

American Center for Philanthropy



PROCEDURE GUIDE

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1. The ACP Charitable Gift Fund

The American Center for Philanthropy Charitable Gift Fund ("ACP") is an independent, nonprofit organization¹ established to promote philanthropy by providing effective, efficient, and flexible means for individuals to carry out their personal charitable objectives by utilizing donor advised funds. ACP is recognized as a tax-exempt public charity as described in Sections 501(c)(3), 509(a)(1), and 170(b)(1)(A)(vi) of the Internal Revenue Code (IRC) of 1986, as amended.

2. Donating to ACP

One can donate to ACP through two main vehicles: an ACP Charitable Gift Account or The Philanthropy Fund.

2.1. Charitable Gift Accounts. ACP's Charitable Gift Accounts, which are donor-advised accounts, are vehicles for donating assets to charity that maximize current tax benefits and flexibility for future contributions. With an initial irrevocable contribution, an ACP Charitable Gift Account allows a donor-advisor (or "donor") to establish a Charitable Gift Account and make charitable contributions. Donors may then make recommendations for grants of \$250 or more (or the balance of the account, if less) to qualified charities.

2.1.1 Opening an Account. All new donors who establish Charitable Gift Accounts must complete and submit the Open a Charitable Gift Account form at the time of their initial contribution. If the donor chooses, a Charitable Gift Account may be named to honor an individual, a family, or a charitable purpose.

2.1.2 Recordkeeping. ACP keeps records of contributions, and grants made for tracking purposes. Schwab mails monthly statements to donors. It is important to note that the account and its assets are the property of ACP.

2.2. The Philanthropy Fund. This is the American Center for Philanthropy's unrestricted giving fund, which makes charitable grants and sponsors educational programs in accordance with the grantmaking policies of The Philanthropy Fund. Donors do not have any formal role in recommending grants from this fund.

Donors may contribute directly to The Philanthropy Fund and may also recommend transfers to The Philanthropy Fund from an ACP Charitable Gift Account.

3. Eligible Donors and Contributions

3.1. Eligible Donors. ACP will accept contributions from individuals, private foundations, corporations, trusts, and estates.

3.2. Donation Requirements for Charitable Gift Accounts. To open a Charitable Gift Account, the minimum initial contribution is \$5,000.

3.3. Eligible Contributions. ACP will accept contributions of cash or publicly traded securities, including stocks, most mutual fund shares, and bonds. Cash contributions must be denominated in U.S. dollars and delivered by check, electronic transfer or wire only. ACP will also try to accommodate less traditional assets (e.g. land, art, etc.) subject to Board approval.

3.4. Approval of Contributions. ACP will provide written confirmation to the donor that contains a tax value and description of the contribution.

3.5. Contributions Are Irrevocable and Unconditional. Any contribution accepted by ACP will be considered irrevocable and unconditional. Once contributions are received by ACP, they are not refundable and are assets owned and held by ACP.

3.6. Donation Date. In general, a charitable contribution is deemed made for tax purposes when the property to be contributed is put beyond the donor's control, even if the property is not yet under the control of the charitable grantee (in this case, ACP). This can be an especially important issue when contributions are made close to year-end and a deduction is desired in the same calendar year.

3.6.1. Checks. Contributions made by check are deemed effective when there is an unconditional delivery of the check. In the case of a delivery by U.S. Mail or equivalent, the contribution will be effective as of the postmark date.

3.6.2. Electronic and Wire Transfers. Contributions made by electronic and wire transfers are effective on the date the funds are received in the account of the charity (in this case, ACP).

3.6.3. Marketable Securities. The effective date of contributions of marketable securities depends on whether such securities are held in certificate or non-certificate form.

3.6.3.1. Certificated Securities. The contribution is effective when the donor makes unconditional delivery of properly endorsed certificates. In the case of contributions by U.S. Mail or equivalent, the effective date is the postmark date.

3.6.3.2. Uncertificated Securities. Contributions of securities held in "street name" are effective, for tax purposes, on the date the transfer is irrevocably credited to the account of ACP. A donor's instruction to his or her broker to make a transfer of uncertificated securities to ACP does not make the contribution effective for tax purposes. For example, if a donor gives instructions to his or her broker on December 20 to transfer uncertificated securities to ACP, but the transfer is not executed until January 2, the contribution is not effective until the later date.

