Donor Choice Fund Guidelines
**INTRODUCTION**

Welcome to the Morton Community Foundation. We strive to assist donors in maximizing the impact of their charitable gifts and hope that you make full use of the services we offer.

The purpose of the Donor Choice Fund program is to create an opportunity for people like you to give back to the community in an informed and active way. This handbook is designed to explain the Community Foundation’s procedures and to answer some of the basic questions you may have about your Donor Choice Fund. It is a useful orientation for new donors and a handy refresher for our advisors of established funds. Our goal is to make participation in the work of the Community Foundation as rewarding as possible.

The staff at the Community Foundation is dedicated to meeting the diverse needs and interests of our donor advisors. We attempt to personalize our donor services in a variety of ways. Most of all, we want to get to know your charitable interests. By knowing you as a donor advisor, we are better able to assist you in meeting your charitable giving goals.

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A Community Foundation is a publicly supported organization created by and for local citizens to benefit their community. Community Foundations pool gifts, both large and small, to meet local needs and improve the quality of life for all the community’s residents.

Since 2000, the Morton Community Foundation has helped hundreds of donors to make the greatest impact for good, and, in some way has touched the lives of thousands of people in our area.

In the words of one donor, “When all is said and done, I want to know that our gifts made lives better, that we did the greatest we could with what we gave. The Foundation has been a wonderful way for us to give back.”

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**MISSION OF THE MORTON COMMUNITY FOUNDATION**

The Mission of the Morton Community Foundation is to improve the quality of life for Morton area residents, now and for generations to come.

We do this by...

1. Building community endowment.
2. Investing in our community through strategic grant making.
3. Turning donors' charitable dreams into permanent legacies.
4. Providing leadership to identify and address changing community needs.
**Before We Get Too Specific, What Types of Funds Are Available Through the Morton Community Foundation?**

The Foundation offers a variety of funds designed to be responsive to donor needs. While all philanthropy adds value to the community, each type of Foundation fund can provide *added* value to philanthropy in the community.

**Unrestricted Funds**
Unrestricted Funds give the Foundation the most flexibility to respond to the changing needs of the community. These funds are used to support all aspects of community well-being – arts and culture, economic development, education, environment, health and human services, neighborhood revitalization and more. Unrestricted funds have the flexibility to make a difference where it is needed the most.

**Field-of-Interest Funds**
Field-of-Interest Funds allow donors to address needs in an important area of community life. – Arts, Aging, At-risk youth, etc. Donors identify their personal interest area when setting up these funds. The Board then awards grants from the earnings on the fund to community agencies and programs that are making a difference in that particular area.

**Scholarship Funds**
Individual donors or organizations establish these funds to provide income to be used to award scholarships to support the educational endeavors of worthy applicants. The awards are made to the academic institution at which the award recipient is enrolled. Scholarship funds have selection committees that recommend award recipients to the Board for their final approval. The administration of scholarships involves adherence to legal guidelines, restrictions, etc. associated with the selection and award process. It is the Foundation’s responsibility to ensure that each scholarship is administered within these guidelines and restrictions.

**Designated Funds**
Individual donors or organizations establish these funds so that income is given regularly to named charitable organizations. If the named charity is no longer active or providing a needed service, or if the purpose of the fund becomes impractical or impossible to fulfill, the Board of Directors of the Community Foundation may select another recipient with a similar purpose.

**Agency Funds**
Charitable agencies recognized as tax-exempt under section 501(c)(3) of the Internal Revenue Code and as public charities under Section 509(a) establish these funds so that income is regularly distributed back to the agency establishing the fund. If the agency is no longer active or providing a needed service, or if the purpose of the fund becomes impractical or impossible to fulfill, the Board of Trustees of the Community Foundation may select another recipient with a similar purpose.
Donor-Advised Funds (Permanent and Non-Permanent)

A donor-advised fund allows a donor to have ongoing involvement in the use of his/her gift. A donor works with the professional grantmaking staff, identifying ways to use dollars from his or her advised fund to address the community needs the donor most cares about. Donor recommendations are submitted to the Board of Trustees of the Community Foundation. Grant recipients must be recognized as tax-exempt public charities by the Internal Revenue Service Code. Donor-advised funds are prohibited from being used to fulfill pledges to and/or to secure benefits for the distribution recipient. The Donor Choice™ Fund is an example of a non-permanent donor-advised fund.

