

Fund Activity Policy

Passed February 20, 2018

Acceptable Types of Fund Activity

This policy defines fund activity as it relates to component funds of the Quad Cities Community Foundation (referred to as the "Community Foundation" in the following sections of this policy). If this policy ever conflicts with federal law or state law (including UPMIFA), the relevant law controls.

In managing funds, the Community Foundation has several governing policies. All funds are subject to the policies of the Community Foundation including but not limited to the Endowment Policy, Spending Policy and Due Diligence Policy.

Donor Advised Funds

A Donor Advised Fund is considered active when there is regular communication between the identified fund advisor (donor or named successor advisors) and the Community Foundation regarding the existence and purpose of that fund. **The preferred activity is annual grantmaking.** Examples of some of the activities that would make a donor advised fund active include (but are not limited to):

- *Making Annual Grant Recommendations:* Fund advisor recommends grants at least annually to qualified charitable organizations. The amount of grantmaking can vary from year to year.
- *Developing a Philanthropic Strategy:* Donor makes a substantial contribution to the donor advised fund (for example, upon the sale of his or her business) and refrains from recommending grants for an agreed upon initial period while consulting with the Community Foundation and/or doing his or her own research to determine what types of grants will best meet community needs and/or his or her philanthropic goals. The fund would be considered active based on this activity for no more than two years after the end of the year in which it was created, or the major contribution was made.
- *Developing a Long-term Giving Plan:* Fund advisor deliberately reduces the frequency or size of grant recommendations from fund. The fund would be considered active if a specific date or target has been set for the long-term giving plan. Examples include:
 1. Fund advisor refrains from recommending grants for a given period because the fund is invested in an illiquid or undervalued investment. Fund advisor intends to begin making grant recommendations when the investment can be sold at a reasonable price.
 2. Fund advisor and the Community Foundation agree upon a specific amount to which the fund advisor wants to build the fund over time to increase the grant size in future years.
- *Growing an Acorn Fund:* Acorn Funds are established when a donor does not have the minimum balance to start a fund. Individuals have five years and organizations have three years from fund creation to grow the fund to the minimum balance, at which time it matures to a functioning endowment that meets the donor's philanthropic goals. Therefore, no distributions are made until the fund reaches the minimum balance.

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- *Specific Occasion Grant:* Fund advisor refrains from recommending grants for a number of years with the charitable goal of recommending a grant upon a specific occasion. The fund would be considered active if a specific date or target has been set for the specific occasion. Examples include:
 1. Fund advisor 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;
 2. Donor Advised Fund has transitioned to named successor advisors, but they are minors and no adult representative is named to represent them. Grants resume when successor advisors are adults;
 3. Donor advisors are divorcing, and grants are suspended until both spouses agree on grants, which may include splitting the fund into two separate funds, one for each spouse to advise. A non-endowed fund could be dissolved by making 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 may not be made until the estate is settled.

All Other Fund Types

A Non-Donor Advised Fund (which includes funds such as scholarships, designated funds, field of interest funds, etc.) is considered active when its purpose is being carried out. **The preferred activity is annual grantmaking.** Examples of some of the activities that would make a fund active include (but are not limited to):

- *Making Annual Grants:* Grants are made at least annually to qualified charitable organizations based on the purpose of the fund. The amount of grantmaking can vary from year to year.
- *Developing a Philanthropic Strategy:* The Community Foundation refrains from issuing grants for an initial period while determining what type of grant approach will best meet community needs and/or the fund's philanthropic goals. The fund would be considered active based on this activity for no more than two years after the end of the year in which it was created.
- *Developing a Long-term Giving Plan:* The Community Foundation deliberately reduces the frequency or size of grants from a fund. The fund would be considered active if a specific date or target has been set for the long-term giving plan. Examples include:
 1. The Community Foundation refrains from issuing grants for a given period because the fund is invested in an illiquid or undervalued investment. The Community Foundation will begin making grant recommendations when the investment can be sold at a reasonable price.
 2. The Community Foundation wants to build the fund over time to a specific amount to increase the grant size in future years.

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3. The original purpose of the fund can no longer be carried out as stated in the fund agreement, and the Community Foundation takes time to identify an alternate approach and exercise variance power.
- *Growing an Acorn Fund:* Acorn Funds are established when a donor does not have the minimum balance to start a fund. Individuals have five years and organizations have three years from fund creation to grow the fund to the minimum balance, at which time it matures to a functioning endowment that meets the donor's philanthropic goals. Therefore, no distributions are made until the fund reaches the minimum balance.
 - *Specific Occasion Grant:* The Community Foundation refrains from issuing grants for a number of years with the charitable goal of issuing grants upon a specific occasion. The fund would be considered active if a specific date or target has been set for the specific occasion. Examples include:
 1. 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);
 2. Donor leaves a bequest to a fund and distributions are made periodically to the fund during the estate settlement process, but grants may not be made until the estate is fully settled.

Activating Grantmaking

For Donor Advised Funds

Should grant activity from a Donor Advised Fund stop for more than two calendar years after the last grant was made, and if none of the acceptable types of activity above are in place, the Community Foundation will take the following steps to activate that fund:

- The Community Foundation will notify the fund advisor(s) at least annually to encourage the fund advisor to activate the fund by grantmaking or another type of activity.
- The Community Foundation will notify the fund advisor(s) at least six months before the end of the third year of the potential steps to be taken if the fund is not activated.
- At the end of the third year, the Community Foundation will issue grants from the fund to qualified grant recipients that align with donor intent. If the Community Foundation determines such intent is unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served, then the Board of Directors may exercise variance power to enable the Community Foundation to continue to use those resources to meet the needs of the community and to address the charitable purposes for which the funds were committed, including distributions to the Community Impact Endowment. Special consideration will be taken for applicable criteria, such as Endow Iowa.

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For All Other Fund Types

Should grant activity from a fund stop for more than one calendar year after the last grant was made, and if none of the acceptable types of activity above are in place, the Community Foundation will take the following steps to activate that fund:

- The Community Foundation staff will review the fund at least annually to identify the possible steps to activate the fund. If a donor or other interested party is involved, the Community Foundation will consult that person if needed to align with the original purpose of the fund.
- The Community Foundation staff will take action to identify and address the reason for fund inactivity through changes in process, outreach, or exercise of variance power.
- If an Acorn Fund or other fund does not reach the fund minimum during the designated period of time, the Board of Directors will exercise variance power to enable the Community Foundation to continue to use those resources to meet the needs of the community and to address the charitable purposes for which the funds were committed. The fund balance will be transferred to the endowed portion of the Community Foundation's Community Impact Fund, or of the associated geographic affiliate's unrestricted fund, to be used where the community need is greatest, unless the donor has identified an alternate qualifying endowment in the fund agreement. The donor or fund representative will be contacted at least six months prior to the Community Foundation taking action to transfer the balance.

Definitions Of Terms

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 is designated to one single public charity or government unit or if the fund meets certain requirements applicable to scholarship funds.

Fund Advisor (Sometimes called Donor Advisor)

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