**Policy 6300: Charitable Donation Accounts**

**Model Policy Published Date: 1/3/2024**

**General Policy Statement**  
In order to help facilitate its charitable activities, [[CUname]] (Credit Union) may create and fund a Charitable Donation Account (CDA) in compliance with NCUA regulations and in preservation of safety and soundness.

**Definitions**

* **Charitable Donation Account (CDA)** – When done in compliance with regulatory requirements, a CDA is a hybrid charitable and investment vehicle that is permitted to hold investments for charitable contributions or donations to qualified charities that are otherwise impermissible under the Federal Credit Union Act.
* **Distribution in Kind** – Credit Union’s acceptance of remaining CDA assets, upon termination of the account, in their original investment form instead of cash resulting from the liquidation of assets.
* **Qualified Charity** – A charitable organization or other non-profit entity recognized as exempt from taxation under section 501(c)(3) or 501(c)(19) of the Internal Revenue Code.
* **Total return** - Actual rate of return on all investments in a CDA over a given period of up to 5 years, including realized interest, capital gains, dividends, and distributions, but exclusive of account fees and expenses (provided they were not paid to the Credit Union or to any of its affiliates).

**Guidelines**

1. **Maximum Aggregate Funding.** The Credit Union limits the book value of its investment in all CDAs (combined book value if there is more than one account) to 5% of net worth at all times for the duration of the accounts, as measured every quarterly Call Report cycle. Within 30 days of a breach of this limit, the Credit Union will take action in order to be compliant.
2. **Segregated Account.** The Credit Union maintains assets of a CDA in a segregated custodial account or special purpose entity that is specifically identified as a CDA.
3. **CDA Trust.** If the Credit Union chooses to establish a CDA using a trust vehicle, the trustee must be regulated by the Office of the Comptroller of the Currency (OCC), the U.S. Securities and Exchange Commission (SEC), another federal regulatory agency or state financial regulatory agency. The regulated trustee or other person or entity authorized to make investment decisions for the CDA (other than the credit union itself) must be either a Registered Investment Advisor or regulated by the OCC.
4. **Investment Authority.** The Credit Union will comply with the Credit Union’s General Investment Policy for determination of qualified investment officers.
5. **Minimum Distribution.**The Credit Union distributes to one or more Qualified Charities, no less frequently than 5 years (and upon termination of the CDA, regardless of length of term), a minimum of 51% of the account’s total return on assets over the period of up to 5 years.   
      
   The Credit Union may choose how frequently CDA distributions to charity will be made during each period of up to 5 years.
6. **Written Agreement.** The terms and conditions of the CDA are documented in a written agreement in compliance with NCUA regulation. At a minimum, the agreement:  
   1. Provides that the CDA will make charitable contributions and donations only to Qualified Charities that the Credit Union has selected.
   2. Documents the investment strategies and risk tolerances the CDA trustee or other manager follows when administering the account.
   3. Provides that the Credit Union will account for all aspects of the CDA, including distributions to charities and liquidation of the account in accordance with generally accepted accounting principles (GAAP); and
   4. Documents the frequency with which the trustee or manager of the CDA will make distributions to qualified charities.
7. **CDA Termination.** Upon termination of the CDA, the Credit Union may receive a distribution of the remaining account assets in cash or a Distribution in Kind (only if those assets are permissible investments for the Credit Union).
8. **Annual Review.** As required by NCUA regulation 721.3(b)(2)(iv), this policy will be reviewed by the Board of Directors annually, at a minimum.