4. Investment of Contributions to Charitable Gift Accounts

ACP has delegated the investment of funds to a registered investment manager, Carlson Capital Management (“CCM”). It is the responsibility of ACP to authorize the investing of ACP’s assets and ACP may change the allocation of the assets at any time. No sales loads or commissions are charged against purchases or liquidations of monies invested in ACP Charitable Gift Accounts.

Market fluctuations may cause the value of investments held in a Charitable Gift Account to be worth more or less than the value of the original contributions to ACP.

4.1. Investment Allocation Selection. At the time the account is opened, ACP will assess the liquidity needs of a donor’s charitable gift account and then make the appropriate investment allocation based on the assessment.

4.2 Investment Objectives. The objective of the investment allocation will be to provide for grant-making liquidity and allow for some exposure to equities for longer-term growth. ACP will strive to keep trading costs as low as possible, and gift accounts will be diversified among at least three asset classes, unless it is determined the gifts will be made in the short term and then the allocation will be in short-term investment vehicles such as a money market fund.

5. How Contributions Are Allocated

5.1. Contributions of Securities. For publicly traded securities, ACP will seek to sell the securities promptly and obtain the price available at the time of the sale. Any costs incurred in the sale of the securities, such as ordinary brokerage commissions, will be deducted from the proceeds of the sale.

5.2. Timing of Investments. When the proceeds from contributions to a Charitable Gift Account are available, ACP and its investment manager will invest them as soon as administratively possible. The date of the purchase may be delayed by such factors as market deadlines and trade settlements.

6. Donors and Nominators

6.1. Role of a Donor. Each donor of an account, acting individually, has the authority to make contributions, nominate grants to charity, request the re-balancing of investment pools, select nominators, and recommend successors or charitable beneficiaries for the account. Each donor, acting individually, also has the authority to authorize changing the account name, adding a new donor or nominator, removing nominators, or changing successors or charitable beneficiaries.

To remove a donor from an account, the donor must consent to removal, except in cases of the donor's death or if the donor has been determined to be incapacitated.

6.2. Role of a Nominator. Each account nominator has the authority only to submit grant nominations and recommend the rebalancing of investment pools.

7. Recommending Grants from Charitable Gift Accounts

Donors can recommend grants to charitable organizations by completing a grant request online, or by mailing or faxing a Nominate a Grant to a Charitable Organization form. If approved by ACP, the appropriate investments will be sold in the account and an amount equal to the grant nomination will be distributed to the grantee organization.

7.1. Restrictions on Grants. Grants will be made from ACP only to U.S. charitable organizations that are tax-exempt public charities,ⁱⁱ or to U.S., state or local government organizations qualified to receive tax-deductible charitable contributions, such as state colleges or universities.ⁱⁱⁱ

ACP will not approve recommended grants that: are directed to foreign charitable organizations (unless they have a domestic affiliate); fulfill a donor's pre-existing pledge to a charity; provide private benefit to the donor or any other individual; support lobbying, political campaigns, or other political activities; or are for any purpose that is not entirely charitable. No grants may be used to discharge or satisfy a charitable pledge or obligation that is legally enforceable against the donor or any other person, or to pay for goods or services of value received by the donor or any other person. For example, grants may not be used to support any charitable event, including fund-raising dinners, concerts, auctions, or other benefit functions when the donor would receive a *quid pro quo*. For example, a *quid pro quo* may include the personal benefit of being able to attend a fundraising dinner or event.

Donors can request confirmation of grants distributed in response to their recommendations. Should ACP decide not to approve a recommended grant, ACP will likewise notify the donor.

ACP will take remedial action if it discovers that grants have been made for improper purposes. Remedial actions may include, but are not limited to, a requirement that the recipient charity return the grant.

7.2. Grant Notification. ACP makes grants by check, and the checks bear the name of ACP. A letter from ACP, recognizing the donor or the name of the donor account, will accompany the grant check unless the donor has instructed ACP that he or she wishes to remain anonymous. Donors may not act as intermediaries in the delivery of grants.

8. Grant Minimums and Balance Minimums

8.1. Minimum Dollar Amount for Grants. Each grant recommendation must be for \$250 or more to any one charitable organization, or if closing the account, for the full balance of the account, which may be less than \$250.

8.2. Minimum Asset Level. Accounts should maintain a balance of \$1,000 or more. If the asset value of an account falls below \$1,000, ACP will make reasonable efforts to notify the donor that the balance has fallen below the minimum. If the value of the Charitable Gift Account is not increased to at least \$1,000 (via additional contributions or growth within the account) within 180 days of notification by ACP to the current primary donor, the remaining assets in the Charitable Gift Account may be transferred to The Philanthropy Fund.

