

The
Rotary
Foundation



Donor Advised Fund

PROGRAM CIRCULAR

**Overview, Rules and Regulations of
The Rotary Foundation's
Donor Advised Fund**

Updated January 2022

Welcome to The Rotary Foundation’s Donor Advised Fund. Please read this Program Circular carefully. It describes the donor advised fund program in detail and sets out the policies, procedures, rules, and regulations that apply to donor advised fund accounts. All activities of the donor advised fund and donor participation in the program are subject to the terms and conditions of this Program Circular. Rotary reserves the right to modify the donor advised fund program and Program Circular at any time.

The Rotary Foundation Donor Advised Fund is currently structured for a US audience and all figures are in US dollars. If you are not a US citizen or your Rotary-affiliated group is not located in the US, please contact The Rotary Foundation at plannedgiving@rotary.org before applying for an account.

INDEX

DONOR ADVISED FUNDS	3
IMPORTANT CONSIDERATIONS OF THE ROTARY FOUNDATION’S DAF	3
DISCLAIMER	3
ACCOUNT TYPES	4
ESTABLISHING AN ACCOUNT	4
SUCCESSION OPTIONS - INDIVIDUAL ACCOUNTS	5
SUCCESSION OPTIONS - GROUP ACCOUNTS	5
MINIMUM BALANCES	5
CONTRIBUTING TO AN ACCOUNT	6
RECORD KEEPING AND REPORTING	6
DONOR RECOGNITION	7
INVESTMENT OPTIONS	7
TAX TREATMENT OF DAF INCOME & GRANTS	8
QUARTERLY STATEMENTS	8
GIFT DATE AND CHARITABLE INCOME TAX DEDUCTION DETAILS	8
RECOMMENDING A GRANT – INDIVIDUAL AND GROUP ACCOUNTS	9
MINIMUM ANNUAL GRANT ACTIVITY	9
USING TRF DAF TO FUND A GLOBAL GRANT	9
RECOMMENDING A GRANT – LEGACY ACCOUNTS	10
GRANT RESTRICTIONS – ALL ACCOUNTS	10
INACTIVE ACCOUNTS	11
CONTACT INFORMATION	11
SERVICE PROVIDERS, FEES AND EXPENSES – Schedule A	12

DONOR ADVISED FUNDS

The Rotary Foundation Donor Advised Fund (“DAF”) is a separately held fund of The Rotary Foundation (“TRF”), a public charity under the US Internal Revenue Code. For more information about TRF please visit www.rotary.org.

TRF DAF allows individuals and Rotary-affiliated groups to make tax-deductible contributions and subsequently recommend when the funds are granted to US-based qualified charitable organizations.

IMPORTANT CONSIDERATIONS OF THE ROTARY FOUNDATION’S DAF

- All contributions are irrevocable and must be made in US dollars.
- Assets in DAF accounts are the property of TRF and are reserved for charitable purposes.
- Contributions and grant recommendations are subject to review and approval by TRF.
- Investments may gain or lose value.
- Grants can be made to qualified IRS-approved public charities.
- Grants cannot be made to individuals or for scholarships earmarked for an individual.
- In July, each Individual Account transfers \$250 and each Group Account transfers 1% of the value of the account to TRF’s Annual Fund to support humanitarian work.
- In March, each Legacy Account transfers a minimum of 1% or \$1,000, whichever is greater, to TRF’s Annual Fund.
- Accounts may be opened only by submitting a complete and signed written application.
- Signed applications contain a confirmation that the applicant has read this Program Circular and agrees to the terms and conditions described herein.

DISCLAIMER

This Program Circular is not intended to provide legal or tax advice. Please consult financial or tax advisors to determine the tax consequences of giving to TRF DAF. Tax deductions discussed herein refer specifically to US federal taxes. The deductibility of a gift may depend on the donor’s individual circumstances, such as whether the donor itemizes. All gifts to The Rotary Foundation are subject to the [Gift Acceptance Policy](#).

