



## **Fund Activity Policy**

### **Statement of Purpose**

The Community Foundation San Luis Obispo County (“Foundation”) recognizes that active communication and clear messaging with a donor fund advisor (“advisor”) fosters strong relationships with advisors and their successors. As part of this relationship, the Foundation aims to support grantmaking recommendations from the funds it holds and encourages donors to maintain an active grantmaking role in their funds.

In order to support its policy of consistently distributing charitable dollars to the community, the Foundation will annually review the grantmaking activity of every fund. To ensure regular distributions from donor advised funds, the Foundation policy provides a mechanism to stimulate and support grantmaking from donors’ funds in accordance with its tax-exempt role.

While the Foundation does not intend to institute a fund-by-fund payout or termination requirement, it does desire a system by which staff and Board are aware of funds that have not seen any recent activity and triggers communications with advisors of those funds. Although there are differences in how endowed and non-endowed funds are handled, this policy will apply to both types of funds.

### **Statement of Policy**

The Foundation will apply the following policy to its donor advised funds:

A contribution to a donor advised fund is an irrevocable charitable contribution that is legally owned by the Foundation. These funds are institutional funds of the Foundation, rather than a personal savings account belonging to the donor or advisor. They may only be used for charitable purposes which do not confer any private benefit on the donor or advisor. A fund is considered active when there is regular communication between the advisors or any successor advisors and the Foundation.

### **Types of Fund Activity**

A fund is considered active when there is regular communication between a donor or fund advisor and The Community Foundation San Luis Obispo County 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.** Fund advisor generally recommends grants at least every three years to qualified charitable organizations. The amount of grantmaking can vary from year to year.
- **Developing a philanthropic program.** Fund advisor makes contributions to the donor advised fund on a regular basis or refrains from recommending grants for an initial period after establishing a fund while the fund advisor consults with the Foundation or a qualified charity to determine what types of or size grants will best impact community needs and/or the advisor's philanthropic goals.
- **Long-term giving plan.** The fund advisor deliberately reduces the frequency or size of grant recommendations from fund for a specific purpose including but not limited to:
  - The donor establishes a fund 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 donor expects his or her income level to be lower.
  - A fund advisor may want to build the balance of a fund over time so the donor's children and grandchildren can recommend grants in the future, thereby leaving a charitable legacy for the next generation to administer.
- **Project grant.** Donor advisor makes a substantial contribution to a donor advised fund with the intention of recommending 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 fund's charitable objectives.
- **High impact grant:** Donor advised funds may need time to build the fund balance in order to make substantial grants of impact to the community. Therefore, there may be no distributions made until the fund balance reaches a specified amount.
- **Specific occasion grant.** Fund 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 but are not limited to:
  - Donor is incapacitated with no successor advisor named. The Community Foundation waits until the donor's death to distribute grants from the fund according to the donor's original intent;
  - The donor advised fund has been transitioned to named successor advisors who are minors, and no adult representative is named to represent them. In this case, grants resume when the successor advisors reach adulthood;

- Fund advisors are getting divorced. Grantmaking is suspended until both parties agree on how the fund is to operate going forward. This may include splitting the fund into two separate funds (one for each spouse to advise) or eventually dissolving a non-endowed fund by recommending charitable grants and spending out the fund balance;
- Grants are suspended during litigation involving a fund due to a party disputing the bequest;
- Donor leaves a bequest to a fund and distributions are made periodically to the fund during the estate settlement process. Grants will not be made until the estate is fully settled.

**Definition of an Inactive Fund:**

Inactivity is defined as a three year period during which the fund advisor has not made any contributions into a fund nor recommended any grants to be distributed from the fund. Regular grant recommendations, or gift contributions that are part of a long-term philanthropic program or giving plan are all considered activity. While annual grant distributions from funds held at the Foundation are not required, the Foundation encourages advisors to maintain an active consultative relationship. Advisors who would like to delay grant recommendations in order to recommend a significant grant in the future should confirm this intent with the Foundation in writing.

A Fund shall also be deemed inactive if the designated Fund Advisor(s) dies, resigns, if evidence of their incapacitation is provided to the Foundation and no Successor Advisor has been named, or if all named successors are unable or unwilling to serve as such.

**Activating Grantmaking:**

After two years of no grant distributions, gift activity or communication from the advisor, steps will be taken by Foundation staff to activate the fund’s grantmaking by reaching out (for example three times over the course of a year) to the advisor to engage them in grantmaking activity, event attendance, or correspondence regarding the fund’s charitable purpose and grant-making goals. This includes contacting the fund advisor annually to suggest grant recommendations, discussing charitable giving priorities and interests, or offering to meet with the fund advisor to develop a charitable giving plan.

After three years of no grant distributions, gift activity or any communication from the fund advisor, Foundation staff may take action to activate the fund. This includes distributing grants from the fund to qualified grant recipients that align with donor intent. If the Foundation determines the original intent is obsolete, incapable of being fulfilled, impractical, or inconsistent with its charitable purposes, then the Foundation will exercise

its variance power to utilize the fund's resources to meet the needs of the community and address the charitable purposes for which the funds were committed.

If a fund is established and the fund balance does not reach the initial required minimum amount within the stated period of time, the Foundation may work with the fund advisor to either award the fund proceeds as a charitable grant to a qualified recipient or may reallocate the fund proceeds to its unrestricted fund to be to the Foundation's general grants program. Please refer to the Foundation's Donor Advised Fund Policy for fund minimums.