

# Guidelines for Donor Advised Funds

*A Donor Advised Fund (DAF) at the Rhode Island Foundation (the Foundation) is a flexible way for individuals, families, and organizations to support charitable causes. This document provides an overview of the guidelines and restrictions that apply to DAFs<sup>1</sup>.*

## 1. Establishing and Managing a Donor Advised Fund

### Establishing a Fund

To establish a DAF, please contact a member of the Development team at (401) 274-4564 or via email at [development@rifoundation.org](mailto:development@rifoundation.org). Once your fund is set up, you can access and manage it through our secure Donor Portal, where you can recommend grants, check fund balances, and research nonprofit organizations. Fund reports are prepared twice annually and are accessible through the Donor Portal.

### Minimum Fund Balance

A minimum balance of \$25,000 is required.

### Primary Advisors

The primary advisor(s) are designated at the time of fund creation for the purpose of making grant recommendations. Additional co-advisors may be named, but the primary advisor(s) make grant recommendations on behalf of others. When the donor is an organization or corporation, typically one organizational position (with its associated employee) is named as the on-going primary advisor. Individuals must be at least 18 years or older to serve actively as advisors.

### Successor Primary Advisors

Original donors may appoint one successor primary advisor in writing. The successor primary advisor is restricted by the Foundation's spending policy for grantmaking unless the Foundation was specifically advised in writing by the original donor(s) that the successor primary advisor may make grant recommendations in excess of the spending policy. For organization and corporate advised funds, the organizational position originally named can continue to advise the fund even as its personnel changes. When there is no remaining successor primary advisor, if not otherwise specified in writing by the original donor(s), the fund will be used to address the most pressing needs in Rhode Island, as determined by Foundation team members and board of directors, or for a particular field of interest, either topical or geographical.

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<sup>1</sup> These guidelines ensure that these funds will be consistent with the charitable purpose of the Foundation and the regulations governing advised funds. We reserve the right to amend these guidelines at any time.

## **2. Adding to Your Fund**

### **Donation Options**

Contributions to your fund can be made at any time via cash, securities, or credit card through our secure website. Additional assets may be contributed after consulting with our development team. Donors may also include the fund in their estate plans or name the Foundation as a beneficiary of life insurance policies or retirement plan assets. Foundation team members can work with you and your legal or financial advisors at any time for such planning.

### **Aligned Funding Opportunities**

For larger fund balances, donors may fund grants alongside the Foundation, typically for amounts of \$10,000 or more that are aligned with the Foundation's priorities. Aligned Funding maximizes the effectiveness of your donor advised fund by connecting you with high-impact initiatives and projects benefiting Rhode Islanders, which have been reviewed by the Foundation's Grants & Community Investments team. This type of partnership ensures that you can make charitable investments that directly meet community needs and that align with your giving priorities.

### **Fundraising**

Direct contributions to a donor advised fund at the Foundation are welcome. If you are planning fundraising activities to benefit a donor advised fund at the Foundation, please contact us for guidance on brand usage.

## **3. Investment Philosophy and Fee**

### **Investment Philosophy**

The Foundation's investments are managed by a committee of directors and community members with expertise in the field, along with the support of an investment consultant and the Foundation's Chief Financial Officer. Our investment philosophy is to preserve and enhance principal while providing a dependable source of spending. Donors to the Foundation have the option of investing in one of three pools that comprise our endowment.

### **Support Fee**

The Foundation is a 501(c)(3) public charity. We serve as the state's only community foundation. A support fee of 1.0% of the fund's average value over the preceding 16 quarters assists in funding the broad array of services the Foundation provides to fundholders. Importantly, it also helps to fund our shared community impact efforts - the work we do together with our fellow Rhode Islanders to mobilize generosity and motivate change - including our community investment and grantmaking efforts, deep knowledge of and relationships with community partners throughout the state, and our shared efforts to create lasting progress for all Rhode Islanders.

## 4. Grant Recommendations

### Eligible Grants

In general, distributions from Foundation funds (including grants from donor advised funds) may be made only to domestic 501(c)(3) public charities that are in good standing with the IRS. All distributions from Foundation funds must be for charitable purposes that are consistent with the Foundation's mission.

Any distributions to private foundations or foreign organizations must be for charitable purposes and are subject to approval by the Foundation. The Foundation shall exercise expenditure responsibility over such distributions in accordance with IRS guidelines.

The Foundation performs the due diligence required, using Charity Check, to verify tax exempt status of an organization.

The Foundation's Board of Directors retains control to approve or deny grant recommendations. The Foundation must assess each recommendation independently. By law, grant recommendations cannot be binding. If they were, the IRS would likely classify the fund as a private foundation and some of the legal benefits of working with the Foundation as a public charity could be lost. For example, this could jeopardize the tax deduction allowed for the gift and the IRS could levy taxes and penalties on the donors, the fund and the Foundation.

## **Ineligible Grants**

In adhering to IRS regulatory guidance and Rhode Island Foundation policy/bylaws, a DAF may not make grants that:

- Are not 100% tax deductible;
- Provide more than an incidental personal benefit to the donor, their family or related entities;
- Relieve the donor of a financial obligation.

Prohibition or restrictions exist on the below grants due to applicable law and IRS regulations. These restrictions help ensure that DAF grants comply with IRS regulations, maintain their tax-advantaged status and are used exclusively for charitable purposes.

<b>Sponsorships or Events</b>	Sponsorships that provide tangible benefits such as event tickets, tables and business advertising may not come from a DAF. Even if a portion of the ticket price is tax-deductible, the entire cost is disallowed from being funded through a DAF.
<b>Membership Fees</b>	Membership fees that provide personal benefits, such as access to exclusive events or facilities, aren't permitted. This is to ensure that the grant remains fully charitable and does not confer private benefit.
<b>Pledges</b>	The IRS considers fulfilling a legally-binding pledge as potentially resulting in a "more than incidental benefit" to the donor, which is prohibited.
<b>Tuition or Educational Fees</b>	DAF funds cannot be used to pay for tuition or other educational fees for a specific individual even if the institution is a nonprofit. These payments are considered expenses, not charitable contributions.
<b>Scholarships</b>	Donors can't personally select a recipient or award scholarships where the donor or related parties have the majority or deciding vote on qualified applicants.
<b>Individuals</b>	DAFs are prohibited from making grants directly to individuals, even if for charitable purposes like medical bills or a scholarship.
<b>Lobbying or Political Contributions</b>	Political campaigns, candidates, or lobbying organizations are not 501(c)3 organizations.

## **Minimum Grant Amount**

The minimum amount for grant recommendations from the fund to other qualified charitable organizations is \$250.

## **Timing of Grant Distributions**

Grant recommendations typically take 5 to 10 business days to be processed. During peak activity periods, or should any issues arise during due diligence, processing of grant recommendations may take longer than normal. You can track the status of your grant recommendation when initiated through our Donor Portal.

## **Frequency of Grant Recommendations**

While there is no required frequency for recommending grants, we encourage at least one grant recommendation per year. If no grants are made within 24 consecutive months, we reserve the right to issue a grant in accordance with the Foundation's spending policy.

## **Anonymity**

Advisors may request anonymity when making grant recommendations.

For further information, please contact a member of the Development team at (401) 274-4564 or visit [www.rifoundation.org](http://www.rifoundation.org).