SERVICE PROVIDERS, FEES AND EXPENSES

Annual administrative and investment management fees are currently less than 1%. See Schedule A, page 12 attached hereto.

ACCOUNT TYPES

Individual

Individual accounts offer many of the benefits of a family foundation without the burdens of administering one. An individual or couple fund the account with tax deductible contributions, recommend how the funds should be invested, and recommend how and when TRF makes grants to qualified organizations. Individual and Legacy accounts are limited to one account advisor or couple who have equal and concurrent privileges.

Group

Group accounts allow Rotary clubs, districts, and other Rotary-affiliated groups to accept tax-deductible contributions without setting up their own 501(c)(3) non-profit organization. The group names at least two and as many as four individuals to act as account advisors to make grant and investment recommendations. Group accounts may add or remove account advisors at any time by completing a TRF DAF change form that is signed by all existing and new account advisors.

Legacy

Legacy accounts are intended to last in perpetuity and provide a fixed annual transfer to TRF's Annual Fund and a grant to one additional qualified charity. The total of the annual transfer and grant amount will be at least 4.25% of the account's fair market value.

ESTABLISHING AND NAMING AN ACCOUNT

Open an account by completing an application and contributing at least \$10,000 for Individual and Group accounts or \$75,000 for Legacy accounts.

Within 30 days of submitting the application, accounts must be funded in US dollars by check, wire transfer, or by transfer of securities. Donations cannot be made by cashier's check or money order. Notify TRF if the account is to be funded on a testamentary basis.

Accounts can be named for the Group, for Individual account advisor(s), or in honor of a friend or family member. The account name will appear on all grant checks unless anonymity is requested. Account names are subject to review and approval.

Sub-accounts cannot be created within an account, but an additional account can be opened with a \$10,000 minimum contribution.

Eligible Account Advisors

- Individuals must be 18 years of age or older to act as an account advisor.
- Additional identification may be required of individuals residing outside the US.
- Individuals, couples, and trusts are eligible to be Individual and Legacy account advisors.
- Individuals, couples, and trusts that are associated with Rotary-affiliated groups such as clubs, districts, fellowships, and Rotarian Action Groups are eligible Group account advisors.
- Corporations and other legal entities may not be Group account advisors.

SUCCESSION OPTIONS - INDIVIDUAL ACCOUNTS

In all cases, upon the death of the sole or surviving account advisor 50% of the balance of the account after all testamentary additions have been made automatically transfers unrestricted to TRF's Endowment (Endowment transfer) unless a specific Rotary program is designated in advance.

For accounts that have less than \$75,000 after the Endowment transfer, the remainder may be distributed to any qualified charitable organizations, including TRF. If no other charitable beneficiary is identified on the account application or supplement, the balance will be transferred to the Endowment.

For accounts that have \$75,000 or more after the transfer, the remainder may remain in the DAF account for one or more named children to act as successor advisors or may be used to establish a Legacy Account as previously requested by the account advisor's submission of a completed Legacy Account application.

Successor advisors will have privileges of an account advisor to make grant and investment recommendations. The designated successor(s) must provide TRF with written notification and proof of the surviving account advisor's death. If the successor is a minor TRF may require that a legal guardian make grant recommendations.

Successor Advisors will have the opportunity to name their own children as successors and so on, using the same rules and minimums identified above.

Contributions to the DAF and any increase in value belong to TRF and are not part of a taxable estate or subject to probate.

SUCCESSION OPTIONS - GROUP ACCOUNTS

Group accounts are intended to continue in perpetuity and therefore **cannot** designate a successor however Advisors can be changed from time to time. To initiate a change, the Account Advisor Change request form, available on the DAF portal, must be completed and signed by **all new and current account advisors**. The form must be mailed, emailed, or faxed with the applicable signature(s), but all signatures do not have to be on the same document. If the removal of an Advisor is the result of a death, a certificate of death or an obituary can be provided in place of a signature(s).

MINIMUM BALANCE

Individual and Group Accounts

No minimum balance is required; however, a \$10,000 is the intended target balance.

