



## **GUIDELINES FOR DONOR ADVISED FUNDS**

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## INTRODUCTION

Welcome to the Athens Area 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 Advised Fund program is to create an opportunity for people like you to give back to their communities 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 Advised 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. But 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.

With the creation of the Athens Area Community Foundation, the Athens area now has a public philanthropic organization dedicated to supporting our thriving, just, and caring community. As the local center for philanthropy, the Athens Area Community Foundation connects individuals, families, corporations, and private foundations in the Athens area to the critical issues facing our community. We advance sustainable solutions through collaboration with civic and charitable organizations.

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## MISSION OF THE ATHENS AREA COMMUNITY FOUNDATION

The Athens Area Community Foundation, Inc. is a public charity that brings people together who care deeply about Athens, Georgia and surrounding areas and who seek to improve the quality of life and economic well-being of all people in our community through gifts and involvement.

We are committed to connecting donors with what they care about through charitable giving and by serving as a well-informed and effective grant-maker working in partnership with the community and encouraging the entire community to support charitable giving for the benefit of all.

## **WHAT IS A DONOR ADVISED FUND?**

A Donor Advised Fund is a charitable fund established by a donor (an individual, family or business) into which they contribute cash or assets, receive a tax deduction and continue to have the opportunity to be involved in its charitable use. A Donor Advised 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 Advised Fund can be created at the Athens Area 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 ADVISED 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 protected if desired.

### **FLEXIBILITY**

You receive a charitable tax deduction in the full amount you give to a Donor Advised Fund in the year of your contribution, but you can make decisions regarding distribution for many years thereafter. Your fund continues to be invested and grows tax-free in a well-diversified, professionally managed portfolio.

### **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 individual's 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. Program 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 interest.

### **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 to the IRS, and lesser tax benefits, cause many people to seek a better

alternative. A Donor Advised Fund may be that better alternative. Private foundations can be terminated and the assets easily transferred to a Donor Advised Fund with the Community Foundation.

### **HOW DO I SET UP A DONOR ADVISED FUND?**

To create a Donor Advised Fund, you sign a Fund Agreement—a document that conveys your gift to the Athens Area Community Foundation (AACF). 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 Advised 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 advisor, 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 Athens Area Community Foundation must retain the right of final determination for the use of funds.

### **WHAT IS THE MINIMUM AMOUNT REQUIRED TO START A DONOR ADVISED FUND?**

\$10,000 is the suggested minimum to start a Donor Advised Fund, but the Community Foundation is eager to work with you to accomplish your charitable goals and will discuss your individual circumstances.

### **HOW DO I MAKE ADDITIONAL CONTRIBUTIONS TO MY DONOR ADVISED FUND?**

Contributions such as cash and appreciated securities 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 Directors.

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 Advised 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 AACF** with the specific fund identified either on the payee line ("AACF/Your Fund") or on the memo line. This ensures ready acceptance by banks and accountability by AACF.

Some Donor Advised Funds conduct fundraising events or solicitations to grow their fund. All solicitations on behalf of a fund at the Community Foundation must meet our fundraising activity guidelines in advance of fundraising or solicitation. Staff will provide these guidelines upon request.

## 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 (See Page 12). You may send this by mail or fax. Grants may only be made to publicly supported 501(c)(3) charities, schools or government entities. We ask that a minimum recommendation of \$200 be made in order to make the most efficient use of the Community Foundation's resources. Please tell us whenever you want the grant 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 grantmaking staff, the Community Foundation reviews the recommendations using criteria established by our Board of Directors in accordance with IRS guidelines. As stated in your fund agreement, our Board of Directors retains final authority and responsibility for determining distributions from the Fund.

The Community Foundation's primary interest is the support of nonprofit institutions in Athens-Clarke, Oconee, Oglethorpe, Madison, Jackson, and Barrow counties. 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 organizations 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 grant 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 Advised 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 advised fund shall identify the name of the fund and the name and address of the fund's primary contact person for acknowledgment purposes.

We make every effort to respond promptly to your grant recommendations. Checks to organizations previously known to the Community Foundation will be issued in a timely manner – usually within five business days of receipt of the grant recommendation. Community Foundation 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) Memberships 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
- Gifts to purposes that are non consistent with AACF's mission

## **CAN I SUPPORT THE COMMUNITY FOUNDATION IN OTHER WAYS?**

Gifts to the Community Foundation's Operating Endowment and/or to the Community Grantmaking Endowment (Community Impact Fund) demonstrate a desire to support the Community Foundation's mission. You may request that a transfer be made from your Donor Advised Fund to support the activities of the Community Foundation at any time.

## WHAT ABOUT FUND INVESTMENT, PAYOUT AND FEES?

The funds of the Athens Area Community Foundation are managed through the North Georgia Community Foundation by professional investment managers under the supervision of the Finance Committee of our Board of Directors in accordance with our Investment Policy. Regular reviews are conducted to monitor investment performance and activity.

