

# *Guidelines for*

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## DONOR ADVISED FUNDS

A donor advised fund is a satisfying way to build a lasting charitable endowment. It allows you to make a charitable contribution and receive a tax deduction as allowed by the IRS, grow the assets of the fund over time and support your favorite causes to make a lasting impact in our community.

Donor advised funds are one of the Greater Milwaukee Foundation's most popular charitable giving options. A donor advised fund combines your charitable interests with the Foundation's more than 100 years of experience in philanthropy. You have an active role in grantmaking and each year you can recommend grants to benefit the causes you care about the most locally, nationally or around the world.

With a donor advised fund, you may make your charitable giving a family affair by involving your family in your grantmaking for one or more generations by naming fund advisers or successor advisers to make grant recommendations in your place - or you may designate the Foundation to carry out your philanthropic legacy for years to come.

# GUIDELINES

With more than 100 years of philanthropic experience in the community, you can trust the Greater Milwaukee Foundation to help you get the most out of your charitable experience. Here are a few guidelines to help you manage a donor advised fund:

## **SPENDING POLICY**

Donor advised funds benefit from the Foundation's spending policy, which determines how much money is available each year to make grants without invading fund principal (spending allowance). The Foundation's spending policy ensures that funds generate money to spend on grants each year, whether the market is good or bad, while preserving the inflation-adjusted principal value of your fund over time. The current spending rate is 4.75 percent of fund market value averaged over the preceding five years. For more information regarding the Foundation's spending policy, please contact your philanthropic adviser.

## **ACCESS TO PRINCIPAL**

Some donor advised funds allow access to a portion of the fund's principal for grantmaking. Whether or not you, your fund advisers or your successor advisers have access to principal will be documented in your gift agreement.

## **MINIMUM FUND BALANCE**

Each fund must maintain a minimum fund balance, unless otherwise stated in your gift

agreement. The current required minimum principal fund balance is \$25,000 and is subject to change.

## **ADMINISTRATIVE FEES**

Donor advised funds are charged an annual administrative fee that varies based on the asset value of the fund. Administrative fees are taken from the fund's spending allowance.

Current administrative fees for donor advised funds are 1 percent on the first \$1 million in market value with a minimum annual fee of \$500. 0.8 percent is charged on the next \$1 million in market value, 0.6 percent on the next, and 0.2 percent on any market values over \$3 million.

The minimum administrative fee of \$500 per fund may be waived if you have included the Foundation in your estate plans.

## **INVESTMENT FEES**

Investment management and custody fees are charged directly to the investment pools and netted against pool performance. These fees average approximately 0.65 percent of pool market value and are not taken from a fund's spending allowance.





## OPTIONAL ANONYMITY

Your fund will be listed in our publications, on our website and via social media, unless anonymity is requested. If anonymity is not requested, the Foundation may reach out to you to feature you and your philanthropy in our annual report, our magazine, or other publications.

## FOUNDATION GRANT GUIDELINES AND IRS REGULATIONS ON PAYMENTS

Expense reimbursements, loans, compensation, pre-existing or personal pledges and other similar payments are not permitted from a donor advised fund. For more information regarding Foundation grant guidelines and Treasury

Department requirements for donor advised funds, please see the Grantmaking Guidelines and Treasury Department Requirements sections or contact your philanthropic adviser.

## VARIANCE POWER

As required by law, the governing instruments provide, among other things, that the Foundation has the power to modify and vary any donor direction or restriction in the event they become unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community. This ensures that your fund will never become obsolete and may avoid costly court proceedings. For example, if your fund supports finding a cure for a disease and the disease is cured, the Foundation will find an adequate funding replacement for your fund's grantmaking.

## AS YOUR CHARITABLE GIVING PARTNER, THE GREATER MILWAUKEE FOUNDATION WILL:

- Carry out all accounting and tax reporting related to your fund.
- Engage an independent annual audit of the Foundation's financial records and practices.
- Provide professional oversight and management of the Foundation investment pools in which your fund is invested; you will be invited to attend quarterly investment seminars presented by the Foundation's investment consultant.
- Complete grant processing and determine that agencies to which you recommend grants are eligible to receive grants per IRS guidelines.
- Mail quarterly, semi-annual or annual financial statements showing grants made from your fund, investment returns and the current fund balance.
- Provide you with a username and password for Philanthropy Online (POL), the Foundation's online access platform for donor advised funds where you can access monthly electronic statements, gift and grant histories, and make grant recommendations.
- Assist you in making grant recommendations.