Legacy Accounts

If a Legacy Account has a balance of less than \$30,000 for four consecutive quarters, TRF will evaluate the account to determine the likelihood of its balance dropping below the \$25,000 minimum amount for a named endowed fund. If TRF determines in its sole discretion that the account will likely drop below \$25,000, the balance of the account will be transferred to Rotary's Endowment to establish a named fund in the name of the Legacy Account. Absent a designation selection on the account application, the default designation is Endowment – World Fund.

CONTRIBUTING TO AN ACCOUNT

Account advisors and third-party donors may make additional contributions of a minimum of \$1,000 at any time. Contributions may be bundled to meet the \$1,000 minimum. If the individual donors wish to receive a charitable tax receipt, the donation must be made directly to the DAF and not deposited locally. Charitable tax receipts will be issued to the donor only based upon the information obtained on the transfer device, such as the check, credit card, or wire transfer.

Contributions are irrevocable. All contributions are reviewed and approved by TRF. Once accepted, a contribution cannot be refunded. Contributions that are not accepted will be returned as soon as practicable. Those that are accepted will be acknowledged via written or email confirmation.

Cash Contributions must be in US dollars and delivered by check or wire but *not cashier's check or money order*. Checks should be made payable to TRF Donor Advised Fund (or "TRF DAF") with the account name and/or account number written in the memo field, and mailed to:

**Rotary DAF
c/o NRS
12 Gill Street, Suite 2600
Woburn, MA 01801**

Wire Transfers and Securities require advance notice and must be sent to our custodian bank in Massachusetts. Prior to initiating a transfer, please contact the TRF DAF Team at (847) 866-3100 or plannedgiving@rotary.org for instructions and the most current forms.

Contributions of Securities may be made in mutual fund shares, stocks, bonds, and other securities, including certain private and restricted stock.

If you are considering a year-end contribution of mutual fund shares, please keep in mind that a gift is deemed complete for tax purposes on the date the transfer is complete - mutual fund share transfers may take several weeks.

Please note that TRF DAF does not value private securities. If you are considering this type of contribution, you should obtain an independent qualified appraisal, as required by IRS rules. Once accepted, TRF will send a written confirmation of the donation with a description of the asset donated.

Testamentary Gifts and Gifts from Trusts may be directed to a DAF account through a trust, will, or other estate plan. You may also name a DAF account as the beneficiary of a retirement account, including an Individual Retirement Account (IRA), life insurance policy, charitable remainder trust or charitable lead trust. Please consult with tax and legal advisor(s) when setting up any testamentary gift or trust.

Donations to Disaster Relief Efforts: A Trustee Decision in October 2018 bars the use of TRF DAF for collecting funds and distributing grants in response to disasters. Instead, contributions can be directed to the [official Rotary Disaster Response Fund](#).

RECORD KEEPING AND REPORTING

TRF strives to provide confirmation of all account transactions within five business days. More immediate access can be obtained by viewing the transactions on the DAF portal. Contribution confirmations may serve as a receipt for tax purposes. Quarterly account statements may be accessed online.

DONOR RECOGNITION

Contributions to the DAF **do not** earn Foundation recognition points or count toward Major Donor or Paul Harris Society, or Sustaining Member recognition.

Individual and Legacy Accounts: Upon request, donors may be recognized as a Benefactor or Bequest Society member for 50% of the amount of the initial contribution based upon that value ultimately benefitting TRF's Endowment. Feel free to discuss financial and philanthropic goals with a TRF DAF Team member by contacting plannedgiving@rotary.org.

Automatic annual and recommended transfers from an Individual or Legacy account to TRF programs count toward Major Donor recognition totals. Additionally, the annual transfer and any transfers to TRF's Annual Fund, PolioPlus or approved Global Grants are eligible for Paul Harris Society recognition and earn Foundation recognition points.

Group Accounts: The annual transfer and any transfers to TRF's Annual Fund, PolioPlus or an approved Global Grant earn Foundation recognition points for the group and may count toward club and district giving goals. Recognition points may be transferred to individuals, subject to the usual Foundation point transfer rules.