Non-Endowed Pass-Through Project Fund

A pass-through project fund is one in which the donated amount (less an administrative charge) is paid out for an identified purpose, normally within 36 months of when the gift is made. Grant recipients must be recognized as tax-exempt public charities by the Internal Revenue Service Code. Examples of this type of fund, are those used to collect donations toward the construction of: MYBA Baseball Stadium, TCRC Highland Street Facility, Morton Public Swimming Pool, Idlewood Arts Pavilion, Memorial Plaza (downtown Morton).
WHAT IS A DONOR CHOICE FUND?

A Donor Choice Fund is a charitable fund established by a donor (an individual, family or business) into which they contribute cash or other assets, receive a tax deduction and continue to have the opportunity to be involved in its charitable use. A Donor Choice Fund offers active participation in the grant process by allowing you to recommend the grant recipients. It affords all the advantages of a private foundation with greater tax benefits and none of the administrative tasks. A Donor Choice Fund can be created at the Morton Community Foundation in a variety of ways – cash donations or appreciated securities, for example. It’s a perfect vehicle for those who wish to participate actively in grantmaking and retain philanthropic flexibility.

WHY SHOULD I CONSIDER A DONOR CHOICE FUND?

Simplicity

Through the Community Foundation, you can centralize and streamline your philanthropy. One fund here allows you to recommend grants to many different nonprofit organizations without having to make separate contributions to each organization. Responsibility for the administrative work associated with charitable giving is transferred to the Community Foundation, and your anonymity can be maintained if desired.

Flexibility

You receive a charitable tax deduction in the full amount you give to a Donor Choice Fund in the year of your contribution, but you can make decisions regarding distribution for many years thereafter.

Maximum Tax Deductions

Donors who contribute long-term appreciated securities to the Community Foundation get a double federal tax benefit. Gifts of appreciated securities are deductible at their full market value if they were owned longer than twelve months. The capital gains tax on the stock’s appreciation (the difference between the stock’s cost and its current fair market value) is completely avoided. Every tax situation is unique and we suggest that individuals consult their tax advisor with respect to maximizing tax benefits.

Expertise

Your partnership with the Community Foundation is an opportunity to learn about philanthropy from experienced, professional grantmakers. Foundation staff – a ready reserve of information and expertise about our nonprofit community – are available to review requests and make recommendations. If you wish, we will bring your attention to areas of your charitable interests.

Attractive Alternative to a Private Foundation

A private foundation can be an appropriate vehicle in the right circumstances. However, the disadvantages of private foundations, including costs, administration, annual tax filings with the IRS, and lesser tax benefits, cause many people to seek a better alternative. A Donor Choice Fund may be that better alternative. Private foundations can be terminated and the assets easily transferred to a Donor Choice Fund with the Community Foundation.
How do I set up a Donor Choice Fund?

To create a Donor Choice Fund, you sign a Fund Agreement -- a document that conveys your gift to the Morton Community Foundation (MCF). A donor is the person who establishes the fund and a donor advisor(s) is designated by the donor in the Fund Agreement as the only person(s) who can recommend disbursements from the fund. In the agreement, you may name yourself as an advisor, either to act alone or with another individual (or individuals). It is recommended that if more than one person is listed as a donor advisor, that one person be specifically designated to act as the lead in submitting Grant Recommendation Forms to the Community Foundation.

A Donor Choice Fund is an irrevocable charitable gift of cash or securities from which you have the opportunity to recommend disbursements for charitable causes. IRS regulations stipulate that you, as a donor, cannot make a tax-deductible contribution and at the same time retain future control over the contribution. Therefore, in order for the gift to be irrevocable, the Morton Community Foundation must retain the right of final determination for the use of funds.

What is the minimum amount required to start a Donor Choice Fund?

There are two ways to initiate a Donor Choice Fund:

1) Make a gift of $5,000 to MCF’s Leadership Forever Fund. This gift will assure the Foundation is here to support your philanthropic goals forever. Pay a one-time fee of $250 to establish your fund. As soon as subsequent gifts totaling $5,000 are made to your Donor Choice Fund, you may start to make grant recommendations. Using this method, the total minimum gift is $10,250. No additional donations to MCF are required.

2) Sign an Annual Support Partner agreement to donate a minimum of $5,000 over a five-year period to MCF’s Today and Tomorrow Fund. This Fund supports current operations of the Foundation. Pay a one-time fee of $250 to establish your fund. As soon as subsequent gifts totaling $5,000 are made to your Donor Choice Fund, you may start to make grant recommendations. Using this method, the initial minimum gift is $5,250, but further donations of at least $5,000 to the Foundation are required over the next five years.

How do I make additional contributions to my fund?

Contributions such as cash and appreciated assets can be made at any time. Gifts of real estate and certain other tangible assets can only be accepted with prior approval of the Community Foundation’s Board of Trustees.

