

The Center for Jewish Philanthropy  
Jewish Federation of Metropolitan Chicago

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**DONOR ADVISED FUNDS: *Policies & Procedures***





## INTRODUCTION

The Jewish United Fund/Jewish Federation of Metropolitan Chicago has established the Donor Advised Fund Program to help members of our Jewish community support the Federation's charitable purposes and to broaden the Federation's philanthropic reach to the Jewish and general community. We value and support our community's diverse political, religious and social opinions. By providing donors with the means to support a broad range of non-profit organizations through our Donor Advised Fund Program, we honor all members of the community and the diverse opinions they hold, and we bring them together to work for the greater good.

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### Sec. 1

## ESTABLISHMENT *and* PURPOSE

### 1.1

***Establishment of Funds.*** Donor Advised Funds may be established by the donation or transfer by a person or organization, charitable or non-charitable (hereinafter "Donor") to, and acceptance by, the Federation of money or property, whether by contribution, gift, bequest, devise or other transfer (hereinafter "contribution"), to further or carry out the purpose of the Federation, as set forth in its Articles of Incorporation and By-laws. Contributions to Donor Advised Funds are and shall be administered as a component part of the unrestricted endowment funds of the Federation (each such component of the endowment a "Donor Advised Fund"). However, the procedures set forth herein are provided in recognition of a particular purpose of Donor Advised Funds, which is to develop support of, and participation and involvement in, the philanthropic interests and activities of the Federation by a wide range of living persons and organizations, as distinguished from other endowment funds of the Federation which have historically been obtained through bequests. Thus, the establishment of Donor Advised Funds is designed as a means of broadening the base of endowment support, encouraging meaningful interchange of ideas by Donors in the Federation's philanthropic interests and to provide funds to supplement and extend the programs and interests of the Federation in serving its charitable, educational and religious purposes (which purposes are hereinafter referred to as "charitable purposes").

### 1.2

***Nature and Terms of Funds.*** The assets contributed to Federation in connection with any Donor Advised Fund shall be the property of the Federation held in its normal corporate capacity; the assets shall not be deemed a trust fund or other separate legal entity held by Federation as a trustee or fiduciary. The Federation in its normal corporate capacity shall have the ultimate authority and control of all property contributed to it for a Donor Advised Fund, and the income derived therefrom, for the charitable purposes of the Federation. Each Donor Advised Fund shall be recorded on the books and records of the Federation, and may be given a name or other designation as requested by the Donor. Each Donor Advised Fund shall be (a) increased by the amount of (i) any contribution to the Federation for such Donor Advised Fund and (ii) any income or investment gains (whether realized or unrealized) deemed by the Federation to have been earned with respect to such Donor Advised Fund, and (b) decreased by the amount of any distributions, expenses, or investment losses (whether realized or unrealized) deemed by the Federation to be properly chargeable against such Donor Advised Fund. A contribution of property which is not readily marketable shall be credited to a Donor Advised Fund, but the value of the property will not be available for distributions from the fund until such time as the property has been liquidated.

### 1.3

***Publication and Confidentiality.*** It is the policy of the Federation that the names of all Donors establishing Donor Advised Funds may be published in a Federation publication unless the Donor provides otherwise in writing. However, the amount of individual contributions to a Donor Advised Fund and the balances of individual Donor Advised Funds will not be published.

#### 1.4

**Administrative Cost Assessment.** Each Donor Advised Fund is assessed a portion of the administrative expenses incurred by the Donor Advised Fund Program. The administrative expenses are calculated on the average daily balance and charged on a monthly basis according to a total yearly charge, as noted below. The expenses are calculated according to the fund's investment vehicles and the total assets invested in those vehicles.

The Program uses two schedules. The relevant schedule is dependent on the total invested in the investment vehicle.

A tiered schedule is operative for assets up to \$5 million. The first \$2.5 million in assets are charged at a higher rate, with a decline in charges on the second \$2.5 million.