No donor recognition is given to individuals for transfers from a Group account to TRF.

INVESTMENT OPTIONS

TRF invests its DAF assets in four investment portfolios pursuant to the investment objectives set by TRF Trustees and are subject to change.

Account advisors may recommend how contributions should be allocated among any combination of the four portfolios. Currently, if an investment recommendation is not made, the contributions will be allocated to the Conservative portfolio.

It is possible that TRF Donor Advised Fund investments will decline in value. Additional detail regarding the most current investments, returns, custodian bank, and fees can be found on TRF DAF Quarterly Investment Update and upon request to plannedgiving@rotary.org.

Portfolio Descriptions

The **Long-Term Growth** portfolio's primary objective is long-term capital appreciation. It is invested in 75% equity index funds, split evenly between US and non-US stocks. This portfolio holds approximately 25% of assets in fixed income in order to reduce volatility. Given the higher exposure to equities, it carries the highest level of risk of the four portfolios.

The **Balanced** portfolio seeks to provide long-term capital growth and generate income. It is invested 50% in equity index funds, split evenly between US and non-US stocks, and 50% in bond funds. While the allocation to bonds can lower volatility, given its exposure to equities, this portfolio carries the second highest level of risk.

The **Conservative** portfolio's primary objective is to provide low volatility and a higher level of current income. This fund invests 75% of its assets in bond funds and 25% in equity index funds, split evenly between US stocks and non-US stocks to provide some degree of capital appreciation.

The **Money Market** portfolio is designed to safeguard principal. It is invested in money market funds. The portfolio does have some degree of interest rate risk, which can lead to negative returns when earnings are less than fees. However, given the short maturities of these investments, the Money Market portfolio has the lowest risk of the four portfolios.

TAX TREATMENT OF DAF INCOME & GRANTS

Income that accrues to a DAF account belongs to TRF and not to the account advisor. Therefore, the account advisor is not taxed on this income and cannot claim a charitable deduction when the income is earned in the account.

When TRF DAF liquidates shares in the account to make grants, the DAF is distributing its own assets. Account advisors are not eligible for a further charitable income tax deduction with respect to grants made from the account.

QUARTERLY STATEMENTS

The calendar year quarterly statements for March, June, September, and December will be available online only and are available in the month following the quarter's close (April, July, October, January). Current activity and monthly statements of investment performance can also be found on the TRF DAF portal.

GIFT DATE AND CHARITABLE INCOME TAX DEDUCTION DETAILS

Donors may claim a charitable deduction in the year of a contribution, subject to certain limitations. Limitations depend on the type of asset contributed and personal circumstances. Excess amounts may be carried forward and deducted in the five-year period after the initial contribution year. The ability to deduct charitable gifts may be subject to certain other limitations. Due to the nature of the holding, **mutual fund share transfers** may take weeks to complete. Consult with a tax advisor to determine personal deduction abilities and limits.

Deduction Limitations: Deductions for cash contributions are limited to 60% of the donor's adjusted gross income ("AGI") in the tax year in which the contribution is made. Deductions for contributions of appreciated securities held for more than one year are limited to 30% of AGI. Rules regarding the AGI limit may vary so check with professional advisors.

Cash, wire, or credit card: Generally, donors may claim a deduction for the full amount of a cash contribution. The date of the gift is the earlier of the postmark, if by mail, or the date funds are received by the DAF.

Securities or mutual fund shares held more than one year: TRF will provide the amount of the mean of the high and low prices reported on the date the contribution of securities is received by the DAF account. For mutual fund shares held for more than one year, the deductible amount is the closing price on the date the contribution is received.

Securities or mutual fund shares held for one year or less: Account advisors may claim a deduction in the amount of the lesser of the cost basis or fair market value ("FMV") as determined in accordance with the rules described above.

