



## **Donor Advised Fund Guidelines/Activity Policy**

*APPROVED April 22, 2026*

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The Northern Cincinnati Foundation (the Foundation) invests in the Northern Cincinnati region, fostering philanthropy and strengthening the support of nonprofit organizations. Using Donor Advised Funds, The Foundation provides donors with the opportunity to simplify their charitable giving and maximize their tax savings. By creating a donor advised fund within the Foundation, you join a growing number of individuals and families who have found this program to be an efficient and satisfying means of achieving their philanthropic goals and tax objectives.

A donor advised fund is established quickly and easily with an initial tax-deductible contribution of \$5,000 or more in cash, appreciated securities, or other property. The proceeds are placed in a separate fund and invested on a tax-free basis. As a donor, you have the privilege of recommending grants to the qualified charities of your choice. In addition, you will receive regular reports on contributions, grants, investment income and all other activities related to your individual fund.

The following explains the procedures involved in setting up and maintaining a donor advised fund at the Northern Cincinnati Foundation.

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### **Establishing a Fund**

A donor advised fund is established by contacting the Foundation staff to talk about your charitable goals. Then, along with your advisor, if applicable, the type of fund would be determined according to your goals. A donor advised fund can also be set up and funded by using our online application on our website <https://northerncincinnati.foundation>. Your donor advised fund could be used to establish legacies of giving that will last for generations. If appropriate, you may involve other family members who you may want to serve as future advisors to the fund. Once this is established, a donor advised fund agreement is completed with the Foundation and you make your irrevocable and unconditional gift to the Foundation. Specific terms and conditions for the type of fund established are stated in the fund agreement executed between the donor(s) and the Foundation.

### **Who May Establish A Fund**

A donor advised fund might be established by individuals or corporations as an alternative to a private foundation or in conjunction with assorted estate planning tools. For example, your fund may be the beneficiary of a will or trust bequest, payment on death of stock or bank accounts, life insurance policy, charitable remainder trust, or beneficiary of retirement plans for your heirs or surviving spouse to advise at your passing.

## **Naming Your Fund**

As the founder of a donor advised fund, you may designate the name of the fund. A fund name can include your name, your family's name, an individual family member, a business name, or some other name. We can also maintain the anonymity of the fund and your family.

## **Contributing to Your Fund**

Gifts to a fund are irrevocable. The assets of donor advised funds are owned and controlled by the Foundation. As long as the fund meets the minimum balance requirements, contributions to a fund may be made in any amount and at any time. Contributions may be made using cash, publicly traded securities or other property, including closely held stock, partnership interests, real estate, personal property, trusts, and life insurance. However, federal law prohibits qualified charitable distributions (IRA, charitable rollovers) to donor advised funds. Contributions are subject to acceptance by the Foundation. Contributions should be clearly designated by the fund name.

Many donors make contributions using appreciated, publicly traded stock that has been held for longer than a year, to enjoy maximum tax benefits, i.e. an income tax charitable deduction subject to applicable limits plus avoidance of potential capital gain tax. Contributions of property that may not have immediate liquidity are accepted at the discretion of the Foundation, and subject to completion of our due diligence procedures. Donors considering a gift in any form other than cash should contact the Foundation to discuss its appropriateness and to obtain delivery instructions.

## **Converting a Private Foundation to a Donor Advised Fund**

A private foundation may be converted to a donor advised fund to reduce the costs of administration, escape private foundation excise taxes, avoid the minimum 5% payout requirement for the private foundation, and significantly increase the tax benefit of your contributions. Converting a private foundation to a donor advised fund is relatively simple and we can assist you with that process.

## **Fund Advisors**

The initial advisors to the fund are those persons named in the fund agreement. If at any time there is more than one advisor to the fund, the advisors will appoint a designee and all communications to and from the Foundation will be through the designee. If no designee has been appointed, the Foundation will consider the first advisor named in the agreement to be the designee.