#### YEARLY ASSESSMENT

Investment Vehicles	Assets from \$0 to \$2,500,000	Assets from \$2,500,001 to \$5,000,000
Guaranteed Earnings Account	10 basis points (0.10%)	
Fidelity Funds, Vanguard Social Index Fund, Jewish Federation Pooled Endowment Portfolio, State of Israel Bonds	30 basis points (0.3%)	15 basis points (0.15%)
Non-Standard Investments (those not offered through the Donor Advised Fund Program)	50 basis points (0.5%)	25 basis points (0.25%)

A flat expense schedule is used for assets from \$5,000,001 to \$20,000,000. If the total assets in an investment vehicle fall within this range, the total assets will be charged one flat rate:

Investment Vehicles	Total assets from \$5,000,001 to \$20,000,000
Guaranteed Earnings Account	10 basis points (0.10%)
Fidelity Funds, Vanguard Social Index Fund, Jewish Federation Pooled Endowment Portfolio, State of Israel Bonds	15 basis points (0.15%)
Non-Standard Investments (those not offered through the Donor Advised Fund Program)	25 basis points (0.25%)

Assets of more than \$20 million may be assessed lower fees and can be discussed with Donor Advised Program staff.

#### Sec. 2

### ACCEPTANCE of CONTRIBUTIONS

#### 2.1

**Authorization.** Any authorized officer of Federation shall have the authority to accept, on behalf of the Federation, contributions tendered in connection with a new or pre-existing Donor Advised Fund. The Federation will closely scrutinize any tendered asset which is not readily marketable or is subject to liabilities, or restrictions on use or disposition. Assets which might be determined to be not readily marketable include, but are not limited to, restricted stock, securities of closely held corporations, partnership and joint venture interests, beneficial interests in trusts, real estate and mortgage notes. The Federation may refuse any contribution which is subject to restrictions or conditions which, in the opinion of the Federation, are inconsistent with the charitable purposes or operations of the Federation. Contributions to the Federation to establish a Donor Advised Fund shall be accompanied by a completed Donor Advised Fund Application.

#### 2.2

**Value.** Subject to the minimum investment amounts described in Section 3.1 below, the minimum amount necessary to establish a new Donor Advised Fund shall be \$1,000. Federation will not certify to a Donor the value of donated property.

### 2.3

**Quid Pro Quo.** As defined in the Internal Revenue Code Section 6115, a quid pro quo contribution is a payment made partly as a contribution and partly in consideration for goods or services provided to the payor by the donee organization. When a Donor, Fund Advisor, or Fund Successor (as defined in Section 4.4 below) recommends a distribution to a donee organization which will provide a quid pro quo in return for the contribution, the following provisions shall apply:

- (a) The Federation shall pay to the donee organization only such portion of the total donation which exceeds the value of the quid pro quo.
- (b) The Donor shall pay directly to the donee organization the value of the quid pro quo.

For example, if tickets to a charity dinner cost \$200 each, and the charity determines the value of the meal served at the dinner to be \$60, then the Federation would pay \$140 to the charity and the Donor would pay \$60 to the charity.

However, if the Federation initially makes the entire payment to the donee organization, then the Donor will reimburse the Federation for the value of the quid pro quo.

## Sec. 3

### INVESTMENT of FUND ASSETS

#### 3.1

**Investment Policies.** Assets contributed in connection with Donor Advised Funds constitute a part of the Federation's unrestricted endowment funds. A Donor, Fund Advisor, or Fund Successor, as defined in Section 4.4 below may recommend that all or any portion of the assets held in connection with his or her Donor Advised Fund be invested in any one or more of the Investment Funds approved by the Federation's Finance Committee for Donor Advised Funds provided that the minimum investment with respect to such Investment Fund is satisfied. The Federation shall consider and evaluate all such recommendations, but such recommendations shall be solely advisory and the Federation is not bound by such recommendations.