Gifts to a public charity, unlike contributions to a private foundation, have the benefit of the maximum charitable deduction permitted under current laws. The charitable gift you make to establish a Donor Choice Fund, and any subsequent contributions to the Fund, are fully deductible as gifts to a public charity. A community foundation is defined as a public charity under sections 501(c)(3) and 170(b)(1)(A) of the Internal Revenue Code. All gifts to the fund are acknowledged by a sanctioned IRS letter that may be used as evidence of the charitable contributions for tax purposes.

All checks should be made payable to Morton Community Foundation with the specific fund identified on the memo line. This ensures ready acceptance by banks and accountability by MCF.
HOW DO I RECOMMEND A GRANT?

The donor advisor(s) recognized in the Fund Agreement may submit grant recommendations to one or more charities by using a Grant Recommendation Form. You may send this to the Foundation by mail or email. Grants may only be made to publicly supported 501(c) charities and not-for-profit organizations, schools or government entities. We ask that a minimum recommendation of $250 be made in order to make the most efficient use of the Community Foundation’s resources. Please tell us whenever the grant is to be used for a particular purpose. Otherwise we will assume that the grant is to be used for general support and will so inform the recipient organization in the letter that accompanies the grant check.

Community Foundation staff will research and document the charitable status of the proposed recipient organizations and the charitable nature of their activities, when necessary. With the support of our grant making staff, the Community Foundation reviews the recommendations using criteria established by our Board of Trustees in accordance with IRS guidelines. As stated in your fund agreement, our Board of Trustees retains final authority and responsibility for determining distributions from the Fund.

The Community Foundation’s primary interest is the support of nonprofit institutions in and around Morton. The Foundation recognizes that there may be charitable organizations outside of this geographical area that are also of special interest to you and are deserving of support. Grants to these institutions are usually found to be appropriate for consideration.

WHAT ARE COMMON TYPES OF GRANTS?

Here is a list of the most common types of grants made to nonprofit organization and what they typically mean to those organizations:

Unrestricted: An unrestricted grant allows the nonprofit to use the dollars to support the organization where most needed.

Operating or General Support: An operating grant provides for the day-to-day costs of running the nonprofit organization.

Project/Program: A project or program grant supports a specific activity.

Capital or Capital Campaign: A capital gift provides support for the purchase of property, the construction of a facility, remodeling/expansion of a facility or purchase of equipment.

Endowment: Some nonprofits have endowment funds. The endowment fund is a permanent annual source of income for the operating or program expenses of the organization.

Challenge or Matching: A challenge or matching grant helps a nonprofit organization leverage additional dollars through a fundraising campaign.

WHO MAINTAINS CONTACT WITH THE GRANT RECIPIENTS?

When the Community Foundation makes a grant from a Donor Choice Fund, the charitable organization receiving the grant is informed by letter. A copy of the grant distribution letter is sent to you as confirmation. Unless you otherwise request, any distribution from a Donor Choice Fund will identify the name of the fund and the name and address of the fund’s primary contact person for acknowledgement purposes.

We make every effort to respond promptly to your grant recommendations. Checks to organizations previously known to MCF will be issued in a timely manner – usually within two weeks of receipt of the grant recommendation. MCF staff will gather basic data and follow through with appropriate actions as quickly as possible.
Can a grant recommendation be disallowed?

Yes. The IRS is specific about some limitations on the types of grants that can be made from a donor advised fund. Some examples of disallowed purposes include the following:

- Gifts which include personal benefit or services rendered to the donor, donor advisor(s) and/or related parties. Common examples include:
  a) Membership in a nonprofit organization (e.g. museums, guilds, etc.)
  b) Tickets to fundraising dinners or golf tournaments
  c) Goods purchased at charitable auctions and other fundraising events

- Gifts to a private foundation (because they receive different tax treatment)

- Gifts to individuals

- Gifts for lobbying purposes or to support political campaigns

- Gifts to fulfill legally binding personal pledges of financial support that you have previously made

Can I support the Community Foundation in other ways?

Each year, individuals, foundations and businesses from Morton contribute to the Community Foundation. Gifts to MCF’s Operating Fund and/or the Unrestricted Endowment Funds demonstrate a desire to support the Community Foundation’s mission. You may request that a transfer be made from your Donor Choice Fund to one of the Community Foundation’s other funds at any time.

What about fund investment, payout and fees?

Because Donor Choice Funds may be spent down at any time by the fund holder(s), the funds are placed primarily in interest-bearing checking accounts, money-market funds, or similar liquid accounts.

