



Keokuk Area Community Foundation

For Good. For Ever.

Address: PO Box 367 Keokuk, Iowa 52632

Phone: 319.670.0207

Email: rogerricketts@centurytel.net

Web: keokukfoundation.org

Donor Advised Fund Policy

What is a Donor Advised Fund?

A donor advised fund defined under the Internal Revenue Code possesses three characteristics:

The Fund is separately identified with reference to the contributions of a donor or donors. For example the Smith Family Fund established by the Smith family children.

The Fund is owned and controlled by a sponsoring organization such as the Foundation.

The donor or persons appointed by the donor expect to have the privilege of providing advice with respect to the fund's investments or distributions.

Minimum Fund Size

The minimum amount to establish a fully endowed fund is \$5,000. Gifts or contributions of \$250 or greater will be accepted with the expectation that over a reasonable period of years, the 'Fund' will become fully endowed at \$5,000. (Distributions from the 'Fund' will not occur until the fund is fully endowed.)

Contributing to a Fund

Gifts to a fund are irrevocable. The assets of donor advised funds are owned and controlled by the Foundation. As long as the Fund meets the minimum balance requirements, contributions to a fund may be made in any amount and at any time. Contributions may be made using cash, publicly traded securities or other

property, including closely held stock, partnership interests, real estate, personal property, trusts and life insurance. Contributions are subject to acceptance by the Foundation. Contributions should be clearly designated by fund name: "The XYZ Fund of The Keokuk Area Community Foundation."

Many donors make contributions using appreciated, publicly traded stock that has been held for longer than a year, to enjoy maximum tax benefits. Contributions of property that may not have immediate liquidity are accepted at the discretion of the Foundation, and subject to completion of our due diligence procedures. Donors considering a gift in any form other than cash should contact the Foundation to discuss its appropriateness and to obtain delivery instructions.

Variance Power

Some donor advised fund agreements restrict distributions to a specific charitable purpose, such as education or the environment. Others may limit distributions to particular named organizations. These restrictions may apply from the inception of the fund or may come into effect at the conclusion of the advisory period. Any such restrictions are subject to modification by the Foundation if it determines, in its sole discretion, that the restriction or condition is unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served.

Fund Advisors

The initial advisors to the fund are those persons named in the fund agreement. If at any time there is more than one advisor to the fund, the advisors will appoint a designee and all communications to and from the Foundation will be through the designee. If no designee has been appointed, the Foundation will consider the first advisor named in the agreement to be the designee.

The donor may also designate an advisor or advisors to interact with The Keokuk Area Community Foundation the donor's behalf. In the event circumstances change in regards to the fund and/or the donor is no longer living, it is important for future boards to have direction to determine the appropriate course for the fund.

Following the death of the last successor, or advisor, the Fund will become part of the Funds for the Community of the Greater Cedar Rapids Community Foundation, unless the successor advisor recommends that this become a Designated Endowed Fund.

Recommending a Grant

Grants must be for charitable purposes. The minimum grant amount is \$250.

Donor advisors may recommend grants to qualified charitable organizations. Qualified charitable organizations generally include those organizations described in Section 501(c)(3) of the Internal Revenue Code that are not private foundations, and certain governmental entities. These include charitable, religious and educational organizations, as well as school districts, public libraries and other units of government. In general, Keokuk Area Community Foundation does not allow grants to non-charitable organizations from Donor Advised Funds. Given that Keokuk Area Community Foundation serves Southeast Iowa, it is expected that the majority of grant dollars from each Donor Advised Fund will benefit Southeast Iowa charitable organizations.

Donor advisors may make grant recommendations by completing, signing and submitting a “Donor-Advised Fund Grant Recommendation Form” to Keokuk Area Community Foundation. Keokuk Area Community Foundation, in accordance with tax law, retains final discretion over disbursements from all donor-advised funds. The minimum amount for a grant from a donor-advised fund is \$250.

Once a grant recommendation is received, Keokuk Area Community Foundation staff will perform due diligence to verify that the organization is a qualified charity. An officer of Keokuk Area Community Foundation will sign the Donor Advised Fund Grant Recommendation Form to indicate approval of a grant. Grant checks will be accompanied by a letter from Keokuk Area Community Foundation the Donor Advised Fund that is the source of the grant (unless anonymity has been requested) and confirming that no benefits have been or will be provided to the donor, advisor or related parties in connection with the grant. The normal amount of time to process grant recommendations is 1-2 weeks.