The investment objectives and policies of any of the approved Investment Funds may be changed at any time by Federation, without notice to the Donor and without the Donor's prior approval. Federation reserves the right at any time to sell all or any portion of the portfolio of any one or more of the Investment Funds and to reinvest the proceeds in any other Investment Fund held by Federation, or in such other manner as the Federation shall from time to time determine.

#### 3.2

**Responsibility.** The Federation has the sole responsibility and authority for the investment of the assets contributed in connection with each Donor Advised Fund and of each Investment Fund. The assets contributed in connection with any Donor Advised Fund, and the income thereon, may be commingled with assets held in connection with other Donor Advised Funds, or with other endowment funds of the Federation, or may be invested in units of any Investment Fund which may be established or utilized by the Federation. However, the Finance Committee of the Federation shall have no obligation to commingle the assets for investment purposes and may, in its discretion, retain any assets received or held in connection with any Donor Advised Fund.

#### 3.3

**Outside Investment Advisors.** DAFs are encouraged to invest in the Federation's Pooled Endowment Portfolio. DAFs that have or are reasonably expected to have at least two hundred and fifty thousand dollars (\$250,000) in asset value may recommend to the Federation the engagement of Outside Investment Advisors to maintain custody of and manage such assets in the name of the Federation, subject to approval by the Standing Committee on Donor Advised Fund Investments, appointed for this purpose (the Standing Committee) and composed of the Philanthropic Funds Committee chair, the Pooled Endowment Portfolio Committee chair, the Chief Investment Officer (or designee) and the Senior Vice President of Endowment (or designee).

- (a) The Donor Advisors of qualified DAFs may recommend to the Federation the engagement of Outside Investment Advisors. The Federation acknowledges that working with recommended Outside Investment Advisors may have benefits that extend

beyond the particular fund. For example, it exposes the Federation to potential new referral sources with whom it may not otherwise have a relationship and may help assist potential major donors to gain comfort when contemplating significant gifts.

- (b) The role of the Donor Advisor is only that of a recommender to the Federation. The Federation is the contracting party with the proposed Outside Investment Advisor and is solely responsible for all communications with and instructions to the Outside Investment Advisor. All accounts opened by Federation with an Outside Investment Advisor on behalf of DAFs shall be discretionary advisory accounts. Any and all fees with respect to such Outside Investment Advisor shall be allocated by the Federation to, and paid by the Federation from, the respective DAF.
- (c) An Outside Investment Advisor is defined as a SEC registered investment advisor who meets all relevant criteria.
- (d) In reviewing the recommendation by a Donor Advisor of an Outside Investment Advisor, the Standing Committee shall review the Outside Investment Advisor's fees and credentials to ensure that they are in accordance with industry standards and that such selection would be in accordance with applicable law, including but not limited to, the Uniform Prudent Management of Institutional Funds Act, the Uniform Prudent Investors Act, and any other law, rule or regulation deemed appropriate. The Standing Committee may, in its sole discretion, and from time to time, establish additional criteria for the evaluation of Outside Investment Advisors. It is anticipated that review of the recommendation of an Outside Investment Advisor from a Donor Advisor generally will be completed within 45–60 days.
- (e) The Standing Committee shall undertake a periodic review of all Outside Investment Advisors. In the event the Standing Committee deems any such Outside Investment Advisor no longer appropriate, the Federation shall notify the Donor Advisor of such determination. The decision to retain, evaluate and terminate any such Outside Investment Advisor rests solely with the Standing Committee.
- (f) In no event may the Outside Investment Advisor, or any principal or key employee of the Outside Investment Advisor, be the Donor Advisor or a Joint Advisor or Fund Advisor (a Fund Advisor is an individual who has been authorized by the Donor Advisor to make recommendations as to investments or grants for the DAF) or a related party to the Donor Advisor or a Fund Advisor, within the meaning of Sec. 4958 of the Internal Revenue Code. At the time a Donor Advisor recommends an Outside Investment Advisor to the Federation, the Donor Advisor shall provide the Federation with all information requested in order to satisfy the Federation that the relationship of the proposed Outside Investment Advisor to the Donor Advisor or Fund Advisor complies with the prior sentence. If a proposed Outside Investment Advisor is engaged by the Federation, the Donor Advisor shall advise the Federation of any changes in the relationship between the Outside Investment Advisor and the Donor Advisor or Fund Advisor promptly after such change occurs. In any situation where there is a question regarding the nature of the relationship of the proposed Outside Investment Advisor to a Donor Advisor or Fund Advisor, such question should be directed in writing to the Federation for review. Upon review, the Federation shall inform the Donor Advisor of its determination as to whether the Outside Investment Advisor complies with this policy.
- (g) Each Outside Investment Advisor approved and engaged by the Federation under these policies shall be required to provide to the Standing Committee appointed for this purpose regular reports as to the performance of the fund, fees, strategy and such other and further information as may be requested from time to time, but in no event less than monthly, in order to permit the Standing Committee appointed for this purpose to fulfill its ongoing oversight functions. Such Outside Investment Advisors shall make themselves available to Federation representatives, from time to time, to discuss all aspects of their engagement with members of the Standing Committee appointed for this purpose.

