



Donor-Advised Fund Guidelines

So much more than a one-time contribution to a worthy cause, an endowed gift, regardless of size, continues to give indefinitely, tripling from its initial financial gift over an average lifetime.

General Information & Benefits

- **Donor-Advised Funds at a community foundation, such as the Northwest Connecticut Community Foundation, enable charitably inclined individuals to play an active role in grant-making without incurring the paperwork, taxes and administrative expense of maintaining a private foundation.**
- **Donor-Advised Funds can be established by an individual or couple, a family, a business or any other group of people with shared charitable interests.**
- **Donor-Advised Funds allow Donors to personally receive a tax deduction, and at the same time benefit their community by advising the Foundation of their charitable intentions in perpetuity.**
- **Donor-Advised Funds give Donors the opportunity to work with the Foundation's professional program staff in making grant decisions. Staff members are knowledgeable about the needs and resources of our area and can help you request and evaluate proposals or explore new areas of grant making.**
- **The names of Donor-Advised Funds are listed in the Foundation's Annual Report and are identified to grantees.**
- **As is true of all funds of the Northwest Connecticut Community Foundation, Donor-Advised Funds are considered components of**

the Foundation. They are subject to the terms and conditions of **its Articles of Incorporation. Donor-Advised Fund guidelines** are subject to change from time to time by approval of the Foundation Board of Directors.

Establishing a Fund

A **Donor-Advised Fund at The Northwest Connecticut Community Foundation** is established in three steps:

- Both you and a representative of the Foundation sign a short (3 to 4 pages) agreement
- **The Foundation's Board or Executive Committee approve the creation of the Fund**
- Assets are transferred to the newly created Fund

The minimum required to establish a Donor-Advised Fund is \$5,000.

The donation to establish a Fund can be made with a gift of cash, stock or other assets.

Fund Name

Donors may determine the name of their Fund. Donor-Advised Funds can carry the name of the Donor, family, company, or someone the Donor wishes to honor. All grants from the Fund are made in the name of the fund, in perpetuity. Donors who prefer anonymity can choose names that reflect their Funds' charitable purposes.

Endowments

When establishing a Fund, you may choose whether to make it **endowed or non-endowed. If it is endowed**, only a fixed percentage as established by the Foundation Spending Policy (usually up to 4.25%) may be used for **grants to charities or board-approved charitable initiatives. If it is non-endowed**, the entire corpus may be used for grants. Endowments **are designed to last in perpetuity while non-endowed funds may be completely depleted.**

The original idea behind the creation of The Northwest Connecticut Community Foundation was to establish an endowment for the community to help future generations meet unforeseen community needs. It is in this spirit that The Northwest Connecticut Community **Foundation encourages that Donor-Advised Funds be endowed.**

However, it is important that you establish the fund that works best for you. For some donors, that is a **non-endowed fund.**

Investments

Donor-Advised Funds are component funds of The Northwest Connecticut Community Foundation. As such, the Foundation's Investment Committee and Board determine how the funds are **invested. Under the Foundation's unitized accounting system, each Donor-Advised Fund is attributed a percentage share of a specific** Northwest Connecticut Community Foundation investment portfolio. **This allows Donor-Advised Funds to take advantage of lower money** management fees, investment diversity, and investment vehicles that are available only to larger investors or foundations. Additional **information about Foundation's asset allocations and investment** performance is available on the investment page on our web site.

Grants and Distributions

Grants from **Donor-Advised Funds must be recommended in writing,** according to the process established and approved through the Fund agreement. The Northwest Connecticut Community Foundation can provide a grant recommendation form. Grants can be recommended at any time and are almost always acted upon within one week or less. Upon request, the Foundation will research prospective grantees.

Under applicable tax rules, all grants must be approved by The Northwest Connecticut Community Foundation. Grant recommendations by donors will, in each case, be evaluated independently by the Foundation staff to determine if they are consistent with the purposes of the Foundation and of the particular

Fund and whether they meet the needs of the community as identified by the Board of Directors. The staff and Board of Directors will give the Donor's recommendations careful and thoughtful consideration.