# MAKING GRANTS FROM YOUR DONOR ADVISED FUND

As soon as your donor advised fund is established and meets the minimum fund balance requirement as stated in your gift agreement, you may begin to recommend grants. To make your grantmaking as effective as possible, the Foundation requests that you follow these grantmaking guidelines:

## BASIC GRANT GUIDELINES

You may recommend an unlimited number of grants of \$250 or more to nonprofits that the IRS recognizes as charitable with a 501(c)(3) public charity designation. Grants can benefit nonprofits locally, throughout the United States and beyond. If you wish to make a grant internationally, your philanthropic adviser can work with you to find a U.S. fiscal agent.

The foundation does not make grants from donor advised funds to non-charities or businesses. If there is a rare instance of a grant requiring the Foundation to exercise expenditure responsibility, the Foundation will follow the established due diligence procedures and any other compliance required by the Internal Revenue Service.

## ANNUAL GRANTS

You are not required to make grants on an annual basis, but the Foundation encourages you to do so. Your philanthropic adviser will remind you every fall if you have not made a grant from your fund during the current calendar year. If you choose not to make grants, you have the option of reinvesting your grant funds and must notify the Foundation of your decision to do so. Funds with no grantmaking activity or low fund balances are subject to the Foundation's inactive funds policy. Please see the Inactive Funds section below for more information.

## FUND NAME

Grants are made in your fund's name. Unless you wish to remain anonymous, nonprofits will be notified of your generosity and will be encouraged to thank you according to your instructions.

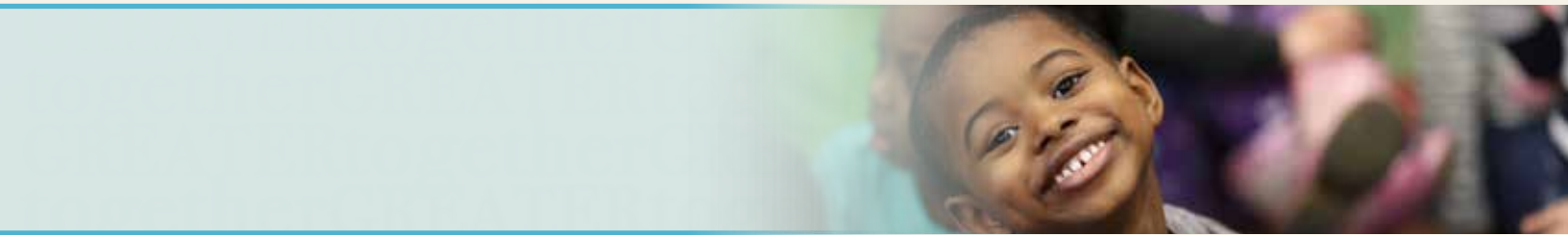
## DUE DILIGENCE

The Foundation will conduct a review of financial and governance records of nonprofits you recommend for funding to ensure the organizations you support are in compliance with federal and state laws, as well as established nonprofit management practices and standards. For more information regarding the Foundation's due diligence policy, please contact your philanthropic adviser.

## BOARD APPROVAL

All grants are approved by the Greater Milwaukee Foundation's Board of Directors. Grants up to and including \$100,000 are typically paid within one to two weeks and approved during the Foundation's quarterly board meetings. Foundation policy requires all grants over \$100,000 to be approved by the board prior to payment. This can be done via electronic board ballot to help expedite the payment process.





## TREASURY DEPARTMENT REQUIREMENTS

Making contributions to a donor advised fund offers substantial tax advantages over contributions to a private foundation. In return, donor advised funds must adhere to the following Treasury Department requirements:

