



# Donor Advised Fund

## Policies and Guidelines

These policies and guidelines explain how the Minneapolis Foundation manages a Donor Advised Fund (“Fund”). Additional guidelines apply to Signature Funds of \$1 million or more.

### GETTING STARTED

Donor Advised Funds are created with a simple letter of agreement (the “agreement”) between a donor and the Minneapolis Foundation.

- Donor advisors may be individuals, families, businesses, or other charitable organizations.
- A private foundation may establish a Fund and subsequently terminate its status as an independent organization. Special provisions in the agreement will define the Minneapolis Foundation’s liability for preexisting obligations of the private foundation.
- A Fund is activated upon receipt by the Minneapolis Foundation of an initial gift of \$10,000 or more.
- Gifts to a Fund are irrevocable and the Minneapolis Foundation has exclusive legal control of the contributed assets.
- Founding donor advisors may name the Fund, subject to approval by the Minneapolis Foundation.
- Unless founding donor advisors request that a Fund be anonymous, it will be listed by name in the Minneapolis Foundation’s annual report and may be identified in other Foundation social media channels.

### CONTRIBUTING TO A FUND

Contributions may be made using cash or credit card, publicly traded securities, or other property, including closely held stock, partnership interests, real estate, personal property, trusts and life insurance.

- Contributions may be added at any time and in any amount, subject to acceptance by the Minneapolis Foundation.
- Contributions should be clearly designated by Fund name: “The XYZ Fund of the Minneapolis Foundation.”
- To enjoy maximum tax benefits, many donor advisors make contributions using appreciated publicly traded securities that have been held for longer than a year.
- Contributions of property other than cash or publicly traded securities are accepted at the discretion of the Minneapolis Foundation, and

**CONTRIBUTING  
TO A FUND**  
*(continued)*

subject to completion of our due diligence procedures.

- Donor advisors considering a gift in any form other than cash should contact the Minneapolis Foundation to discuss its appropriateness and to obtain delivery instructions.
- The Minneapolis Foundation does not solicit contributions to existing Funds.
- Founding donor advisors of a Fund may solicit contributions from others, if they comply with the Minneapolis Foundation's "Policies Regarding Public Fundraising for Component Funds." These policies are available upon request.

**RECOMMENDING  
GRANTS**

Once a Fund has been activated, the donor advisors named in the agreement may recommend distributions to qualified charitable organizations.

- Each recommended grant should be for at least \$250.
- Unless otherwise restricted in the agreement, grants may be paid out of the Fund's principal as well as accumulated investment earnings, if any.
- Grant recommendations can be made at any time during the year, although donor advisors are encouraged to avoid the traditional year-end giving season.
- Distributions from a Fund have no tax impact to the donor advisor; the tax deductible event occurs at the time the donor advisor makes a gift to the Fund.
- Grant recommendations can be submitted by mail or online. Forms and instructions for online access are provided upon creation of a Fund.
- The Fund and its donor advisors will be identified to grant recipients unless the advisors request anonymity.

**GRANT  
ELIGIBILITY**

- Qualified charities generally include those described in Section 501(c)(3) of the Internal Revenue Code, other than private foundations and certain supporting organizations.
- Qualified charitable organizations generally include religious and educational organizations.
- Most governmental organizations, such as school districts and public libraries, are also eligible to receive grants from Funds.
- U.S. charities that support foreign organizations are generally eligible to receive grants.
- Examples of organizations generally not eligible for contributions from a Fund include foreign-based organizations, fraternal orders, organizations whose primary purpose is lobbying, cemetery associations and Funds set up to provide emergency relief to specific individuals or families.

**GRANT  
ELIGIBILITY**  
*(continued)*

- Funds may not be used to pay an individual for any purpose, including a scholarship or an expense reimbursement.
- If a donor advisor is concerned about a particular recommendation, the Minneapolis Foundation can pre-screen an organization for eligibility. If a grant recommendation cannot be processed, the Minneapolis Foundation will inform the advisor and explain the relevant limitation.

**PROCESSING  
GRANTS**

Once a grant recommendation is received, the Minneapolis Foundation's staff will perform due diligence to insure that the organization is a qualified charitable organization and that its status is current. For most grants this process can be completed in a few days. For grant recommendations to unfamiliar organizations, the Minneapolis Foundation requires an affirmative response from the organization before issuing a check. This process may take longer.

- The final decision about a grant recommendation is the Minneapolis Foundation's; however, the Foundation usually finds advisor grant recommendations to be acceptable.
- Once the Minneapolis Foundation approves the grant recommendation, a check will be issued to the grantee organization. The Minneapolis Foundation will not deliver grant checks to anyone other than the organization receiving the grant. Unless other arrangements have been made (e.g., anonymity has been requested), a letter accompanying the check will indicate that the contribution is from "The XYZ Fund of the Minneapolis Foundation" and that it has been given upon the recommendation of the named advisors. The recipient organization is encouraged to acknowledge the gift directly to the donor advisors, and to confirm that no benefits have been offered or provided to the Minneapolis Foundation or the donor advisors in exchange for the grant. If the recipient organization publishes a list of donors, it is asked to list the Fund.
- Grant checks are generally issued within 5 to 10 business days.

