

AMERICAN FUND FOR CHARITIES DONOR ADVISED FUND POLICIES & GUIDELINES

About AFC and Donor Advised Funds

The American Fund for Charities (AFC) is a 501(c)(3) public charity that enables U.S. tax-payers to support foreign and domestic nonprofit organizations through tax-deductible donations. With over 25 years of experience in charitable giving, AFC provides personalized service to individuals, foundations, and corporations to facilitate prompt, reliable support of worthy causes around the world.

A Donor Advised Fund (DAF) is a tax-deductible account that is funded by an individual donor, foundation, or corporation. Establishing a DAF Account with AFC allows individual donors an immediate tax deduction while enabling them to delay distributing funds. DAF accounts are invested while they await distribution. Once a DAF account is established, donors may contribute additional funds to their accounts and suggest charities they wish AFC to support at any time. Although AFC specializes in supporting internationally based charities, DAF accounts may also be used to support domestic charities.

How does a Donor Advised Fund work?

Gifts to Donor Advised Funds are tax deductible to the extent permitted by law. Tax deductions are taken at the time a gift is made. Donors may suggest charities they would like to support at any time; however, all suggested charities must be evaluated and approved by AFC before grants can be distributed. AFC has final decision-making authority on how distributions are made.

Opening a Donor Advised Fund (DAF) Account

Eligibility

At this time, DAF accounts may only be opened by individuals.

Primary account holder

The individual establishing the DAF account will be designated as the Primary Account Holder and will receive all communications from AFC.

Additional account holder

Primary Account Holders may name one Additional Account Holder on a DAF account. Each Additional Account Holder will have full and equal privileges to recommend charities for support and to name Successor Account Holders to the DAF Account. Primary and Additional Account Holders must provide written consent to AFC to add or remove account holders.

The subsequent use of the term Account Holders in this Agreement refers to Primary and Additional Account Holders individually and collectively.

Successor account holder

Primary Account Holders may name one Successor Account Holder to assume the advisory privileges for the DAF upon the deaths of the Primary Account Holder (s). In addition, or alternatively, Primary Account Holders may name up to three IRS-qualified public charities to receive any remaining balance in the DAF Account after the death of the last remaining DAF Account Holder. If a Successor is not identified and a residual beneficiary

is not named, then upon the death of the last remaining Account Holder, AFC will close the account by distributing any remaining balance to a recent beneficiary of the account.

Keeping account contact information up to date

DAF Account Holders are responsible for keeping AFC up to date with individual contact information.

Naming an account

Account Holders may recommend a name for their DAF account, most typically to honor a family or individual. AFC reserves the right not to approve a name for a DAF account. If a difficulty is perceived, AFC will contact the donor to discuss alternative names.

Minimum contribution amount and account balance

DAF accounts may be opened for short- or long-term investment. The minimum contribution to open a DAF account varies with the anticipated duration of investment. Once an account is opened, donors may add to the account with additional contributions of at least \$1,000. If an account balance falls below \$1,000, AFC will contact the donor regarding disposition of the remaining funds. If there is no response within 60 days, AFC may close the account and remit the remaining balance to an organization previously designated, or if none has been specified, to a recent beneficiary of the account, and if neither of these is possible, to another organization selected by AFC.

Irrevocability of contributions

All contributions to DAF accounts are irrevocable and cannot be refunded or returned once contributed.

Contribution restrictions

Donors may contribute cash and liquid assets, including all types of publicly traded securities, bonds, and mutual funds. Gifts may be made by check, wire transfer, ACH (automated clearing house), or credit card, and must be made in US dollars. Checks should be made payable to the American Fund for Charities. Gifts of marketable securities will be remitted to a brokerage account maintained by AFC. Donated securities will be sold immediately and the cash proceeds will then be used to fund the DAF account.

The American Fund for Charities does not accept real estate, stock in privately held corporations, restricted stock, interests in private partnerships or limited liability corporations, private equity or venture funds, or hedge funds. AFC does not accept donations of collectibles, artwork, or other tangible property for DAF accounts.

