

# **Greater Williamsburg Community Trust**

## **(DBA Williamsburg Community Foundation)**

### **Fund Activity Policy Donor-Advised Funds**

The Williamsburg Community Foundation **Fund Activity Policy** is designed to ensure that Donor-Advised Funds held by the Foundation meet the needs of the community and to address the charitable purposes for which the funds were committed

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

The following are definitions of Fund Activity that leads to Fund distributions that apply to Funds that have more than \$10,000. 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 the Williamsburg Community Foundation (Foundation) 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 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.
- **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.
- **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 either the minimum fund balance to establish a Fund or other amount specified in the Fund Agreement.
- *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 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 spouses 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 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**

Should grant activity stop for more than a 3-year period from a Fund where none of the conditions above are met, the following steps will be taken by staff to activate that Fund.

Staff will notify the Fund advisor quarterly over a period of two years to encourage the Fund advisor to activate the Fund.

If there has been no response to attempts to contact the donor/advisor, staff will notify the board and ask the board to approve making a distribution from the Fund at the Foundation's current minimum grant amount. The recipient will be selected based on past grantmaking activity of the Fund. If the Fund does not have a grantmaking history, the distribution will be made to the Foundation's Operating Fund.

Distributing grants from the Fund to qualified grant recipients that align with donor intent is preferred, but if the Foundation determines such intent is obsolete, incapable of being fulfilled, impractical, or inconsistent with the community's charitable needs, then the board of trustees will exercise of the Foundation's overriding variance power to enable the 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.

If a *Starter Fund* balance does not reach the Foundation's required minimum amount within the period stated in the Fund Agreement, staff will consult with the donor and provide her or him the opportunity to either meet the terms of the Fund Agreement or provide a recommendation on the distribution of the assets from the *Starter Fund*. If no response is received, the Board of Trustees will re-allocate the Fund balance to the Foundation's Community Endowment or issue the balance as a charitable grant to a qualified charitable 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.

### **Sponsoring Organization**

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

### **Donor/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 (see "intermediate sanctions": <http://www.cof.org/content/glossary-philanthropic-terms#sanctions>).