Grant payouts from Donor Advised Funds can be made from income (endowed) or, in special circumstances, principal (non-endowed). When you create an endowed Donor Advised Fund, you make an endowed gift to the Community Foundation. This type of fund is invested not as an individual account, but as a part of a pool. Therefore, this fund enjoys economies of scale in investment fees and returns, more so than if it were invested as a separate, individual fund. When you create a non-endowed Donor Advised Fund, you make a non-endowed gift to the Community Foundation. These funds are invested in a money market fund and upon request, a portion may be invested in the investment pool described above.

There is no initial charge to set up a fund. Once a fund is established, a Foundation Support Fee is assessed on a quarterly basis. Foundation support fees provide for the operation of the Foundation, including documenting tax deductions for donors, check preparation, grant review and processing, fund reports, mailing, data processing, bookkeeping and obtaining an independent audit. These fees are assessed directly to the fund and do not require an additional payment by you.

The annual Foundation Support Fee for Donor Advised Funds is 1.5% assessed at the close of every quarter at 0.375% with declining fees above \$1.5 million (see detail below):

<b>Fund Fair Market Value</b>	<b>Total Annual Fee</b>	<b>Quarterly Assessment</b>
Up to \$1.5 million	1.50%	0.375%
From \$1.5 to 2 million	1.25%	0.313%
From \$2 to 3 million	1.00%	0.250%
Amount above \$3 million	.90%	0.225%

## HOW OFTEN WILL I RECEIVE A FUND STATEMENT?

You will receive quarterly fund statements, sent to you approximately the 15<sup>th</sup> of the month following the close of the quarter. These reports contain information on interest and dividends earned, realized/unrealized gains and losses, contributions, fees, and grants made during the quarter. Historical data of all your gift and grant-making can be provided to you upon request. If you should have any questions, please do not hesitate to contact us.

## CAN I INVOLVE MY FAMILY?

You may wish to encourage your children to carry on this tradition of philanthropy. The Community Foundation invites you to appoint your children as successor advisors. Experience indicates that educating children through example and shared activities instills

this legacy of commitment. We would be glad to assist you in determining an appropriate way to involve others in your family philanthropy.

### HOW CAN I CREATE A LEGACY?

By creating a fund with us during your lifetime, you have already made it possible to leave a permanent legacy to charity. Upon the death of the last surviving advisor, the fund will continue as a permanent named endowment meeting your charitable purposes for generations to come. This allows you to build a permanent legacy and to perpetuate the name you select for the fund.

You may want to add to the Fund by making a charitable provision in your will. Or you may also create additional funds named for your family or in honor of a relative or friend to serve as memorials to them. Gifts will be made in the name of your fund in perpetuity.

### WHAT HAPPENS TO INACTIVE FUNDS?

#### Inactive Funds

The Foundation encourages you to play an active role as an advisor to the Donor Advised Fund you established. Specifically, we ask that you annually review the activity of the fund. If you are having difficulty interpreting your status reports or would like assistance identifying charitable organizations for support, please contact AACF at 706-542-7044 or [dporter@athensareacf.org](mailto:dporter@athensareacf.org).

A non-permanent fund that becomes inactive for two years (no gifts or grants) and whose balance falls below the Foundation's minimum fund size will revert to the Foundation's Community Fund, unless otherwise advised by donors/advisors to the fund. Prior to any action by the Foundation, a notice will be sent to the fund advisors on record alerting them to this situation.

#### Funds with No Grant Activity

Under current federal tax law, there are no actual mandatory annual distributions required from Donor Advised Funds, unlike the mandatory distributions required of private foundations. However, we are advised that even if distributions aren't mandatory, the Congress permits DAFs on the theory that they will actually achieve charitable impact. To that end, we suggest that Endowed DAFs annually distribute five percent (5%) of the average market value of the fund for the prior year. DAFs that are not endowed should consider similar distributions.

The Foundation periodically will review the grantmaking activity of every Donor Advised Fund. If a fund has failed to make distributions averaging 5% over a five-year period, AACF will contact the advisor(s) to discuss this situation. At that time, the advisor(s) will be given the following options:

- Recommend that the balance of the grantmaking account be granted to one or more 501(c)(3) public charities of their choice.
- Recommend that the balance of the grantmaking account be transferred to the Athens Area Community Foundation's Community Impact Fund to meet the most pressing needs of Athens-Clarke, Oconee, Jackson, Barrow, Madison, and Oglethorpe counties to one of the Foundation's Field of Interest Funds.
- Provide a plan for funding a specific charitable project that requires an accumulation of resources for more than a five-year period.

In the event that the advisor(s) cannot be located or is unresponsive, the balance of the fund's grantmaking account will be transferred to AACF's Community Impact Fund.