A DAF account may not hold more than a minor interest in a business when the Account Holder or a related party also holds an interest in the business. This is known as the “excess business holdings” rule, which prohibits the account and disqualified persons from together holding more than a 20% interest in a business enterprise (20% of the voting stock of an incorporated business or 20% of the profits interest of a partnership or joint venture) or any interest in a sole proprietorship or unincorporated entity. AFC will identify any potential gift that would qualify as an excess business holding and will notify the prospective donor. AFC will dispose of any excess business holding as quickly as possible, but no later than after the five-year legal limit for doing so.

All contributions are subject to review and approval by AFC.

Communications

AFC will provide Primary Account Holders all communications relevant to their account activity. This includes letters acknowledging gifts to AFC and other supporting documentation necessary for tax purposes. If

requested, AFC will also provide communications regarding suggested grant beneficiaries, notifications of grants made, and quarterly DAF reports summarizing account balances, distributions made, and account performance. Donors are responsible for ensuring that the information they file with their tax returns is complete and accurate.

Additional Account Holders will only receive confirmation of their individual contributions to AFC for tax purposes. They will receive no other communications relevant to their gifts, grants, or accounts.

Investment Options

AFC offers two types of DAF accounts to accommodate different lengths of time anticipated prior to disbursement.

Short-Term DAF (SDAF):

The SDAF is the preferred option for donors who wish to support an active, AFC-approved charity in the near term while keeping their account balance and fees low. SDAF accounts are maintained in favorable bank-held money market accounts and are typically held for less than three years. The minimum contribution for opening an SDAF is \$5,000.

If an account balance falls below \$1,000, AFC will contact the Account Holder regarding disposition of the remaining funds. If there is no response within 60 days, AFC may close the account and remit the remaining balance to an organization previously designated, or if none has been specified, to a recent beneficiary of the account, and if neither of these is possible, to another organization selected by AFC.

Long-Term Invested DAF (LDAF):

LDAF's are most attractive for donors who seek an immediate tax benefit but who wish their donated funds to be distributed over an extended period of time, typically more than three years. LDAF's are also appropriate for donors seeking to make large gifts to international and domestic causes but who wish to avoid the administrative burden of establishing a private foundation. The minimum contribution for opening an LDAF is \$25,000.

LDAF funds are invested with Zevin Asset Management of Boston, Massachusetts (www.zevin.com). Zevin is an independent investment company with a long-standing commitment to socially responsible investing. At Zevin, all securities selected must satisfy environmental, social, and governance (ESG) criteria. LDAF funds are invested in Zevin's flagship product, the Global Appreciation portfolio, which seeks to produce superior long-term results focusing on capital appreciation through active risk management. This is a multi-asset, large-cap, portfolio that is only appropriate for long-term holdings.

AFC does not guarantee investment performance. LDAF account values fluctuate with the stock market. The amount available for distribution at any given time may be more or less than the donated amount.

Additional information about Zevin and its Global Appreciation portfolio will be provided upon request.

If an LDAF account balance falls below \$25,000 at the end of a calendar quarter, AFC will contact the donor. If there is no response within 60 days, in the interests of ensuring fund stability and liquidity, AFC may transfer the assets to a money market account, and the account will transition to an SDAF.

Donors who wish to contribute \$25,000 or more may also choose to place their funds in an SDAF if their giving goals are short-term and they desire a low-risk investment option.

Account Holders may not impose restrictions or conditions on the assets in their accounts, whether in the SDAF or the LDAF. AFC reserves final authority on how investments from DAF Accounts are allocated. AFC assumes

investment risks, and cannot guarantee returns on investments. Invested DAF accounts may or may not increase in value and could decrease. For this reason, LDAF accounts are only recommended when they are to be held for at least three years., Donors who wish to make ongoing pledges, should consult with the AFC.

Income Tax Considerations

Charitable deduction

Because AFC is a public charity, donors are generally eligible to take a charitable deduction for any contribution to their DAF Account, subject to the general limitations described below. AFC will provide donors who contribute to a DAF Account with contemporaneous acknowledgement of their gift. The value of the deduction will depend, in part, on the type of asset contributed (cash, stock, etc.). Rules and regulations regarding charitable deductions for state level income tax vary at the state level. Additional rules or limitations may apply with respect to tax treatment depending on a donor's circumstances, which may affect the applicability, accuracy, or completeness of the tax information provided by AFC. In addition, tax laws and regulations are subject to change. AFC recommends that donors consult a tax adviser prior to opening a DAF Account.