Non-publicly traded securities: Securities that are not publicly traded will be reviewed on an individual basis prior to accepting the gift. Please call TRF DAF Team members at (847) 866-3100 prior to sending securities. The IRS requires a contemporaneous appraisal from a *Qualified Appraiser* for any contribution of non-publicly traded securities of \$10,000 or more. If the deduction claimed is less than \$10,000 but more than \$5,000, a partially completed appraisal summary on IRS Form 8283 is required. For securities held for one year or less, the deduction is for the lesser of the cost basis or FMV.

Uncertificated securities donated via DTC have a gift date of the date the securities are irrevocably credited to TRF DAF account at its custodian bank.

Certificated securities use the post mark date that the certificate and endorsement are mailed.

RECOMMENDING A GRANT – INDIVIDUAL AND GROUP ACCOUNTS

It is recommended that grants be at least \$250. Only one signature is required to initiate a grant. All grants must be made online through the TRF DAF portal, or be mailed, emailed, or faxed with the signature of an account advisor:

- **Online:** rotary.org/daf
- **Mail:** Rotary DAF
c/o NRS
12 Gill Street, Suite 2600
Woburn, MA 01801
- **Fax:** (781) 658-2497
- **Email:** RotaryDAF@nrstpa.com

Please note that by emailing a grant recommendation, you acknowledge that email is not a secure manner of transmitting information and that neither Rotary nor its agents warrant that the email transmission is secure. Do not include personal or confidential information in any email transmission.

Grants made online through the DAF portal will receive an automated email confirmation of receipt. For confirmation of other grant submissions, please log-in to the DAF portal to see the pending grant activity within 24-hours during the business week.

All recommendations for grants are subject to approval by TRF. Once approved, the check will generally be sent out within 3-5 business days. TRF will notify account advisors if a recommendation is not approved.

Please note that due to audit restrictions, checks can be sent only to the grantee at the address on file with the IRS unless additional confirmation is provided.

MINIMUM ANNUAL GRANT ACTIVITY

Minimum Grant Activity: An automatic transfer to TRF's Annual Fund:

<u>Individual Accounts:</u>	\$250 in the July transfer
<u>Group Accounts:</u>	1% of the July 1 st fair market value in the July transfer
<u>Legacy Accounts:</u>	The greater of 1% as of 31 March, or \$1,000; in the April transfer

TRF DAF has an annual aggregate minimum grant target of 4.25% of the DAF program's average net assets on a five-year rolling basis. If the routine DAF grant activity does not meet this target, requests for grants may be made of accounts that have less than 4.25% of grant activity during the relevant time period. If recommendations are not made within 60 days, TRF may transfer funds to the Annual or other program Fund.

USING TRF DAF TO FUND A ROTARY GLOBAL GRANT

TRF DAF can be used to fund Global Grants. The DAF account name and number **must** be listed on the Global Grant application **as a specific funding source**, otherwise no transfer from TRF DAF to the grant will be allowed. Specifically, the TRF DAF portion *cannot* be listed in the club contribution section.

After the grant is approved, an account advisor recommends a transfer from the DAF for the Global Grant. See the "Guidelines for Using The Rotary Foundation Donor Advised Fund for Global Grants" at: rotary.org/plannedgiving, in the File Cabinet or upon request to plannedgiving@rotary.org

RECOMMENDING A GRANT – LEGACY ACCOUNTS

Legacy Accounts make fixed annual grants based upon the 31 March fair market value each year to TRF's Annual Fund plus one other recommended charity. Advisor's will have the opportunity to recommend the second charity and the amount of the annual grants when the account is established.

Annual grants may be:

- A fixed dollar amount;
- A fixed percentage of the fair market value of the account;
- A fixed percentage of the change in investment value above administrative and investment management fees.

Minimum Annual Grant: Each account will make annual grants equal to at least 4.25% of the average fair market value of the account for the prior three years.

Minimum Annual Transfer to TRF: 1% of the fair market value of the account or \$1,000, whichever is greater.

If an amount is not recommended, TRF will distribute 50% of the Minimum Annual Grant to its Annual Fund and 50% to the second charity, provided that the transfer to TRF Annual Fund meets the minimum amount of the greater of \$1,000 or 1% of the fair market value. If the additional charity becomes ineligible to receive grants, TRF will, at the Trustee's discretion, make the Minimum Annual Transfer to TRF's Annual Fund and may move the fund to the Endowment at its sole discretion.