- Grant recommendations are not binding on the Foundation. Grant recommendations will be independently reviewed and must be approved by the Foundation's Board of Directors. In practice, grant recommendations to nonprofits already certified for grants can be approved within one to two weeks. In rare cases, serious concerns about a nonprofit may arise (e.g. a nonprofit's charitable status may be revoked).
- Grants may only be made to nonprofit organizations recognized by the IRS as tax exempt public charities to ensure that the entire amount of a grant is used for a charitable purpose. Qualifying organizations will generally be organized under sections 501(c)(3) and 170(b)(1)(A) of the Internal Revenue Code. Trade associations, political parties, private foundations and service clubs generally do not qualify for grants from donor advised funds. The IRS does not allow grants to be made to individuals.
- To ensure the entire grant amount is used for charitable purposes and does not result in a material benefit to a donor, the IRS prohibits any distributions (grants, loans or compensation) to a donor, his/her family, advisers or related parties from a donor advised fund. This includes payments for memberships, dues, tickets to fundraising events, reimbursement for charitable expenses or anything that might be perceived as providing these individuals with a material benefit.
- Grants may not be used to satisfy a previously committed personal pledge to a charity. However, new grant commitments of up to five years may be made from a donor advised fund. Once a grantee has been notified of a multi-year commitment from your fund, payments cannot be revoked unless the grantee cannot meet the conditions of the grant (e.g. the specified project has been canceled).

## GRANTMAKING IN FIVE EASY STEPS

- 1.** You recommend grants via POL, by e-mail, phone, mail or fax. Your grant recommendation should include five items: Fund name, your name (or name of the fund adviser making the recommendation), nonprofit name, grant amount and the program/project the grant is to support (if no program or project is selected, the grant purpose will default to sustaining support).
- 2.** The Foundation will verify the nonprofit's eligibility to receive a grant, if needed, and then pay the grant within one to two weeks.
- 3.** You are mailed a confirmation letter of the grant(s) to be paid – and whether or not any further review is needed.
- 4.** A check or an electronic payment is sent to the nonprofit with a notification letter listing your fund name and the name of the advisers, unless you choose anonymity.
- 5.** Your financial statement and your POL account will list your grant history.

# CONTRIBUTING TO YOUR DONOR ADVISED FUND

Building your fund is all about creating a legacy that is personal, powerful and permanent. You can build your fund during your lifetime, or you can create a legacy promise that will be added to your fund after your lifetime.

## BUILDING YOUR FUND NOW

You may add to your fund using assets such as cash, securities, and mutual funds that are easily transferred to the Foundation. Other assets, such as real estate and closely held stock, are subject to review by the Foundation's gift acceptance committee. Upon acceptance of an asset, the Foundation will provide you with a receipt for your charitable income tax deduction, in the year your gift is made, in accordance with IRS regulations.

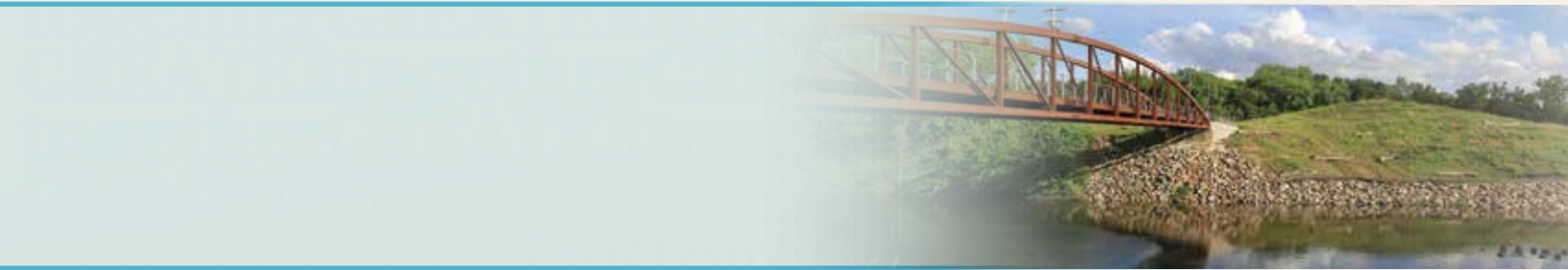
The Foundation accepts the following types of gifts:

- Cash or check
- Publically traded securities and mutual fund shares
- Closely-held stock
- Real estate
- Life estates
- Life insurance policies
- Interests in limited liability partnerships

All contributions should be clearly designated with your fund name. Gifts to your fund are irrevocable. All funds at the Foundation are component funds and assets of the Greater Milwaukee Foundation, Inc., and, as such, any contribution is automatically treated as a gift to a 501(c)(3) public charity.

*Contact your philanthropic adviser at the Foundation with any questions about making a gift to your fund.*





## WAYS TO LEARN ABOUT YOUR ESTATE AND GIFT PLANNING OPTIONS

Your philanthropic adviser and the Foundation's director of gift planning are available to discuss your estate plan and gift options. All such consultations are confidential.

