



## Donor Advised Funds

A Donor Advised Fund with the Athens Area Community Foundation is an efficient and effective way for your clients to manage their charitable giving. It offers clients flexibility in when and how they recommend grants to the organizations of their choice. Donor Advised Funds benefit from the expert investment management accorded to the Foundation's endowment; and the grantmaking resources of the Athens Area Community Foundation are available to your clients at any time to support their philanthropic initiatives.

### DONOR BENEFITS

- Simplicity:*** As the Foundation maintains complete records of donations, there are no additional administrative or reporting requirements associated with your client's Fund.
- Flexibility:*** Your client may recommend grants from their Fund at any time: there is no requirement to make grants by year end, or to grant a certain percentage of a Fund's assets in any given year.
- Family Involvement:*** Your client may involve their family in the charitable giving process by naming successor advisors, while avoiding the complexity of managing a private foundation.
- Expert Investment Management:*** Your client's assets are invested alongside the Foundation's endowment, and thereby benefit from expert investment direction and long-term asset appreciation.
- Tax Benefits:*** Your client may be able to take a charitable income tax deduction for the full value of their contribution in the year they make a contribution to your Fund.

### FUND GUIDELINES

#### ***Fund Name***

- Your client may establish a Donor Advised Fund in their name, their family's name, the name of a loved one, or any other name that has a special meaning. The Fund can also remain anonymous.

#### ***Advisor Selection***

- Your client may name additional advisors to the Fund who can recommend grants, and successor advisors to ensure the Fund continues into the next generation.

#### ***Contributions and Fees***

- The minimum initial contribution to establish a Donor Advised Fund is \$10,000.
- Your client may make contributions of cash, stocks, bonds, mutual funds, closely held securities, and certain private and restricted securities to your Fund. Gifts of other assets may also be accepted. Marketable securities generally will be sold upon receipt. All contributions to a Donor Advised Fund are irrevocable.
- Support fees vary by the size of each fund- they are calculated on the average Fund balance and applied each quarter. For Funds up to \$1.5 million there is an annual fee of 1.5% but no less than \$500.

#### ***Income Tax Benefit***

- The Foundation will provide written acknowledgement of all contributions to your client's Fund.
- Contributions of appreciated assets are valued at current market value, and generally no capital gains tax is due on these donations (if the assets have been held for over one year).



## Donor Advised Funds Continued

### *Investment of Funds*

- If your client plans to make grants from income earned by their Fund over the long-term then investments that have a balance between income and growth of income can be utilized. If your client's Fund is designed for short-term uses and the assets will be used for grants in less than one year then low-risk fixed income investments will be utilized. For other endowments a long-term balanced fund is the default investment choice. You will receive quarterly statements on the investment performance of your Fund.
- AACF invests through American Funds Community Foundation Program which historically has provided excellent performance for low cost (no front end load, no accounting fees, A shares for very low operating cost which average 76 basis points annually).

### GRANT GUIDELINES

- The Athens Area Community Foundation makes grants to 501(c)(3) nonprofit organizations or to educational, religious, or public entities providing similar evidence of the entity's official status in that category.
- All grant recommendations are reviewed and approved by the Athens Area Community Foundation.
- Grants cannot be made from donor advised funds to individuals, private non-operating foundations, or international organizations.
- Grants cannot be made from donor advised funds for memberships, fulfillment of pledges, tickets to events, or anything else that provides benefits to the donor.
- Donors, their advisors, and related parties may not receive grants, loans, compensation or similar payments (including expense reimbursements) from their donor advised funds.

### FINACIAL ADVISOR INFORMATION

- The financial objectives for the Foundation's investment assets are (1) to generate income which will support the charitable purposes of The Athens Area Community Foundation, Inc., its donors and its agency endowments and (2) to preserve the purchasing power of the Foundation's assets. These objectives dictate that the Foundation conserve and prudently manage those assets. The perpetual nature of the Foundation requires a growing asset base and a growing annual return.
- AACF's Board of Directors has developed Investment Policies & Procedures that outline our investment strategy and asset allocation models (Equity, Fixed Income, and Balanced Fund Pools) using American Funds.
- AACF's participation in the American Funds Community Foundation Program allows financial advisors to continue managing client assets given to the Athens Area Community Foundation.
  - American Funds will pay you as a broker an up-front fee and trailing (12(b)-1) fees for as long as we continue to invest those assets with American Funds.
- Each investment manager has discretion to manage the assets in their portfolio to best achieve the investment objectives and requirements of AACF's Investment Polices & Procedures.
  - A formal written agreement will be negotiated with each investment manager.
  - Accounts should be opened so that the Foundation will receive statements directly from American Funds.
  - The broker should obtain from the Foundation a special American Funds Account Application so that correct name and account registration can be accomplished.
  - The portfolio will be monitored on a continual basis for consistency in each manager's investment philosophy, return relative to objectives, investment risk as measured by asset concentrations, exposure to extreme economic conditions, and market volatility.
  - Portfolios will be reviewed on a quarterly basis, but results will be evaluated over running three- to five-year periods.
  - Investment returns that vary more than 2% from the performance index are subject to review.