During the donor's lifetime, changes may be made to the second charitable beneficiary or amount of the annual grants by contacting TRF DAF Team members at 847-866-3100 or plannedgiving@rotary.org.

GRANT RESTRICTIONS – ALL ACCOUNTS

US Public Charities: Grants can be made to IRS-qualified charitable organizations described in Section 170(b)(1)(A) of the Internal Revenue Code, which includes 501(c)(3) public charities, and qualified religious, educational, hospital or medical research, and governmental entities. Grants cannot be made to individuals or private foundations. TRF does not deny grant recommendations based upon the IRS-approved charitable activity of the qualified grant recipient.

Pledges & Private Benefit: Grants may not be used to satisfy a pre-existing pledge or to pay for any goods or services, including dues, membership fees, benefit tickets, or goods bought at charitable auctions. Grants may not be used for lobbying, political contributions, or to support political campaign activities. Account advisors and donors may not receive an improper benefit from a grant or have legal control over the use of granted funds.

Scholarship Limitations: Grants may be made to an educational institution and then applied by the institution. **Account advisors may not select or identify the individual who receives the scholarship.** It is up to the educational institution and/or independent selection committee to coordinate the application of funds to a scholar as the educational institution deems appropriate and as such the scholar should not be included in the DAF grant recommendation.

TRF will reject any grant recommendation for improper purposes and will take action if TRF determines that improper DAF grants have been made.

INACTIVE ACCOUNTS

TRF may close any account. Accounts that have had no activity for 36 consecutive months, Annual Transfers to TRF notwithstanding, will be reviewed for closure. Prior to closing an account, every reasonable effort will be made to contact the account advisor(s) and request that the grants be recommended from the account. Upon closing an account, 50% of the account balance will be transferred to the Endowment and 50% will be distributed to other named charitable beneficiaries of the account, subject to review and approval by TRF. If no other charitable beneficiaries have been designated, the entire account balance will be distributed to the Endowment – World Fund.

FOR ADDITIONAL INFORMATION

Contact TRF DAF Team members at (847) 866-3100 or plannedgiving@rotary.org.

The documents described herein, including this Program Circular, can be found at rotary.org/plannedgiving or on the DAF portal at rotary.org/daf.

Information concerning TRF DAF may be obtained, without cost, by writing to its principal place of business at the following address:

**The Rotary Foundation
Donor Advised Fund Team
1560 Sherman Avenue
Evanston, IL 60201**

(847) 866-3100

plannedgiving@rotary.org

rotary.org/daf

SCHEDULE A

SERVICE PROVIDERS, FEES AND EXPENSES

Fees are assessed by and paid directly to our third-party vendors. TRF does not assess a fee for its services. Fees are subject to change.

Administrative Service Fee: TRF has contracted with Northeast Retirement Services (“NRS”) to provide administrative and other support services. Each Donor Advised Fund account is assessed an annual administrative service fee of up to **70 basis points (0.70%)**, which can vary depending upon the overall size of the program. As of 31 December 2021, the Administrative fees are effectively **less than 55 basis points**.

The fee is charged to each account on a quarterly basis, in arrears, on March 31, June 30, September 30, and December 31.

Investment Management Fee: TRF has contracted with Bank of New York Mellon to provide investment management services. Each Donor Advised Fund account is assessed an annual investment fee of up to **20 basis points (0.20%)**. The fee is charged to each account on a quarterly basis, in arrears, based on the average daily balance of the account during the preceding quarter.

The investment portfolios invest in Exchange Traded Funds that carry certain fees that are reflected in the net asset value. The expense ratios for the portfolios currently range from 0.23 to 0.29%.

Brokerage Commission Schedule: Approximately \$0.10 per share for trades under 1,000 shares; \$0.05 per share above 1,000 shares (this schedule does not apply to restricted, non-U.S., or closely held securities).

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