## *Sec. 4*

### **DISTRIBUTIONS** *from the FUND*

#### **4.1**

***In General.*** The Federation has the right to direct all distributions of income or principal of Donor Advised Funds. The Donor(s) of a Donor Advised Fund or a Fund Advisor or Fund Successor (defined in Section 4.4 below) may recommend to the Federation the making of distributions in an aggregate amount not to exceed the amount of liquid assets then held by the Federation in connection with such Donor Advised Fund, which recommendation must not be inconsistent with the charitable purposes of the Federation. The Federation shall consider and evaluate all such recommendations, but such

recommendations will be solely advisory and the Federation is not bound by such recommendations. The Federation may at its discretion charge back to a Donor Advised Fund expenses incurred specifically on behalf of the Fund.

#### 4.2

**Recommendations.** In general, the privilege of making recommendations described in Section 4.1 above (the “Privilege”) shall be extended solely to the individual who makes a contribution to establish a Donor Advised Fund (the “Donor”).

#### 4.3

**Joint Donors.** If two individuals sign the Donor Advised Fund Application they shall both be treated as Donors and a recommendation from one shall be treated as a recommendation from both unless otherwise specified in the instrument establishing the fund. Upon the Federation receiving notice from both Donors that they have divorced in the case of married Donors or of a decision to divide the fund in the case of unmarried Donors, unless otherwise advised by a joint written direction of the Donors (or by a court decree in the case of a divorce) the Federation shall treat each former Donor as holding the Privilege as to a new Donor Advised Fund, each such Fund having a balance equal to half the balance of the original undivided Donor Advised Fund.

#### 4.4

**Fund Advisors/Fund Successors.** A Donor or Donors may also extend the Privilege during the lifetime(s) of the Donor(s) to other individuals, including his or her spouse, in writing. Individuals designated to hold the Privilege during the lifetime(s) of the Donor(s) shall be known as Fund Advisors. Individuals designated to hold the Privilege after the last to die of the Donor(s) (as noted in Section 4.8 below) shall be known as Fund Successors.

#### 4.5

**Termination of the Privilege.** All Privileges with respect to a Donor Advised Fund shall terminate upon the first to occur of the following:

- (a) except as otherwise provided in Section 4.8 below, the death of the survivor of the Donor(s);
- (b) delivery to the Federation of a written release of the Privilege from the holder(s) thereof;
- (c) a finding by the Federation that none of the persons holding the Privilege is available or competent to exercise the Privilege.

#### 4.6

**The Privilege of Recommendation and the Corporate Donor.** A Donor which is a corporation or other organization which establishes a Donor Advised Fund will hold the Privilege for a period not to exceed 15 years from the date of the establishment of the Fund. The Federation may extend the Privilege beyond the 15-year period if the corporation makes substantial additional contributions, if the corporation otherwise maintains a continuing charitable involvement with the Federation, or if the Federation in its discretion determines that extending the period of the Privilege is beneficial to the Jewish community. Such corporation or other organization shall designate one person (and may designate his or her successor or successors) to exercise the Privilege on behalf of the corporation.