### **FREQUENTLY ASKED QUESTIONS**

#### **When may I make recommendations for distributions from the Fund?**

You may make grants from your fund whenever you wish throughout 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 recommendations 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 quarterly. You may contact the Community Foundation's Financial Manager at any time to discuss the details of your fund including the amount that is available for you to recommend for grants.

#### **What kind of organization may I recommend for grants?**

You may recommend publicly supported 501(c)(3) charities, schools or government entities.

#### **May I recommend a multi-year grant from my fund?**

Yes. At the time of your recommendation please indicate that the distribution is to be made in increments. We will administer the distribution and payment schedule automatically.

#### **May I serve on the board of an organization and recommend a grant to it from my Donor Advised Fund?**

Yes, as long as you receive no personal benefit from the grant.

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## GENERAL POLICIES OF THE COMMUNITY FOUNDATION

### *THE COMMUNITY FOUNDATION WORKS WITH YOU*

These guidelines provide you, the donor advisors and prospective donor advisors of the Athens Area Community Foundation, with information on what you may expect in working with the Community Foundation. We look forward to helping you reach your charitable goals and always welcome your input and suggestions.

As a donor, you are encouraged to communicate freely and frequently with us. Communication fosters understanding and helps us to efficiently administer your contributions and more effectively respond to your distribution suggestions. You may contact us in person, by telephone, mail, email or facsimile, whichever is most convenient for you. Staff contact information is listed on the following page.

The information contained in this handbook is intended to inform donors and professional advisors about Donor Advised Funds. We will make our best effort to communicate any changes about Donor Advised Funds in a timely manner.

### *CONFIDENTIALITY OF DONOR INFORMATION*

Information about Community Foundation donors is confidential. We do not disclose financial information, individuals' ages or other personal information without the donor's consent.

We use your mailing information only to grantee organizations so that they may appropriately acknowledge the grant to you (unless you request anonymity) and only as a means for us to stay in touch, to keep you informed of your fund activity and Community Foundation activities and opportunities.

### *INFORMATION ON CHARITABLE GIVING AND ORGANIZATIONS*

To assist you in meeting your charitable goals, we are pleased to provide you with information on charitable-giving techniques, such as planned giving, as well as information about charitable organizations you may wish to support through the Community Foundation.

In our relationship with you and with other donors, we also encourage the involvement of your professional advisors. We do suggest you solicit legal and other professional advice, as needed, to optimize the benefits of your relationship with us.

## STAFF CONTACT LIST

The Athens Area Community Foundation's staff is an excellent resource for donor advisors and is always available to assist you in accomplishing your philanthropic goals. You may be interested in visiting a nonprofit organization, or in having research provided to you about a nonprofit group. You may be interested in a specific geographic area and seek information about nonprofits serving that region. You may be interested in planning a bequest for a charitable purpose. If so, please contact us.

Your inquiries are encouraged and welcomed.

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Delene W. Porter – President/CEO

Email: [dporter@athensareacf.org](mailto:dporter@athensareacf.org)

## GRANT RECOMMENDATION FORM

In accordance with the Athens Area Community Foundation's advised fund procedures, I would like to recommend to the Community Foundation that a distribution be made as follows from the:

\_\_\_\_\_  
(Name of Fund)

To:  
Charity \_\_\_\_\_

Charity Mailing Address \_\_\_\_\_  
\_\_\_\_\_

Amount \_\_\_\_\_

## Purpose (check ONE)

Undesignated (use of grant funds to be determined by recipient charity)

Designated For: \_\_\_\_\_

Check here if you wish this grant to be made ANONYMOUSLY. Neither your name nor the name of your fund will be listed in the grant letter. The recipient organization will be advised to send their acknowledgement of appreciation to the Community Foundation for forwarding to you.

***I believe this charity is deserving of support from the Community Foundation and that the contribution which I have recommended is consistent with the Community Foundation's charitable purposes and functions.***

***I certify that this grant will not provide any tangible benefit to, or relieve any obligation of, the donor/s, the advisor/s, or any related party.***

\_\_\_\_\_  
DONOR SIGNATURE

\_\_\_\_\_  
DATE

## THIS SECTION FOR COMMUNITY FOUNDATION ADMINISTRATION

Staff Verification of Charitable Status:

- 501(c)(3): \_\_Guidestar; \_\_IRS Letter; \_\_Other (explain)  
 Government Agency  
 Fiscal Sponsor (list sponsoring organization)  
 Community Project (attach paragraph explaining charitable benefit to community)  
 990 Tax Filing  
 Most Recent Audit  
 Guidestar Review  
 Annual Report  
 Board List or Vestry  
 Other Items received

Approved By:

\_\_\_\_\_  
AACF Staff Signature & Position Title

Date: \_\_\_\_\_

Grant Distribution Date: \_\_\_\_\_

Check Number: \_\_\_\_\_

**The Athens Area Community Foundation is a fiscal sponsorship fund of the North Georgia Community Foundation.**