8.3. Minimum & Maximum Account Activity. ACP requires that its total annual grants must be at least 5% of ACP's average net assets on a fiscal five-year rolling basis. If this requirement is not met, ACP may contact the current primary donor on each account that has recommended grants equal to less than 5% of the account balance on an annual basis. ACP will then offer the donor the opportunity to recommend the requisite amount in grants. If ACP does not receive sufficient grant recommendations within 180 days, ACP may transfer the requisite amounts from these accounts to The Philanthropy Fund and may make corresponding grants from that fund.

Similarly, if neither contributions nor grant recommendations are made to or from the account during any five-year period, ACP will attempt to contact the current primary donor and provide him or her with the opportunity to make grant recommendations or contributions. If the donor does not make a grant recommendation or contribution within 180 days, ACP may transfer the assets of the account to The Philanthropy Fund and close the account.

The maximum number of grants that donors can recommend in a calendar year is according to the following schedule*:

<u>Assets in Donor-Advised Fund on 12/31</u>	<u>Max # per Year</u>
\$1,000-\$24,999	10
\$25,000-\$99,999	15
\$100,000-\$499,999	25
\$500,000+	40

*Note that account size may limit the number of grants that can be made in a calendar year (if making a grant would force account size below \$1,000 minimum). Grant requests made in excess of the aforementioned maximums may result in a \$10 charge per grant over the listed maximum to cover administrative costs and any overage charge shall be determined by the Board on a per account basis.

8.4. Minimum Incremental Deposits. Once an ACP Charitable Gift Account has been established with the minimum \$5,000 initial gift, donors can make subsequent incremental deposits in denominations of \$1,000 or more.

8.5. Early Account Closure. ACP reserves the right to charge a \$250 fee if an account is closed within 90 days of being opened (this does not apply to accounts opened as a result of an estate settlement.) An account is deemed closed if the balance is reduced to below \$250 as the result of a grant nomination or a request to close the account. The fee will be

deducted from either the final grant amount or the remaining balance in the account. Donors will have the opportunity to keep the account open and avoid the early closure fee by bringing the account balance to the required \$1,000 minimum. This fee enables ACP to promote philanthropy and recapture some of the costs associated with the account opening, asset transfers, and grants.

9. Account Communication

9.1. Notification Letters. All account correspondence, including requested donation acknowledgements, will be sent to the primary donor.

9.2. Contribution Confirmation. ACP will send the donor a receipt of contribution to the account address as soon as administratively possible. In addition to the confirmation, if ACP is able to determine fair market value of a donation, an estimate of such fair market value will be provided. **Donors should consult with their tax advisors before claiming any fair market value for a contribution.**

10. Fees and Expenses

There are fees and expenses associated with Charitable Gift Accounts:

10.1. Investment Management & Mutual Fund Expenses. ACP has hired Carlson Capital Management (“CCM”) to manage, allocate, re-balance and tend to all ACP Gift Fund investments. The cost to the account is .60% (six-tenths of one percent) for this service. In addition to this investment management fee, there may be internal fees associated with the mutual funds CCM uses with expense ratios ranging from .15% to .60% (fifteen one-hundredths to six-tenths of one percent). There are no sales loads or commissions on any of these mutual funds. The operating and management expenses of the mutual funds used in the investment models are subject to change.

10.2. Administrative Fees. ACP incurs administrative expenses associated with its operation as a charitable organization. To cover these costs, an administrative fee of .50% (one-half of one percent) is applied to each account. ACP's Board of Directors reviews and approves administrative fees annually.

10.3. Fee Calculations. ACP will deduct fees from ACP donor-advised accounts on a monthly (in advance) basis. Fees will be based on the month-ending balance. Each month, .092% of the account will be deducted for management and administrative fees (1.10% divided by 12).

11. Naming Successors to a Charitable Gift Account

Donors may select individuals to succeed to the rights and duties associated with a Charitable Gift Account upon the death, incapacity, refusal to serve, or other disqualification of all the donors of the account. The successor must provide written notification and verification to ACP of the death or incapacity of all donors on the account and will then succeed to all the rights and duties of a donor-advisor, including the ability to

recommend subsequent grants. Successor donors may in turn assign new successors in the event of the first successor's death, incapacity, refusal to serve, or other disqualification, and may override any prior instructions from the predecessor donor. If the successor is a minor, ACP requires that the minor's legal guardian approve any account activity.