There is an initial charge of $250 to set up a Donor Choice Fund. This charge supports the operation of the Community Foundation, including documenting tax deductions for donors, check preparation, grant review and processing, fund reports, mailing, data processing, bookkeeping and obtaining an independent audit. This is a one-time charge; thereafter, there are no additional fees or charges assessed to your fund.

All gains or losses from investment are absorbed by the Foundation. Once established, the balance in your account is impacted only by the value of the gifts you add and the grant requests you deduct from the account.
How often will I receive a fund statement?

You will receive fund statements annually, sent to you approximately the last week of January. These reports contain information on the beginning balance of your fund, activity such as contributions to and grants made from your fund during the period, and the ending balance. Historical data of all your gift and grant making can be provided to you upon request. If you should have questions, do not hesitate to contact us.

Does the fund ever terminate?

There are several conditions under which the fund may terminate. If the fund balance falls below $250 (two hundred fifty dollars) the Foundation will make reasonable efforts to obtain additional contributions from the donor to permit additional grantmaking. If these efforts are unsuccessful, MCF may transfer the fund balance to the Community Foundation’s Leadership Forever Fund and terminate the fund.

If a Donor Choice Fund is inactive for a period of twenty-four (24) months, MCF will make reasonable efforts to encourage the Donor to recommend grants. If these efforts are unsuccessful, MCF may transfer the fund balance to the Community Foundation’s Leadership Forever Fund and terminate the fund.

Your Donor Choice Fund is a non-endowed, non-permanent fund. Upon the death of the last surviving Donor Advisor, the balance in the fund will be transferred to the Community Foundation’s Leadership Forever Fund and the fund will be terminated.

More permanent arrangements, including the ability to appoint successor Donor Advisors, are available through the Community Foundation’s Endowed Donor Advised Funds. Please contact the staff for more information regarding this type of fund.
**Frequently Asked Questions**

**What is a Donor Choice Fund?**
This type of fund is the Community Foundation’s most flexible option for giving. It allows a donor to make a charitable gift when it best suits their planning needs, then to recommend grants to nonprofit organizations on their schedule.

**What are the benefits of giving through a Donor Choice Fund?**
The donor receives an immediate tax deduction on his or her gift. The Foundation takes care of writing checks, distributing grants, filing paperwork, and conducts due diligence on each grant recipient.

**How do I establish a Donor Choice Fund?**
It takes just one simple form to set up a fund that can be added to whenever the donor wishes.

**Who can act as Donor Advisor?**
Typically donors name themselves and/or a spouse as the advisors to recommend grants from the fund, although others may be named as Donor Advisor. Because this is a non-endowed, non-permanent fund, successor advisors may not be named.

**How and when may I make grant recommendations from my fund?**
Grant recommendations are made in writing and may be requested at any time during the year.

**How often should I recommend grants from the fund?**
We encourage you to recommend grants from your fund on a regular basis. Some advisors choose to do this annually, while others offer their recommendation semi-annually or quarterly.

**How will I know how much I have available in the fund to make recommendations for grants?**
Fund statements are prepared twice annually. You may contact the Foundation’s Executive Director at any time to discuss the details of your fund including the amount that is available to you to recommend for grants.

**What kind of organization may I recommend for grants?**
You may recognize publicly supported 501(c) charities and not-for-profit organizations, schools or government entities, including religious organizations such as your church.
May I serve on the board of an organization and recommend a grant to it from my Donor Choice Fund?
Yes, as long as you receive no personal benefit from the grant.

May I make a grant anonymously?
Yes. The donor may request that grants be made anonymously.

Will my grant recommendations always be honored?
In order to meet the Treasury regulations for Advised Funds, the Board of Trustees can not be bound by the advice of the donor and must always maintain the right to distribute funds in accordance with its charitable purpose. If a grant recommendation is not approved, the advisor will be notified and offered the opportunity to make an alternate suggestion.

May I fulfill a pledge or pay for a membership through a Donor Choice Fund?
In order to meet Treasury regulations for donor-advised funds, grants may not be used for pre-existing pledges or to receive any benefits such as tickets to an event, gifts or memberships that carry more than a token value. The Treasury regulations are designed to ensure that donors do not receive a maximum charitable deduction at the time of the gift and still maintain control over the gift or receive benefits from the gift.

May I make a grant directly to a student or to support a political candidate?
The Foundation will not make grants to individuals, political parties, organizations that discriminate on the basis of sex, race, age, religion, or national origin, or organizations that are on the United States Department of the Treasury Specially Designated Nationals List (often referred to as the Terrorist List).