## **Successor Advisors**

The donor(s) may designate in writing successors to advise the Foundation when the donor(s) is no longer able or desires to do so. In the event no one advises the Foundation regarding grants from the Fund for three consecutive years, the Foundation may deem that no one has an interest in advising with respect to the Fund, and after repeated attempts to communicate with the donor(s) and/or successors, the Fund shall become an unrestricted fund; or if the original donor(s) designated a field of interest, then those wishes shall be carried out by the Foundation.

## **Investment Options**

Your contributions to the Foundation are invested according to the Investment Policy of the Foundation. An Investment Committee of the Board of the Foundation meets at least semi-annually to review the performance of our investments and updates as needed. The Foundation has full discretion and responsibility over the investment of account balances and reserves the right to change the investment program and procedures at any time. The Foundation's investment policy allows for other money managers as appropriate and approved by the Investment Committee and the Board of Directors. The Foundation appoints an investment consultant to carry out some of its investment management responsibilities.

## **Administrative Fees**

The Foundation assesses fees, including investment management fees, against all its funds to cover the cost of administration and to continue the Foundation's important work in our community. Fees provide the necessary resources to operate efficiently and effectively, ensuring fiscal responsibility to grant due diligence, donor and nonprofit education, research, and other activities. Determination of administrative fees is detailed in the Administrative Fee Policy and can be changed at the discretion of the Board of Directors of the Foundation. Investment management fees vary depending on the investment manager.

## **Recommending a Grant**

Grants must be for charitable purposes. The minimum grant amount is \$100.00. You may recommend grants to any organization described in section 501(c)(3) of the Internal Revenue Code. The Foundation does not make grants to private foundations. You may also recommend grants to units of government (e.g., public schools, public universities, town and municipal governments, park departments, or police departments, etc.). We check carefully to verify that the recommended grantee qualifies as a charitable organization under the federal tax laws and that it provides quality services consistent with the Foundation's mission. You may recommend a grant for general support or for a specific program or activity.

You will receive log-in instructions for the Foundation's online donor portal, DonorCentral, where you can access your fund balance, grant history, fund statements and other fund activity. If you would prefer, you can contact the Foundation staff to make grant recommendations or request information about your fund.

We encourage donors to request grants at least two weeks prior to the actual grant being made.

From time to time the Foundation may bring to the advisor's attention grant making opportunities in which the advisor may have an interest. The advisor is not obligated to recommend a grant for the identified program. Donors shall be furnished with lists of the unmet charitable needs of the community as determined by the Foundation from time to time.

The Foundation's President/CEO may approve grants that meet the specifications of this policy up to \$25,000 without prior board approval. Grants over \$25,000 but less than \$100,000 may be approved by the President/CEO but also requires approval from one member of the Foundation's Executive Committee. Grants over \$100,000 must be submitted to the Board for approval before distribution can be made. All grants made from donor funds will be reported to the Board for final approval at the following scheduled

board meeting. This is done to aid in the speed and efficiency of the distribution of grant funds to qualified charitable organizations that may already be known and vetted or meet the requirements of this policy after investigation.

### **Grant Acknowledgement**

When a grant check is sent, it is accompanied by a letter giving recognition to the donor advised fund from which the grant was made and advising the beneficiary institution that the grant was made at the recommendation of the donor of that particular fund. The check itself bears the name of the Foundation, as well as the name of the donor advised fund, unless anonymity is requested by the donor advised fund.

### **Grant Restrictions**

The Foundation does not make grants from donor advised funds, even for charitable purposes, to other types of nonprofit organizations (non-charities) or to businesses. Examples of organizations to which the Foundation will not grant include social welfare organizations (501(c)(4)); veterans' organizations; cemeteries; Chambers of Commerce and similar business associations; fraternities and sororities; social clubs; and fraternal organizations such as Elks and Moose.

The Foundation makes grants to U.S. organizations that carry on their work in other countries. However, the Foundation does not make grants from donor advised funds to non-US organizations or governmental entities.