#### 4.7

**Recommendations to the Jewish United Fund.** If an individual or corporation who holds the Privilege makes a pledge to the Jewish United Fund or to the Federation, then, unless otherwise specifically provided by such person, the Federation may treat such pledge as a recommendation to make a distribution to the Jewish United Fund or the Federation, as the case may be, in an amount equal to the amount of such pledge. No other pledge or expressions of intention to make a gift will be paid from a Donor Advised Fund.

#### 4.8

**Extension of Privilege Beyond Donor's Lifetime.** In order to continue family participation, support and involvement with the Jewish Federation, a Donor may designate a spouse and/or a child or children (and their respective spouses) as Fund Successors to hold the Privilege for the lifetime of the Fund Successors or for a specified number of years after the death of the survivor of the Donor(s) provided, if at the time of the death of the survivor of the Donor(s), the balance of their Donor Advised Fund exceeds the minimum amount established from time to time by the Federation. Currently, the minimum is \$25,000.

In such circumstances, the Federation may require multiple Fund Successors to act unanimously in submitting recommendations to the Federation. If the Fund Successors cannot agree as to the exercise of the Privilege, then the Federation may terminate the original Donor Advised Fund and instead treat each Fund Successor as holding the Privilege with respect to a new Donor Advised Fund with a balance equal to the result obtained by dividing (i) the balance in the undivided Donor Advised (at the time the dispute arises) (ii) by the number of Fund Successors with respect to such undivided Donor Advised Fund.

#### 4.9

**Charitable Purposes for Which Distributions May Be Made.** The Federation shall identify specific charitable purposes to which distributions chargeable against Donor Advised Funds may be made and shall from time to time determine the charitable organizations to support. The categories noted below are consistent with the purposes of the Federation as determined by the Philanthropic Funds Committee of the Federation’s Board of Directors. These categories reflect the broad scope of purposes of the Federation and the interests of the Jewish community. For each of the categories of organizations described, there is also a goal stated for distributions during the fiscal year. The goal is not fixed but reflects the range generally sought to be achieved in meeting charitable purposes and may vary from time to time.

<b>Purposes By Category</b>	<b>Goal</b>
The JUF Annual Campaign, Federation and its beneficiary and affiliated agencies	40-60%
Other organizations in the United States serving Jewish charitable purposes	15-35%
Charitable organizations in the United States which the Federation determines provide an identifiable benefit consistent with the Federation’s charitable purposes	20-40%

#### 4.10

**Limitations.** The following limitations apply to all distributions from Donor Advised Funds:

- (a) The minimum amount of any one distribution from a Donor Advised Fund shall be \$100, or such greater amount as may be determined by the Federation from time to time.
- (b) The Federation, as a public charity, will not make any distribution which is not an appropriate expenditure of the Federation for its charitable purposes, and no such distribution, except as provided in Section 4.7 may be used to discharge or satisfy a legally enforceable pledge or obligation of any person, including the Donor of such Donor Advised Fund.
- (c) It is the policy of the Federation that a significant part of the assets contributed for Donor Advised Funds shall remain an unrestricted endowment of, or be used for, the Federation or its affiliates and beneficiary agencies, and all Donor recommendations shall be evaluated in light of this policy.
- (d) With respect to any “Donor” as described in Section 4958(f)(7) of the Internal Revenue Code, a Donor Advised Fund shall not:
  - (i) make a grant, loan, compensation or similar payment, such as an expense reimbursement, to a person so described with respect to the Fund; or
  - (ii) make a distribution to a person so described with respect to the Fund if that person will receive, directly or indirectly, a “more than incidental benefit” as the phrase is described for purposes of Section 4957 of the Internal Revenue Code.
- (e) No distribution shall be made from a Donor Advised Fund to an individual or for any non-charitable purpose
- (f) No distribution shall be made from a Donor Advised Fund to an organization which is described as a “disqualified supporting organization” as that phrase is defined in Section 4966 of the Internal Revenue Service Code.
- (g) No distributions shall be made from a Donor Advised Fund to a non-operating private foundation.
- (h) No distributions shall be made from a Donor Advised Fund to an organization that is adverse to the interests of the Jewish community.

