



**COMMUNITY
FOUNDATION**
of Northern Nevada

COMMUNITY FOUNDATION OF NORTHERN NEVADA FUND ACTIVITY POLICY

I. Purpose

Any contribution to a fund is an irrevocable charitable contribution that is legally owned by the community foundation (i.e., sponsoring charity). These funds are institutional funds of the community foundation—not a personal savings account of the donor—and may only be used for charitable purposes which do not confer any private benefit on the donor or any other person.

II. Acceptable Types of Fund Activity

The following are definitions of fund activity that lead to fund distributions that apply to funds that meet the Foundation's minimum gift requirements to establish a fund at the Community Foundation of Northern Nevada. 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 The Community Foundation of Northern Nevada 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):

- a. 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.
- b. Developing a Philanthropic Program. Donor advisor makes a substantial contribution to 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 her philanthropic goals.
- c. Long-term Giving Plan. Donor advisor deliberately reduces 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.
- d. 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.
- e. Starter and Step-Up Funds: Upon approval from the Foundation and a signed agreement, donor advised funds may take time to build up the fund balance in order to make substantial grants to the community. No grants will be made until the fund balance reaches the determined amount stated within the Memorandum of Understanding.

Donors who are establishing endowed funds may also be granted a period of time, not to exceed five years, to build up the fund to reach the minimum required establishing gift. During the time the fund balance is less than the minimum requirement per the Fee Schedule and Fund Policy, no grant making will be made from the fund.

- f. Specific Occasion Grant. Donor advisor 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;
 2. Fund has transitioned to named successor advisors but they are minors and no adult representative is named to represent them (so grants resume when successor advisors are adults);
 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.

III. Activating Grantmaking

Should grant activity stop for more than a 1-year period, steps will be taken by the staff or the board to activate that fund. These steps may include such activities as:

- Notifying the fund advisor regularly and periodically.
- Distributing grants from the fund to qualified grant recipients that align with donor intent. If the Community Foundation determines such intent is obsolete, incapable of being fulfilled, impractical, or inconsistent with the community's charitable needs, then exercise of the Community Foundation of Northern Nevada's overriding variance power will be utilized. This will enable the Community Foundation to continue to use its resources to meet the needs of the community and to address the charitable purposes for which the funds were committed.
- Closing of a "starter/step-up" fund if the fund 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 the Community Foundation of Northern Nevada's Community Endowed Fund or issuing the balance as a charitable grant to a qualified recipient.

IV. Inactive Funds

While funds held at the Community Foundation of Northern Nevada (Community Foundation) are not required to pay out grants annually, the Community Foundation strongly encourages donors to maintain an active advisory relationship and to make grant recommendations at least annually. Fund advisors who would like to delay recommendations for grant making in order to recommend a significant grant at a later date should notify the Community Foundation via letter or email. Absent such communication from the advisor(s), the following policy, approved by the Board of Trustees, will be applied to funds that have become inactive.

Should grant activity stop for more than a 2-year period, the Foundation considers the fund to be inactive and steps will be taken by the staff or the board to activate that fund.

After the first 12 months of no grant or gift activity, Community Foundation staff will attempt to contact the fund advisor(s) via phone, email, and/or U.S. mail to engage advisor(s) in grant making activity, event attendance or correspondence regarding the fund's charitable purpose and grant making goals.

If response is not received, Community Foundation staff will send a letter via registered mail to advisor(s) last known address to reiterate the Foundation's Inactive Fund Policy and to inform advisor(s) that at the end of the second 12-month period of continued inactivity and non-responsiveness this policy will be exercised. If the mail is returned and no other notification address(es) are identified, the Community Foundation may be relieved of sending any further notices.

After 24 consecutive months of inactivity, the fund will be terminated. Upon termination, if the fund agreement does not specify a charitable purpose and the fund's grant making history does not reveal a clear charitable purpose, the fund's remaining assets will be granted to either: (a) an endowment fund at the Foundation if the fund was established as an endowment fund by the donor, or (b) the annual Community Fund.

V. Fund Statements

Fund statements are provided on a quarterly basis. It is the fundholders responsibility to review statements and should there be any questions or concerns, we request your inquiry be submitted to the Community Foundation following a period of no more than two (2) quarters.

VI. 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 Community Foundation of Northern Nevada's grantmaking policies for local grant making protocol.

Tax Disclaimer: You should always consult your own tax, legal and accounting advisors before engaging in any transaction.

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 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.