

Catholic Foundation of the Diocese of Rockford

Donor Advised Fund Policy

Purpose

The purpose of this Donor Advised Fund Policy is

(1) to ensure that donor advised funds contributed to the Catholic Foundation for the People of the Diocese of Rockford (the Foundation) provide donors the opportunity to make non-binding recommendations as to the charitable organizations they desire to benefit, and

(2) to ensure that the Foundation retains the final authority to determine the use and distribution of all funds consistent with the mission and purpose of the Foundation and in accordance with applicable laws and regulations.

Who can establish a donor advised fund?

Any person can create a donor advised fund by contributing cash, securities, or other appreciated property to the Foundation as defined by and under the conditions of the Diocese of Rockford Gift Acceptance Policy. Current gifts as well as gifts through wills and bequests may be used to establish a donor advised fund. The Foundation will advise the donor(s), appointed advisor or successor advisor on a quarterly basis as to the fund balance and the funds available for distribution.

Setting up a donor advised fund

The process begins with a contact by the donor(s) to the Foundation. A representative of the Foundation will meet with the prospective donor(s) to answer questions, review a sample agreement for a donor advised fund and tailor the wording of the purpose statement to ensure that the intent and interests of the donor(s) and the Foundation are met. If there is any inconsistency between these policies and the donor advised fund agreement, the terms of the agreement will take precedence.

Tax advantages of a donor advised fund

The Internal Revenue Service presently allows the donor(s) who make a gift of cash to claim an income tax deduction of up to 50% of one's annual adjusted gross income; or, for a gift of long-term appreciated securities or property, a deduction up to 30% of adjusted gross income.

With respect to donor advised funds, the donor(s) must satisfy two basic requirements:

1. The fund must be the property of the Foundation, and
2. A donor may not reserve a right to control distributions that would prevent the Foundation from freely using the assets and earnings of the fund in furtherance of its charitable purposes.

Experience and studies have consistently shown that donor advised funds are more flexible and less costly to maintain than private foundations, yet they afford similar, and in some respects, advantageous tax planning advantages.

Endowed or provisional funds

You may choose to establish either an endowed donor advised fund (EDAF) or a provisional donor advised fund (PDAF). The endowed fund is designed to retain the principal (or corpus) at all times, with only the earnings and market gains to be available for distribution. A provisional fund, on the other hand, allows for the distribution of both the earnings and original or subsequent gift(s).

Contribution levels

Both endowed and provisional donor advised funds require a minimum initial contribution of \$10,000. Except for this initial minimum contribution, there is no further requirement to add to either fund, though additions are welcome and can be made at any time. Provisional donor advised funds must maintain a minimum balance of \$1,000 to remain open.

Naming the donor advised fund

Donors are encouraged to name their donor advised fund. If desired, the fund name accompanies distributions from the fund and may be disclosed in annual reports or other publications.

Advisor of the fund

One advisor is authorized to communicate the recommendations of the donor(s) regarding distributions from the fund. The initial advisor of the fund is (are) usually the donor(s) himself/herself (themselves). The donor(s) is (are) allowed to name an appointed advisor, preferably one of his/her/their children, to make all recommendations in regard to the fund. The donor(s) can also name one successor advisor to serve as advisor to the fund in case the donor(s) or appointed advisor is unable to make these decisions due to death or incapacity as determined by a written document from a licensed physician. Changes to the advisor of the fund may be made only in writing by the original donor(s).

When does a fund terminate?

A provisional donor advised fund will terminate upon the death or incapacity (as defined above) of the last person authorized to act as advisor. In most cases, this would be after the successor advisor dies or can no longer serve. A provisional donor advised fund may also terminate if the amount held in the fund falls and stays below the \$1,000 minimum balance required for a period in excess of 60 days, but only after a 30 day written notice is provided to the current advisor. Upon termination, funds in a provisional donor advised fund will become part of the Foundation's reserve account. Endowed donor advised funds will always be held as a separate fund and continue to bear the original name of the fund. In all cases, the Board of Directors of the Foundation will decide the disposition of funds in accord with current Foundation needs.

Consistency with Catholic philosophy and teaching

The Foundation desires to allow the fund advisor the maximum flexibility in designating charities to receive funds from donor advised funds. However, all designations must be consistent with the philosophy and teachings of the Roman Catholic Church. The Foundation reserves the right to deny a requested grant to charities that are antithetical to the philosophy and teachings of the Roman Catholic Church in the sole judgment of the Foundation. The Foundation uses its Catholic Values Investment Policy (CVIP) as the guideline in this area.

Allocation and distribution policy

The primary purpose of establishing donor advised funds with the Catholic Foundation is to benefit Roman Catholic charitable entities within the Diocese of Rockford. Accordingly, in any calendar year, at least 50% of the funds distributed from any fund must be designated to entities of the Diocese of Rockford. The remainder of 50% or less of grant(s) may be designated to any other qualified charitable causes. Distributions must be \$250 or more to each charity. Distributions may only be made to qualified Section 501(c)(3) charitable organizations or to qualified entities that are their integrated auxiliaries. Recipients must certify that: (i) their organization is formed under the laws of the U.S. and its territories, and is a public charity described in Internal Revenue Code Sections 509(a)(1), (a)(2) or (a)(3) or is a private operating

foundation as described in IRC Section 4942(j)(3) and applicable regulations and IRS authority; (ii) the funds will be used exclusively in furtherance of the organization's exempt charitable purposes; (iii) neither the donor nor third party received any goods, services or any form of impermissible benefit (such as tuition, membership fees with more than incidental benefits, dues admission to events or goods bought at auctions); (iv) the contribution does not satisfy all or a portion of a financial obligation of any individual or entity (including an enforceable pledge); and (v) the contribution will not be used for lobbying, political contributions or to support political campaign activities.

Investment of funds

Donor advised funds are pooled with the other assets of the Foundation. These funds are managed by professionals and monitored by the Foundation Board of Directors. With advice from the fund advisor, the Catholic Foundation will invest the account proceeds in one of the funds commonly offered from time to time to Catholic Foundation participants. These currently include: a Growth Fund (100% equities), a Balanced Fund (currently 70% equities and 30% bonds), or an Income Fund (100% bonds and other short-term investments).

Administrative fees

Each fund will be assessed charges and proportionate investment costs identical to those applicable for similar funds managed by the Foundation to cover administrative and investment management costs. For Provisional donor advised funds, due to the larger number and greater frequency of distributions possible there will be an additional annual fee of 0.50% assessed to each fund. This additional Provisional DAF fee will be waived if advisor agrees to only one distribution per year to one grantee. The annual fees, where applicable, will be computed and charged to the fund on a quarterly basis. Advisors of record will receive quarterly statements that show the balance of their account and any recent activity.

To ask questions or find out more . . .

Please contact the Catholic Foundation for the People of the Diocese of Rockford by calling 815-399-4300. We would be happy to explain donor advised funds or other vehicles for charitable giving.