**GRANT  
RESTRICTIONS &  
LIMITATIONS**

- Grants from a Fund cannot be made to purchase benefit tickets or silent auction items, or to obtain preferential treatment from a grantee organization.
- Generally, Donor Advised Fund grants also cannot be used to satisfy all or a portion of a personal pledge. Donor advisors may, however, recommend that a grant be paid out over multiple years, subject to annual due diligence. The total amount of the multi-year grant is encumbered at the time the grant recommendation is approved. The encumbered amount continues to earn interest accordingly.
- Donor advisors are not required to recommend grants from their Fund.

## GRANT OPPORTUNITIES

From time to time, the Minneapolis Foundation may alert advisors to grantmaking opportunities in which the advisors may have an interest. Donor advisors are not obligated to recommend a grant to the identified program.

## INACTIVE FUNDS

If a Donor Advised Fund has gone three years without any activity (contributions or grants), the Minneapolis Foundation will attempt to contact the donor advisor. If the donor advisor cannot be located within a 12-month period, the Minneapolis Foundation will begin to distribute the Fund's income (calculated pursuant to its spending policy) to its unrestricted funds. If the Foundation is still unable to contact the donor advisor after three additional years, the Fund may be closed and its balance distributed to the Minneapolis Foundation's unrestricted endowment.

- Pre-existing relationships with advisors may preclude taking action under the policy.

## INVESTMENT AND FEES

The Minneapolis Foundation is responsible for investment of Fund assets.

- At the time the Fund is established, the founding donor advisors may recommend an investment preference, based on the expected use of the Fund over time, from among several investment pools identified by the Minneapolis Foundation.
- Funds bear their proportionate share of the investment fees of the pool(s) in which they are invested. Investment options are provided at the time the Fund is established.
- The Minneapolis Foundation has established investment alliances with certain financial services companies which may supplement the Minneapolis Foundation's standard investment options. If a founding donor advisor is referred by a professional advisor from an alliance partner, certain pre-approved investment portfolios may be recommended by the donor advisor to support the Fund's charitable objectives. These relationships and options will be fully disclosed to the founding donor advisors by the Minneapolis Foundation and the referring professional advisor.
- The financial activity and balance information for each Fund is reported in quarterly statements available that are provided online or, on request, by mail.
- Each Fund is charged an annual administrative fee equal to the greater of \$750 or 1% of the Fund's trailing 36-month average asset value. This fee is assessed to the Fund on a monthly basis. A reduced fee schedule is applied to fund balances over \$1 million.

## **SIGNATURE FUNDS**

A Fund may be designated as a “Signature Fund” if it maintains a balance of \$1 million or more.

- All features of a Donor Advised Fund apply to a Signature Fund.
- Signature Fund names will be registered as assumed names of the Minneapolis Foundation, allowing grants to be issued in the name of the Signature Fund without reference to the Minneapolis Foundation.
- Customized stationery and checks will be used in the transmittal of grant recommendations from Signature Funds.
- Signature Fund advisors may recommend changes to the investment strategy of the Fund on an annual basis.
- The asset balance in a Signature Fund is intended to be at least \$1 million. For any month in which the three-year trailing average balance falls below this amount because of grantmaking or investment performance, the Signature Fund will be charged a minimum annual fee of \$10,000, assessed on a monthly basis.
- The Minneapolis Foundation has the right at any time and in its sole discretion to terminate the Signature Fund Program and administer Signature Funds thereafter as Donor Advised Funds.

## **SUCCESSOR ADVISORS**

Founding donor advisors—who are most often the original advisors—can name successor advisors. Frequently these are the children and/or grandchildren of the founding donor advisors. The rights of successor advisors are defined by the founding donors when the Fund is established.

- There are three options: (1) The second (and third if applicable) generation(s) may be authorized to recommend grants only from income; (2) The second generation may be authorized to recommend grants from both income and principal, with the third generation allowed to recommend grants only from income; or (3) After the death of the founding advisors, portions of the Fund may be transferred into separate funds established for the family of each second-generation advisor, subject to the policies and guidelines in effect at that time. Each new Fund created according to this third option may have its own successor advisors in accordance with the policies in effect at the time.

## **ULTIMATE USE**

At the time the original Fund is established, the founding donors may designate the ultimate use of the Fund’s assets following the death of the last advisor.

- The remaining assets in the Fund may be allocated to one or more Minneapolis Foundation Legacy Funds, to endowments for the benefit of named charities, or to a combination of these options.
- The Fund will continue to be listed among the component funds of the Minneapolis Foundation.

## **ULTIMATE USE** *(continued)*

- Unless other ultimate use provisions are designated, the Fund's assets will be commingled in a pool of unrestricted assets from which the income is used to meet community needs as determined from time to time by the Minneapolis Foundation's Board of Trustees.
- All provisions for the ultimate use of the Fund's assets are subject to the Foundation's power to depart from such designations if the Board determines that a designation has become unnecessary, is incapable of fulfillment, or is inconsistent with the charitable needs of the community.