The above tax information is general and should not be construed as legal or tax advice. AFC disclaims any liability related to use of the tax information provided herein.

Tax treatment of AFC DAF Account income and of grants made to charitable organizations

Income and losses will be reflected in the value of each DAF Account. Any income (dividends, interest, capital gains) or capital loss that accrues to a DAF Account is income or loss for the AFC, not the Account Holder. The Account Holder is neither subject to tax on that income nor eligible to take further charitable contribution deductions with respect to that income.

When AFC disburses grants to charities based on recommendations, AFC is granting its own assets. DAF Account Holders who make grant recommendations are not eligible for additional charitable deductions when grants are disbursed as the opportunity for charitable deductions was provided at the time of the contribution to AFC. If an Account Holder receives a tax receipt from an AFC grant recipient, it may not be used for tax purposes.

Estate and Probate Considerations

Because donations to DAF accounts and any earnings accrued are the property of AFC, they are not part of a donor's taxable estate or subject to probate.

Recommending Grants

Only Primary or Additional account holders may recommend that grants from their DAF accounts be distributed to nonprofits. AFC has final decision-making authority on all distributions.

Eligible Grantees

Eligible grant recipients include the following, as long as such recipients are approved by AFC:

1. IRS-qualified Public charities in the USA

These are organizations that are tax exempt under section 501(c)(3) of the Internal Revenue Code (the "Code"), and are:

- Classified as public charities under section 509(a)(1) or (a)(2) of the Code;

- Classified as public charities under section 509(a)(3) of the Code and as Type I, Type II, or functionally integrated Type III supporting organizations, provided that no Account Holder directly or indirectly controls the supported organization;
- Classified as private operating foundations defined under section 4942(j)(3) of the Code that were not established by the Account Holder or family member.

2. Foreign Charities and Nonprofit Organizations

Foreign charities and nonprofit organizations may receive grants after they have been evaluated and approved by AFC, using the evaluation procedures described below. Approved charities are re-evaluated on an annual basis.

Charity Evaluation Process – Foreign (non-US) Charities and Nonprofit Organizations.

Before disbursing funds to any foreign organization, AFC must evaluate the suggested organization as an appropriate grant beneficiary. The evaluation process includes the following:

1. Foreign charities must be confirmed as currently operative, registered, and in good standing with a national office overseeing charitable activity in their home country.
2. The charity must not be operating in any countries subject to current US sanctions.
3. Applications for evaluation must include the following documents:
 - Proof of registration in the organization’s country of residence
 - A completed application form
 - Organizing documents and/or bylaws, translated into English
 - The most recent audit
 - The most recent annual report
 - A brief description of current programs
 - A list of current Directors and/or Trustees

AFC reviews the above materials, examining the applicant’s mission, administration, programs, governance, and finances. Due diligence includes assurance that charities comply with U.S. and foreign laws pertaining to anti-terrorism, anti-money laundering, and anti-bribery.

Review of applications is typically completed within 60 days of submission of materials.

Ineligible grant recipients

Ineligible grant recipients include:

- Private non-operating foundations;
- Non-functionally Integrated Type III supporting organizations or Type I, Type II, or functionally integrated Type III supporting organizations that are controlled by an Account Holder;
- Individual persons;
- Non-charitable entities;
- Any entity if the grant is for the purpose of satisfying a legally binding pledge of an Account Holder or family member;
- Any entity if the grant would result in more than an incidental benefit to the Account Holder or a related party;
- Any entity if the grant is for the purpose of supporting a political campaign; or
- Another donor advised fund or sponsoring organization.

Before distributing grants, AFC requires the beneficiary's signature on a written grant agreement that requires the recipient to: (1) use the grant only for the charitable purposes specified in the agreement; (2) repay to the grantor any funds not so used; (3) refrain from a list of prohibited activities; (4) make reports on the use of grant funds to the grantor; (5) maintain appropriate documentation of expenditures, and (6) make books and records available for the grantor's inspection.

After grants are disbursed, AFC receives reports from the grantee on how grant funds were used, compliance with the grant agreement, and the grantee's progress towards the stated grant purposes. In the event that the grantee fails to comply with the grant agreement, AFC may endeavor to recover the funds disbursed.