11.1. Succession and Jointly Maintained Accounts. If the account is maintained jointly, upon the death of one donor, the remaining donor(s) maintain(s) the right to recommend grants and designate successors. Successors are applicable only after the death, incapacity, or other disqualification of all donors named on the account.

11.2. Naming Charities as Successors. A donor may choose to recommend that charitable organizations^{iv} receive the proceeds of any remaining assets in the account upon the notification to ACP of the death, incapacity, or other disqualification of all donors named on the account. The donor may also request that the account balance be transferred to The Philanthropy Fund.

11.3. Failure to Designate a Successor. If a successor has not been named, ACP will transfer the account balance to The Philanthropy Fund upon notification of the death, incapacity, or other disqualification of all donors on the account.

12. Income Tax Consequences

Contributions to ACP generally qualify for an income tax deduction as a charitable contribution in the current tax year, subject to certain limitations. ACP encourages donors to consult with qualified tax advisors to review the specific tax consequences of donating to ACP.

12.1. Limits on Deductions. In general, deductions for securities or mutual fund shares held for one year or less are limited to the lower of cost basis or the fair market value on the date of contribution. For securities and mutual fund shares held by the donor for more than one year, the deduction is equal to the fair market value of the asset, calculated as the mean between the reported high and low price on the date of contribution.^v The deduction for mutual fund shares is calculated using the closing price of the fund on the date of contribution.

Individual donors are eligible for an itemized tax deduction for charitable cash contributions in an amount up to 50% of adjusted gross income ("AGI") in the tax year when the contributions are made. Deductions for contributions of securities or mutual fund shares held for more than one year by the donor are limited to 30% of AGI.^{vi} Any excess contribution over the AGI limit may be carried forward and deducted in the five-year period following the year of the contribution. For donations of securities or mutual fund shares held for one year or less, the deduction is limited to 50% of AGI. A donor's ability to deduct itemized deductions may be subject to further limitations depending upon the donor's specific tax situation.

12.2. Fund Income. Income that accrues in a Charitable Gift Account belongs to ACP and is included in the value of the fund's investments. Such amounts do not constitute income to the donor(s) and do not qualify for an additional charitable deduction by the donor(s).

12.3. Estate Planning Considerations. Donor contributions to ACP, and any subsequent increase in the value of a donor's account, are not part of a donor's taxable estate and are not subject to estate taxes or probate. Balances in a Charitable Gift Account may not be appointed, willed, or bequeathed to any person or organization.

Fund Structure and Service Agreements

An ACP Charitable Gift Fund is a tax-exempt public charity as described in Sections 501(c)(3), 509(a)(1), and 170(b)(1)(A)(vi) of the Internal Revenue Code of 1986, as amended.

ACP has entered into service agreements with Carlson Capital Management to perform administrative, record keeping, and investment management services. The services performed under these agreements are performed for consideration that is at fair market value. ACP will also indemnify and hold harmless CCM, its subsidiaries, their agents, and nominees from any claims, losses, liabilities, or expenses except as they may arise from negligence or willful misconduct in the performance of their duties on behalf of ACP.

ⁱ As described in Sections 501(c)(3), 509(a)(1), and 170(b)(1)(A)(vi) of the Internal Revenue code of 1986, as amended.

ⁱⁱ As defined in Internal Revenue Code Section 501(c)(3) and Section 509(a)(1), (2), or (3).

ⁱⁱⁱ As defined in Internal Revenue Code Section 170(c)(1).

^{iv} All recommendations of charitable beneficiaries are subject to the approval of ACP, in its complete discretion, at the time the gift would otherwise take effect. If ACP determines not to make the donation to the recommended charitable organizations listed, the entire balance will be transferred to The Philanthropy Fund for disbursement in accordance with its grantmaking policies.

^v Donors may elect to limit their charitable income tax deduction with respect to appreciated securities to the cost basis of the donated securities in order to be eligible to claim deductions up to 50% of AGI. However, this election requires that the donor claim the lesser of the cost basis or the fair market value for all of his or her charitable donations of appreciated property during the same tax year or carry-forward period. In some cases, such as when a security or mutual fund share is not publicly traded on the contribution date, the fair market value calculation may be more complex.

^{vi} The 50% AGI limitation for deductions for contributions of cash and/or securities held for one year or less includes the 30% limitation for deductions for contributions of appreciated securities within it. That is, if a donor makes contributions of securities held for more than one year equal to 30% of the donor's AGI, and makes additional cash contributions, the donor can only deduct cash gifts equal to an additional 20% of AGI, so that the total contribution deduction equals 50% or less of the donor's AGI.