The Internal Revenue Code prohibits grants to individuals from donor advised funds. However, a donor can establish a scholarship fund and represent a minority vote on its recommendation committee. Also prohibited are grants for lobbying, political contributions or to support political campaigns.

Grants from donor advised funds cannot be used to satisfy a legally binding pledge or obligation of the donor; however, recommendations for grants to specific organizations may always be made on an annual basis or recommended for multiple years.

Grants may not result in more than incidental financial benefits, goods or services paid to the donor, the fund advisor, members of their families, or businesses they control. Failure to observe this restriction can subject the fund advisor to tax penalties. Benefits include the payment of event tickets, meals, sponsorships, registration fees, discounted merchandise, preferred parking and/or seating, and memberships unless the membership confers nothing of value. Please contact the Foundation if you have specific questions about whether a grant you are considering recommending will result in a prohibited benefit.

### **Payments from a Donor Advised Fund**

Expense reimbursements, loans, compensation and other similar payments are not permitted from a donor advised fund to a donor, fund advisor, or related party.

## **Fund Activity and Exceptions**

The following definitions of fund activity and distributions apply to funds that have more than the Foundation's minimum required balance to maintain a donor advised fund. If this policy ever conflicts with federal law or state law (including UPMIFA), relevant law controls.

A fund is considered active when a donor recommends grants or an interfund transfer to another grantmaking fund held by the Foundation within a three-year period. **Gifts received and added to a donor advised fund do not qualify as fund activity.**

Exceptions may be made in certain scenarios, such as (but are not limited to):

1. **Developing a Philanthropic Program:** Fund advisor makes a substantial contribution to donor advised fund, for example, upon the sale of their business, and then refrains from recommending grants for an initial period while consulting with the sponsoring charity and/or doing research to determine what types of grants would best meet community needs and/or their philanthropic goals. This period is not to exceed 10 years, upon which a re-evaluation discussion will take place between the Fund advisor and the Foundation.
2. **Long-term Giving Plan:** Donor/fund advisor deliberately reduces the frequency or size of grant recommendations from fund, to:
  - Build the fund balance to ensure grantmaking during retirement and/or when income changes.
  - Build the fund balance to leave a charitable legacy for the next generation to advise. This period is not to exceed 10 years, upon which a re-evaluation discussion will take place between the Fund advisor and the Foundation.
  - Grantmaking is deferred for a set period in order to make a larger grant or grants for a specific project.
3. **Starter "Acorn" Fund:** Donor plans to build the fund balance over time according to the Foundation's policies. Typically, no distributions are made until the fund balance reaches the minimum amount and timeframe stated in the fund agreement and foundation's policies.
4. **Asset transition:** The Fund Advisor defers recommending grants while DAF assets are illiquid (such as real estate or restricted stock). The Foundation will document steps being taken to liquidate assets and establish the fund's grantmaking ability.
5. **Legal Issues:** In some cases, legal issues may require suspension of grantmaking from a Fund until resolution. The Foundation will document steps being taken toward clarifying advisory authority and the fund's grantmaking ability. Examples might include:
  - Donors/fund advisors are in the process of divorce. Grants may be suspended until the fund's status is resolved.
  - Assets are being transferred to the fund during an estate settlement process; grants will not be made until the estate is fully settled.
6. **Other Issues:** Other exceptions to this Fund Activity Policy made for an individual fund must be approved by the Foundation's President/CEO and documented in the fund record.

## **Communication**

You can contact the Foundation office by calling 513-874-5450, or by visiting our website at <https://northerncincinnati.foundation>. Fund Statements are prepared each year in June and December and

are made available on the Foundation's online portal, DonorCentral. A year-end Fund Statement is also mailed to all fund advisors showing the entire year's activity.

The Foundation reviews grant activity on an annual basis. After one year of inactivity, the Foundation will contact the donor by phone, email, and address. The Foundation may distribute a list of community projects to the donor as suggested recommendations. After two years of inactivity, the foundation will continue to attempt to contact the donor via all contact information available to the Foundation. The donor will be reminded of the Foundation's fund activity policy. The Foundation will make every reasonable attempt to contact the fund advisor.