Grant Restrictions and Prohibitions

IRS rules preclude the following types of distributions from Donor Advised Funds:

- A Donor Advised Fund grant cannot be used to satisfy all or a portion of any pledge or other financial obligation of the donor, advisors or any related parties. Advisors may recommend that a grant be paid out over multiple years, subject to Keokuk Area Community Foundation grant approval and annual due diligence.
- Grants from a Donor Advised Funds cannot result in the donor, advisors or any related parties receiving goods or services or any benefit that is more than incidental. Prohibited benefits include event tickets, memberships, meals, preferred parking, preferred seating, discounted merchandise or other preferential treatment from a donor organization.
- Donor Advised Funds may not make any grants to individuals, such as scholarships, emergency hardship grants or disaster relief grants. This includes payments directly to an individual or to an entity for the benefit of a specified individual (e.g., to a university for a scholarship for a particular student). If donors wish to grant scholarships, a different type of fund can be established.
- Donors, advisors or any related parties may not receive grants, loans, compensation or similar payments (including expense reimbursements) from a Donor Advised Fund. Expenditure Responsibility Pursuant to IRS rules, certain types of grants from DAFs require the exercise of “expenditure responsibility”.

Expenditure Responsibility

Expenditure Responsibility is a process designed to ensure that a grant is used for charitable purposes and that Keokuk Area Community Foundation maintains appropriate oversight and documentation of certain grants from Donor Advised Funds. Expenditure responsibility is required for grants to (1) organizations not described in Internal Revenue Code Section 170(b)(1)(A); (2) type III supporting organizations that are not functionally integrated with the supported organization; and (3) supporting organizations of any type if the supported organization is controlled by the donor, advisor or a related party. In general, Keokuk Area Community Foundation not make grants from Donor Advised Funds that require expenditure responsibility. Because circumstance may occasionally

warrant such a grant, the Keokuk Area Community Foundation shall establish In general, Keokuk Area Community Foundation not make grants from Donor Advised Funds that require expenditure responsibility. Because circumstance may occasionally warrant such a grant, the Keokuk Area Community Foundation shall establish procedures for and shall exercise expenditure responsibility in compliance with the law.

The Foundation does not make grants from donor advised funds, even for charitable purposes, to other types of nonprofit organizations (non-charities) or to businesses. Examples of organizations to which the Foundation will not grant include social welfare organizations (501(c)(4)); veterans' organizations; cemeteries; Chambers of Commerce and similar business associations; fraternities and sororities; social clubs; and fraternal organizations such as Elks and Moose.

From time to time the Foundation may bring to the advisor's attention grant making opportunities in which the advisor may have an interest. The advisor is not obligated to recommend a grant for the identified program. Donors shall be furnished with lists of the unmet charitable needs of the community as determined by the Foundation from time to time.

Grant Restrictions

The Internal Revenue Code prohibits grants to individuals from donor advised funds. Also prohibited are grants for political contributions or to support political campaigns. Grants may not result in benefits, goods, or services to the donor, the fund advisor, members of their families, and businesses they control. Failure to observe this restriction can subject the fund advisor to tax penalties. Benefits include the payment of pledges, event tickets, meals, sponsorships, registration fees, discounted merchandise, preferred parking and/or seating, and memberships unless the membership confers nothing of value. Please contact the Foundation if you have specific questions about whether a grant you are considering recommending will result in a prohibited benefit.

Payments from a Donor Advised Fund

Expense reimbursements, loans, compensation, and other similar payments are not permitted from a donor advised fund to a donor, fund advisor, or related party.

Grant Acknowledgment

Unless other arrangements have been made (e.g. anonymity requested), the grant letter will indicate that the contribution is from “The XYZ Fund of The Keokuk Area Community Foundation” and that it has been given upon the recommendation of the named advisor. The recipient organization is encouraged to acknowledge the gift to the advisor and also to the Foundation. Additional language confirms that no benefits have been offered or provided to the Foundation or the advisor in exchange for the accompanying grant. If the recipient organization publishes a news release or a list of donors, it is asked to indicate the contribution as a grant from “The XYZ Fund of The Keokuk Area Community Foundation.”

Fundraising

Donors sometimes want to raise money to add to their advised funds. Fundraising, if permitted, must strictly adhere to the guidelines in the policy and to any additional restrictions imposed as a condition of the Foundation’s consent.

Investments

The Foundation has the sole responsibility and authority for investment of the assets of each Donor Advised Fund. Decisions with respect to the retention, investment, or reinvestment of assets and with respect to commingling of assets shall be made by the Foundation’s Investment Committee [Board of Directors]. Donor Advised Funds are customarily invested and commingled with assets of other funds of the Foundation.