More than incidental benefit and financial obligations

AFC makes grants *exclusively* for charitable purposes. No grants, loans, compensation or other similar payments may be made, including expense reimbursements, to the Account Holders, members of their families or any entity in which such individuals hold a 35% or greater interest.

In addition, no distribution may provide "more than incidental benefits" to such parties. For example, the cost of tickets to attend a charitable event are not eligible for grant support. This includes grants for the charitable, or tax-deductible, portion of the ticket price.

Other examples of benefits that may be considered more than incidental benefit include, but are not limited to:

- Goods or services provided by the recipient charity, unless the items are of *de minimus* value.
- Raffle tickets or auction items
- Membership benefits
- Scholarships that benefit the donor and/or his or her family member
- Tuition payments and other required fees
- Political campaign activities
- Fulfillment of a pledge

Minimum grant amount

The minimum grant from all DAF accounts is \$1,000.

Suggesting restrictions on grants to a specified charitable purpose or project

Account Holders may recommend grants that are restricted to a specific charitable purpose or project of a grantee. AFC will review the grant recommendation and if approved will advise the grantee of the restriction in the award letter.

Anonymous Grants

Account Holders may request that grants be made anonymously.

Fees

AFC retains fees from the proposed grant amount at the time the grant is disbursed, with the remainder distributed to the charity.

Fees retained from International Grants	Fees retained from for Domestic Grants
4.5% of the first \$500k	1.5% of first \$500k
3% of the next \$500k	1% of the next \$500k
0.65% of amounts greater than \$1M	0.5% of the next \$2M
	0.1% of amounts greater than \$3M
0.5% annual administration fee	0.5% annual administration fee

Fees & Expenses

Administrative Fees

AFC charges each account an annual administrative fee of 0.5% of the account balance, assessed on a quarterly basis. The fee is based on the average value of the fund for the preceding three (3) months’ end-of-month values. Accounts funded during the year will be assessed a prorated amount.

Investment Expenses

Investment fees are charged by Zevin on the LDAF accounts at variable rates depending on the size of the account. Investment fees are capped at 0.75%.

Grant notification & acknowledgements

Grants are disbursed by wire transfer, ACH, or check. AFC does not release the Account Holder’s name and/or contact information to any recipient charity without the Account Holder’s explicit consent. All grants are issued by AFC directly to the recipient charity.

Recordkeeping & Reporting

Financial reports

AFC will provide donors with quarterly statements showing account balances, investments, distributions, and performance, and other financial reports and information required by law. Account Holders should read statements carefully. All errors must be reported to AFC within 60 days of receipt. AFC will provide income and expenditure reporting on grantee activities and project finances if requested.

Dormant Accounts

AFC will review account balances annually. AFC will contact the Account Holder if an account is considered dormant (generally an account from which grants have not been made in over 12 months). If AFC does not receive communication from an Account Holder within 90 days, AFC may close the account and remit the remaining balance to an organization previously designated, or if none has been specified, an organization the DAF account most recently supported; if neither of these is possible, to another organization selected by AFC.

Succession Planning

Naming successors

Account Holders may name a Successor Account Holder to exercise full privileges on the account upon the death of all the Primary and Additional Account Holder(s).

Naming Charitable Beneficiaries

In addition to, or as an alternative to naming a Successor Account Holder, Account Holders may recommend up to three (3) eligible charitable organizations to receive proceeds of the remaining assets of an account upon their death. If more than one charity is named, the Primary Account Holder may also recommend an allocation among the beneficiaries. If there is no recommended allocation, AFC will allocate the assets equally among the eligible charitable beneficiaries.

Death of an Account Holder

AFC must be notified in writing of the death of an Account Holder. Written notification must include a copy of the death certificate.

If no Successor Account Holders have been named, and if no charitable beneficiaries have been recommended or are eligible at the time the account is to be closed, AFC may elect to distribute the account balance to a charity or charities in the account's recent grant history or to similar charities.

If an Account Holder becomes permanently disabled without having named an Additional Account Holder or Successor Account Holder, AFC may act upon the advice of a duly appointed individual with power of attorney to direct charitable distributions on behalf of the disabled Account Holder.