Rhode Island Foundation

Guidelines for Donor Advised Funds

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

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) 274-4040 or via email at giving@rifoundation.org. Once a fund is set up, it can be accessed and managed through our secure Donor Portal, where advisor(s) can recommend grants, check fund balances, and research nonprofit organizations. Fund reports are prepared twice annually and are accessible through the Donor Portal. For additional guidelines on establishing a fund, please refer to Foundation's Gift Acceptance Policy.

Minimum Fund Balance

The minimum initial contribution to establish a DAF is $10,000, and a minimum balance of $10,000 generally must be maintained at all times thereafter.

Advisors

Primary advisor(s) are designated at the time of fund creation for the purpose of making grant recommendations. Additional advisors may be named, but the primary advisor(s) must submit all grant recommendations. Individuals must be at least 18 years or older to serve as advisors.

An individual establishing a donor advised fund may designate themself (and another individual) as the primary advisor(s) of a donor advised fund for purposes of making grant recommendations.

The donor may designate successor advisors, with one successor designated as the primary successor advisor for purposes of making grant recommendations, either within the original Instrument of Transfer (IOT) or by a subsequent amendment to the IOT. Successor advisors are limited to one generation. A successor primary advisor may recommend grants in excess of the Foundation's spending policy only if the Foundation has received written instruction from the donor permitting grant recommendations by the successor primary advisor in excess of the spending policy. In the event that a minor child is named as a successor primary advisor, the child's legal guardian may represent that child until he or she reaches age 18.

[1] These guidelines ensure the administration of DAFs will be consistent with the charitable purpose of the Foundation and the regulations governing DAFs. The Foundation may amend these guidelines at any time.

When there are no remaining successor advisors, if not otherwise specified in writing by the original donor(s), the fund shall retain its name and will be used to address the most pressing needs in Rhode Island, as determined by the Foundation and Board of Directors, or for a particular field of interest, either topical or geographical.

2. Adding to A Fund

Donation Options

Contributions to a fund can be made at any time via cash or cash equivalents, securities, or credit card. Other 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. However, per IRS regulations, a qualified charitable distribution from an individual retirement account cannot be made to a donor advised fund. 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 $20,000 or more that are aligned with the Foundation's priorities. Aligned Funding maximizes the effectiveness of a donor advised fund by connecting advisors with high-impact initiatives and projects benefiting Rhode Islanders, which have been reviewed by the Foundation's Grants and Community Investments team. This type of partnership ensures that you can make charitable investments that directly meet community needs and 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 a fund's average value over the preceding 16 quarters is assessed annually and 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 eligible governmental units and domestic 501(c)(3) public charities that are in good standing with the IRS. The Foundation performs the due diligence required, including use of third-party verification tools, to verify the tax-exempt status of an organization. All distributions from Foundation funds must be for charitable purposes that are consistent with the Foundation's mission.

Any recommendation for distributions to private foundations, supporting organizations or foreign organizations must be for charitable purposes and will require additional due diligence by the Foundation to ensure the distribution complies with IRS guidelines. If approved, the Foundation shall exercise expenditure responsibility over such distributions, if required.

Subject to Foundation approval, an advisor may recommend a specific purpose for the use of a grant, in which case the Foundation's grant letter to the recipient organization will state such specific purpose. The Foundation does not request or receive reports or certifications from grantees confirming the use of donor advised fund grants for specific purposes.

The Foundation's Board of Directors retains control to approve or deny grant recommendations. The Foundation must assess each recommendation independently. By law, an advisor's grant recommendations cannot be binding upon the Foundation. Instead, grant recommendations are advisory in nature and are ultimately subject to Foundation approval.

Ineligible Grants

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

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

Prohibitions 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.

Pledges	Recommendations for pre-existing financial commitments that are legally binding are ineligible.
Events	Ineligible recommendations include the following: ▪ Purchase of tickets to charitable fundraising events, even if the donor pays the non-tax deductible portion separately. ▪ Payment for a sponsorship at an event where the donor receives any associated benefits, such as tickets, a table, public recognition, etc. ▪ Payment for an auction item at an event.
Memberships	Memberships that provide personal benefits, such as access to exclusive events or facilities, are not eligible. This is to ensure that the grant remains fully charitable and does not confer private benefit.
Scholarships	Ineligible recommendations include the following: ▪ Grants to individuals, including direct scholarship grants. ▪ Grants to committee or donor advised scholarship funds that do not fall within the exception to the term "donor advised fund" under Proposed Treasury Regulation § 53.4966-4(b). ▪ Grants to scholarship funds of which the donor or a person related to the donor is a recipient, or any other specific, named recipient has been pre-selected. ▪ See the Foundation's **Scholarship Policy** for additional details.
Individual support	Ineligible recommendations include the following: ▪ Grants that would directly or indirectly benefit a specific individual(s). ▪ Grants to pay a named person's salary. ▪ Support for the fundraising efforts of the donor for which the donor has made a fundraising commitment, unless the fundraising obligation has been satisfied in full.
Lobbying or Political Contributions	Ineligible recommendations include the following: ▪ Grants to support a political campaign on behalf of or in opposition to any candidate for public office. ▪ Grants to organizations that engage in activities that are in direct support or opposition to a specific piece of introduced legislation, as a substantial part of their overall activities. ▪ Grants to organizations for the specific purpose of influencing legislation.

If you have questions regarding the eligibility of a particular grant from a fund, please contact a member of the Development team at (401) 274-4040 or via email at giving@rifoundation.org.

Minimum Grant Amount

The minimum amount for grant recommendations from the fund to other qualified charitable organizations is typically $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, the Foundation encourages regular grantmaking, including at least one grant recommendation per year. If a donor advised fund has not made a grant within 24 consecutive months, remains inactive following Foundation outreach, and no approved exception applies, the Foundation may make a distribution from the fund in accordance with its Donor Advised Fund Activity Policy.

Anonymity

Advisors may request anonymity when making grant recommendations.

For further information, please contact a member of the Development team at (401) 274-4040 or via email at giving@rifoundation.org, or visit www.rifoundation.org.