### **Activating Grantmaking**

When a donor advised fund has not distributed a grant in more than a 3-year period, the Foundation will take steps to activate the fund, such as:

- Final attempts to contact the donor/fund advisor;
- Distributing grants to qualified grant recipients that align with donor intent demonstrated in previous grant distributions;
- Distribution or asset transfer to a grantmaking fund of the Foundation, or
- Any other distribution in accordance with the fund agreement and the Foundation's policies. This may include termination of the fund. If those provisions are incomplete, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served, the Foundation may exercise its variance power to direct these resources to meet the needs of the community.

### **Inactive Funds**

A fund is deemed inactive if:

- The fund advisor dies or resigns or evidence of his or her incapacity is provided to the Foundation, and if no successor advisor has been named.
- All named successor advisors are unable or unwilling to serve as such.
- No recommendations are made with respect to grants from the fund for a period of 3 years and, during such period, the advisor or successor advisor does not reply to the Foundation's attempts to contact them.

If a fund becomes inactive, the Board of Directors will be informed of the details of the fund and the actions taken by NCF staff to notify the fund advisor. The BOD will then vote on the termination of the inactive fund. If board approval is given, the Foundation will then deem the advisory period to have ended and will initiate distributions from the fund in accordance with the provisions of the fund agreement.

### **Termination**

Unless otherwise specified in the fund agreement, upon the death, resignation, or incapacity of the last advisor to the fund, or if the fund is determined to be inactive, the assets of the fund will become a part of the Foundation's unrestricted permanent endowment. If the principal balance of the fund exceeds \$1M, the fund will continue to be maintained as a separate named endowed fund for discretionary purposes or as a field of interest, if the donor(s) or successor-advisor(s) have specified in writing one or more broad fields of interests for the fund.

## **Definition of Terms**

### ***Qualified Charitable Organization***

Donors may deduct charitable contributions in accordance with Federal and state law if donations are made to a qualified organization. Most organizations, other than churches and governments, and public schools must apply to the IRS to become a qualified organization. Refer to the Foundation's grantmaking policies for local grant making protocol.

How to check whether an organization can receive deductible charitable contributions. You can ask any organization whether it is a qualified organization, and most will be able to tell you. Or go to IRS.gov. Click on "Tools" and then on "[Tax Exempt Organizations Search](#)". This online tool will enable you to search for qualified organizations.

### ***Sponsoring Organization***

An organization, like a community foundation, that owns and controls donor advised funds.

### ***Donor/Fund Advisor***

The donor or person appointed or designated by the donor who has or reasonably expects to have advisory privileges with respect to the fund's distributions or investments. The donor/fund advisor retains the privilege to recommend grants from their charitable fund.

### ***Donor Advised Fund***

A fund may be classified as "donor advised" if it has at least these three characteristics: (1) a donor or person appointed or designated by the donor has, or reasonably expects to have, advisory privileges with respect to the fund's distributions or investments; (2) the fund is separately identified by reference to contributions of the donor(s); and (3) the fund is owned and controlled by a sponsoring organization, such as a community foundation. A fund possessing these characteristics may be exempt from the donor advised fund classification if it grants to one single public charity or government unit or if the fund meets certain requirements applicable to scholarship funds.

### ***Disqualified Person***

As applied to public charities, the term disqualified person includes: (1) organization managers, (2) any other person who, within the past five years, was in a position to exercise substantial influence over the affairs of the organization, (3) donors and donor advisors with regard to transactions with a particular donor advised fund, (4) investment advisors to assets of donor advised funds, (5) and disqualified persons of supporting organizations who are also disqualified persons of the supported organization, (6) family members of the above, and (7) businesses they control. Paying excessive benefits to a disqualified person will result in the imposition of penalty excise taxes on that person, and, under some circumstances, on the charity's board of directors.