When the size of a endowed fund [warrants separate investment consideration, typically for funds over \$100,000 dollars, the Foundation will endeavor to accommodate requests from donors for separate investment of fund assets, or use of a particular investment manager, broker or agent in accordance with the Foundation’s Investment Policy.

The Foundation's long-term investment objective is to preserve the real value of its permanent funds. This means that the Foundation seeks a total rate of return that supports the Foundation’s grantmaking, expenses, investment fees, and inflation. The Foundation will normally measure whether it has achieved that objective over a rolling five-year period.

The Foundation appoints an investment consultant and investment managers from time to time to carry out some of its investment management responsibilities with respect to its invested asset pool.

Fees and Minimums

The Foundation assesses fees, including investment management fees, against all its funds to cover the cost of administration and to continue the Foundation's important work in our community. Fees provide the necessary resources to operate efficiently and effectively, ensuring fiscal responsibility in grant due diligence, donor and nonprofit education, research, and other activities. The Foundation's current administrative fee schedule for donor advised funds is:

Community Foundation Support (Fees)

The Community Foundation's fee for administering this fund is based on the market value of the fund. Assessed quarterly, the current annual fee is:

Up to \$1 million	.50%
Next \$1 million	.25%
Over \$2 million	.10%

Distributions from the Fund

It shall be the policy of the Community Foundation to distribute from its funds an amount equal to the product of the fund's average market value for the trailing 12 quarters ending December 31st multiplied by the Distribution Rate, currently 4.5%.

For funds in their first year of existence, the distributable amount is equal to the product of the average market value for the trailing quarters ending December 31st since the fund was in existence multiplied by the Distribution Rate, prorated for the number of quarters the fund was in existence.

For funds in their second and third years of existence, the distributable amount is equal to the product of the average market value for the trailing quarters ending December 31st since the fund was in existence multiplied by the Distribution Rate.

Inactive Funds

A fund is deemed inactive if:

The fund advisor dies or resigns or evidence of his or her incapacity is provided to the Foundation, and if no successor advisor has been named.

All named successor advisors are unable or unwilling to serve as such.

No recommendations are made with respect to grants from the fund for a period of two years and, during such period, the advisor or successor advisor does not reply to the Foundation's attempts to contact them.

If the fund becomes inactive, the Foundation will deem the advisory period to have ended and will initiate distributions from the fund in accordance with the provisions of the fund agreement.

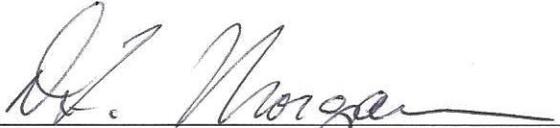
Termination

Unless otherwise specified in the fund agreement, upon the death, resignation or incapacity of the last advisor to the fund, or if the fund is determined to be inactive, the assets of the fund will become a part of the Foundation's unrestricted permanent endowment. If the principal balance of the fund exceeds \$5,000, the Fund will continue to be maintained as a separate named endowed fund for discretionary purposes or as a field of interest, if the donor(s) or successor-advisor(s) have specified in writing one or more broad fields of interests for the fund.

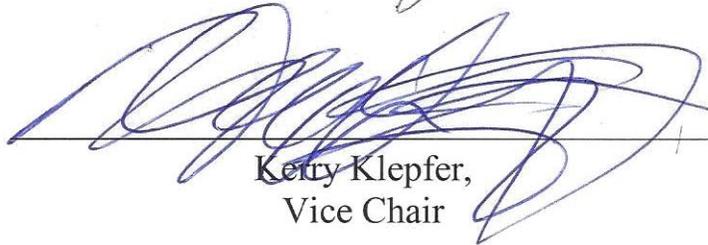
DONOR ADVISED FUND POLICY

EXECUTED BY THE KEOKUK AREA COMMUNITY FOUNDATION

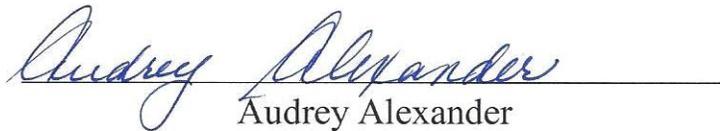
MONTH July DAY 7 YEAR 2016



David Morgan
Chair



Kerry Klepfer,
Vice Chair



Audrey Alexander
Secretary



Ann Menke
Treasurer