Donors should understand that their recommendations are advisory in nature and will not be binding on the Board of Directors, which legally must retain final responsibility for all distributions made from the Foundation.

No distributions may be made from the Fund to private non-operating foundations, nor will distributions be made to satisfy a legally enforceable pledge or obligation of any person, including the Donor. No Donor, Donor- Advisor, or related party may receive more than an incidental benefit from a Fund distribution including, but not limited to, a grant, loan, compensation, expense reimbursement, or similar payment. The IRS prohibits Donor-Advised Funds from making distributions to individuals or distributions to entities for the benefit of a specified individual.

Donors may recommend a grant to any **qualified** charity, regardless of its location. For the purposes of distribution, a **qualified** public charity **is any tax-exempt charitable organization that meets the qualifications set forth by sections 170(c) or 501(c)(3) and 170(b)(1)(a) of the Internal Revenue Code.**

The Northwest Connecticut Community Foundation strongly recommends **that the minimum amount for a grant from a Donor-Advised Fund be \$250. The Foundation encourages Donor-Advisors to support organizations in its twenty- town catchment area. The Foundation's grants made from unrestricted funds over the previous five years shall be evidence of the needs and the organizations the Foundation has found most deserving of support.**

If a Donor-Advisor or Designee-Advisor has not submitted recommendations for five years, the Foundation may deem that the Donor or Designee-Advisor has no further interest in advising with

respect to the Fund. At that time, the Board of Directors will use its own discretion in allocating such funds in a manner that is consistent with the mission of the Foundation and with the intent of the particular Fund.

The Foundation staff will attempt to meet at least annually with **Donor- Advisors in order to review the recommended annual grant distribution amount from the Donor-Advised Fund, if endowed**, as established by the Foundation Spending Policy. In addition, the Foundation staff will collect information on nonprofit organizations of interest, the programs they offer, opportunities for support, and provide suggested uses for Donor grant recommendations.

Additional Contributions

Contributions to the Fund can be made at any time, in any amount, by anyone. For a nominal fee, contribution envelopes with the Fund name can be produced for your convenience.

Fundraising

The Northwest Connecticut Community Foundation does not raise **money for individual Donor-Advised Funds**. We can, however, provide contribution envelopes or brochure assistance so that others can contribute to a Fund. We can also provide advice should Donors choose to conduct special events to raise money for their Fund. It is recommended that any special fundraising event net at least 50% of the gross to benefit the Fund.

Reports

Donors will be provided with a quarterly financial report once a fund agreement is in place, showing the market values of their Fund, gifts and grants made to the Fund during that quarter, and any administrative charges. The Foundation provides for all accounting, auditing, and tax returns regarding the Fund.

Publicity and Acknowledgments

Funds can be as public or as anonymous as the Donor desires. Some Donors want complete anonymity. **Typically, the Foundation's Annual Report lists each Donor-Advised Fund and the agencies (with or without specific dollar amounts) that received grants.** When a grant is awarded, all grantees are notified of the Donor unless the Foundation is requested to **keep the Donor's identity confidential.**

Fees

The Foundation charges Donor-Advised Funds a fee for the administrative services it provides. The Foundation generally does not charge an administrative fee during the calendar year in which the Fund was established. Beginning in year two, the administrative assessment for a **Donor-Advised Fund is established on a sliding scale,** between 0.5% and 2.5% (scholarship funds up to 2.99%) depending on **several factors: whether the Fund is endowed or non-endowed,** the size of the Fund, and the services the Donor expects the Foundation to provide. The negotiated administrative assessment is clearly documented once agreed upon by the Foundation and the Donor.

Termination

The Foundation recommends that all Donor-Advised Funds terminate at some point. We recommend that the duration of the Advised Fund be no longer than 30 years or, if shorter, the lifetimes of the donor and spouse. In any event, no Fund may continue as an Advised Fund past the lifetime of the last survivor of the youngest generation of the **Donor's family that has members now living.**

For further information, please contact Guy Rovezzi, President, at 860-626- 1245.

The Northwest Connecticut Community Foundation does not provide legal or financial advice. You are encouraged to contact your legal and financial advisors when considering establishing a fund or making a planned gift to the Northwest Connecticut Community Foundation.