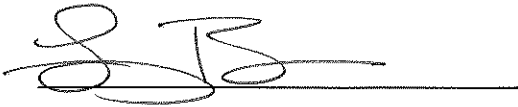
TCFHR will retain the report on the supporting organization in electronic or hard-copy form.

TCFHR will also determine whether a Supported Organization is Controlled by a Donor, Advisor, or Related Party.

TCFHR will refer to Council on Foundation's – Grants to Organizations from Donor Advised Funds: Is Expenditure Responsibility Required template.

Approved at a regular meeting of the Board of Directors on August 20, 2025

Corporate Secretary

A handwritten signature in black ink, appearing to be 'L. Brubaker', written over a horizontal line.

Lindsay Brubaker