#### 4.11

##### *Procedure.*

- (a) **Recommendations by Donors.** The Privilege of making recommendations with respect to distributions from a Donor Advised Fund must be exercised in writing addressed to the Federation, or by such other means, including electronically, as determined by the Federation from time to time. Donors are encouraged to make recommendations with respect to the charitable purposes identified by the Federation from time to time.
- (b) **Investigation.** With respect to each recommendation by a Donor, the Staff of the Federation will determine whether the recommendation is not inconsistent with the charitable purposes of the Federation. The degree of formality of the evaluation will depend upon the nature of the donee organization and the information already available to the Federation with respect to the donee and the purposes of the grant. The Federation may from time to time maintain a list of donee organizations determined to be consistent with the charitable purposes of the Federation. Where necessary for its evaluation, the Federation may request an organization to submit appropriate information. If the Federation determines that the recommendation is not consistent with the charitable purposes of the Federation, the Donor shall be advised that the recommendation does not meet the standards for distributions.
- (c) **Notification to Donee as to Source of Distribution.** Any distribution from a Donor Advised Fund, unless otherwise requested by the Donor of the Fund, shall identify to the donee organization the name of the Donor Advised Fund which will be charged with the amount of the distribution.

#### 4.12

**Requirement of Current Distributions.** It is the policy of the Federation that an amount at least equal to the net income deemed by the Federation to be allocable to a Donor Advised Fund shall be distributed during the fiscal year in which such net income is realized or within a reasonable time thereafter. Any such net income for any fiscal year which has not been distributed by the Federation in accordance with recommendations shall be distributed in the discretion of the Federation to the Federation's Unrestricted Gift and Legacy Fund, to the general operating accounts of the Federation, or to the Jewish United Fund of Metropolitan Chicago, or any one or more of them, and such distribution shall be charged against such Donor Advised Fund.

#### Sec. 5.

### REPORTS

#### 5.1

**Annual Report.** A report of all distributions from Donor Advised Funds shall be prepared annually by the Federation and made available for inspection by the public.

#### Sec. 6.

### CONTINUITY of FUNDS

#### 6.1

##### *Upon Death of Donor.*

- (a) At the time of the death of the survivor of the Donor(s), if a Fund Successor has not been named and/or the distribution of the Fund balance has not been previously designated, then the Federation shall designate the balance of such Fund as part of the Federation's Unrestricted Gift and Legacy Fund as if it were an unrestricted bequest received by the Federation.
- (b) At the time of the death of the survivor of the Donor(s), if a Fund Successor has been named, then the provisions of Section 4.8 govern.

#### 6.2

**By Policy.** In instances where there has been no Donor-initiated activity in a Donor Advised Fund for at least seven consecutive years, and where the donor has not provided a reasonable explanation for maintaining an inactive account, the Federation may, with due appropriate notice to the donor, upon formal action by the Philanthropic Fund Committee, close

the fund and distribute assets remaining in the fund to the Federation's Unrestricted Gift and Legacy Endowment, absent any written instructions from the donor specifying alternate arrangements.

### **6.3**

***Recognition upon Termination of Funds.*** Unless otherwise requested by the Donor, if at the time the Privilege with respect to a Donor Advised Fund terminates, the balance of such Donor Advised Fund exceeds the threshold requirement for listing in the Book of Life of the Federation, the name of the Donor (or such other person or designation as the Donor may have requested) shall be inscribed in the Book of Life of the Federation.





**Jewish Federation**  
OF METROPOLITAN CHICAGO

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