The Foundation accepts proceeds from the following types of estate and planned gifts:

- Bequests by will
- Charitable gift annuities
- Charitable lead trusts
- Charitable remainder trusts
- IRAs
- Life insurance policies
- Other retirement funds
- Real estate gifts
- Transfers of a private foundation

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## THE FOUNDATION'S FUNDRAISING POLICY

Donors sometimes want to raise money to add to donor advised funds. Fundraising is permitted, but donors must strictly adhere to Foundation policy guidelines. Funds that engage in fundraising may be charged a higher administrative fee rate. Your philanthropic adviser will provide you with a copy of the Foundation's fundraising policy and walk you through it. Please contact your philanthropic adviser prior to making any third party solicitations.

### MAKING A GIFT IN 4 EASY STEPS

1. Send your contribution to the Greater Milwaukee Foundation, or contact your philanthropic adviser for instructions on how to make a gift via electronic transfer. Please note your fund's name on all contributions to the Foundation.
2. The Foundation reviews, accepts and processes the gift.
3. The Foundation provides a gift acknowledgement for tax purposes.
4. Your financial statement and your POL account will list your gift history.

# INACTIVE FUNDS

The Greater Milwaukee Foundation encourages fund founders, fund advisers and successor advisers to maintain an active role in their funds. In order to carry out its mandate of distributing charitable dollars to the community, the Foundation periodically reviews grantmaking activity and fund balances on all funds.

## FUNDS WITH NO GRANTMAKING ACTIVITY

Should a fund not make any grants for two years, your philanthropic adviser will contact you to discuss intentions for the fund and may offer you the following options:

- Document a plan for funding a specific charitable project that follows your charitable interests or past grantmaking activity that requires an accumulation of fund income for more than two years.
- Recommend total grants, equal to the Foundation's spending allowance as retroactively applied to the fund, to one or more nonprofits that follow your charitable interests or past grantmaking or interest areas.
- Place the fund on reinvestment status to grow the principal of the fund.
- Consider converting the fund to the final purpose as documented in the gift agreement.

If the Foundation's attempts to contact fund advisers or successor advisers are unsuccessful, resulting in no grants or plans to grant for a total of three years, your fund will be considered an inactive fund as described below.





## FUNDS WITH A LOW BALANCE

If your fund falls below the minimum fund balance, your philanthropic adviser will contact you to offer suggestions, including the option to make additional contributions to your fund to bring the fund up to the minimum balance, to reinvest the income of your fund until the balance is above the minimum requirement, or grant out the fund balance and close the fund. If you do not reply to your philanthropic adviser's attempts to contact you for a period of three years, your fund will be considered an inactive fund as described below.

## INACTIVE FUNDS

A fund is deemed inactive if any of the following occurs:

1. There has been no grantmaking activity from the fund for a period of three years and the fund founders, fund advisers and/or successor advisers have not responded to Foundation contact attempts for a period of three years, or
2. The fund is below the minimum fund balance and the fund founders, fund advisers and/or successor advisers have not responded to Foundation contact attempts for a period of three years.
3. The fund advisers or successor advisers cannot be located due to lack of contact information and/or reasonable attempts to locate the fund advisers or successor advisers for a period of three years.

If the fund becomes inactive, the Foundation's Board of Directors may exercise its discretion to convert the fund to its final purpose as documented in the gift agreement by the fund founder.

# Your contact at the Greater Milwaukee Foundation

A philanthropic adviser works with you throughout your entire lifetime – and the lifetime of your future fund advisers. Whether it is through one-on-one meetings, assistance in making grants, nonprofit site visits or talking through your personal charitable goals, your philanthropic adviser helps to enrich your charitable experience at the Foundation.

For more information about donor advised funds or other charitable options, contact your philanthropic adviser.

Tel **414.272.5805**

E-mail **[philanthropicservices@greatermilwaukeefoundation.org](mailto:philanthropicservices@greatermilwaukeefoundation.org)**

Website **[GreaterMilwaukeeFoundation.org](http://GreaterMilwaukeeFoundation.org)**.

## Resources

The following are policies and resources that are available upon request. Please contact your philanthropic adviser for any of the following Foundation documents:

- Confidentiality policy
- Donor intent overview
- Due diligence overview
- Fundraising guidelines
- Gift acceptance policy
- Investment philosophy
- Schedule of standard fees
- Spending policy









Greater Milwaukee  
**FOUNDATION**  
*greater together*

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