

## What is a Donor Advised Fund?

A **Donor Advised Fund (DAF)** allows interested donors the opportunity to create a philanthropic fund from which they may make recommendations to the Foundation Board of Directors on distributions made from the fund for charitable purposes. These funds are simple to establish with a simple agreement that is executed between the Foundation and the donor. Donor advised funds may be named funds.

Donor advised funds may take one of two forms:

- An **Endowed Fund**: These funds are permanently restricted and only the income from initial and subsequent contributions may be distributed to charitable organizations or for charitable purposes. This allows the DAF to continue supporting charitable causes in perpetuity.
- A **Non-Endowed Fund**: These funds typically allow for the distribution of both principal and interest to eligible charities. Typically, these funds use either annual payouts, flexible payouts, or pass through funds.

## How can I establish and contribute to a Donor Advised Fund?

Donor advised funds may be established with an initial contribution of any amount. DAF's of less than \$20,000 will be restricted from paying out grants until the threshold amount is met. Initial and subsequent contributions to a DAF will be accepted in any amount and may be made by check, credit card, appreciated stock or publicly traded securities as well as other forms of real property, subject to the Foundation's Gift Acceptance Policy. Contributions made to a DAF are generally tax deductible at the time the contribution is made regardless of when distributions from the DAF are made. However, it is suggested that all donors consult with their professional advisor regarding their individual situation, prior establishing a fund.

## How are Funds invested?

The Foundation takes great care when investing the assets of a donor to the Foundation. Funds are invested so that earnings and asset appreciation are available to be used for grants to charitable organizations in the future. Assets from each fund is pooled with other funds that the Foundation holds for investment purposes. Currently, the Foundation invests funds in a professionally managed balanced portfolio and/or a money market fund that aligns with the objectives and risk tolerance that is determined by the Legacy Cabinet of the Foundation, annually. Fund holders will receive an annual statement of the fund's activity and performance each July after the end of the Foundation's fiscal year.

## Donor Advised Funds – How do I recommend a grant?

In the fund agreement that is executed between the donor and the Foundation, one or more representatives will be designated to make recommendations on distributions to one or more charitable organizations. The Foundation will determine whether each grant is being made to a tax-exempt charitable organization. Please note, IRS rules require final decisions on distributions be made by the Foundation and any recommendations made by designated representatives are not binding until approved by the Foundation. The Foundation, upon completion of its due diligence, will make every effort to support donor recommendations. Recommendations may be made by completing a Grant Distribution Request Form and submitting it to the Foundation for its consideration. Donors or

designated representatives will continue to make distribution recommendations in perpetuity as long as the fund exists, meets minimum balance requirements, or until they relinquish authority to make recommendations.

### **How can I plan for the continued use of proceeds from my fund?**

Donors have great flexibility in designating successor advisors who have the authority to make recommendations on designations from the fund at a time when the donor decides they can't or don't want to continue making recommendations. Usually, successors are children, spouses, or other close relative, but donors may also choose to name a field of interest fund or designate one or more charitable organizations who may receive scheduled or lump sum distributions. In the absence of a succession plan in the fund agreement, the fund may become an unrestricted fund of the Foundation and the proceeds used to meet community needs as determined by the Board of Directors.

### **I'm sure there are questions that I have that haven't been answered, yet. Can you help me?**

#### **Can I make a distribution at any time?**

Distributions from donor advised funds will be made in accordance with the schedule agreed upon at the time the fund is opened and/or changed in discussions with the Foundation. While requests can be made at any time, it is recommended that donors choose quarterly, semi-annually, or annually in order to allow charitable organizations the opportunity to plan for distributions. Recommendations made to the Foundation will be considered in a timely fashion and distributions sent out within 15 business days. Distributions may take longer to process depending on the process of completing due diligence on the recommendation.

#### **How much is available for distribution?**

Fund performance will be communicated to donors annually, but updates may be provided to donors at the end of any fiscal quarter (March, June, September, December). Please contact the Foundation with questions.

#### **I want to make a grant – who can I recommend for a distribution?**

All grant recommendations must be made for charitable purposes as defined by the IRS. This may include schools, government programs, other Funds at the Foundation, and any nonprofit public charity (an approved 501(c)3 organization), including US based organizations that conduct their work outside the United States. The Foundation will verify all organizations for proper documentation of their charitable, nonprofit status prior to providing final approval of any recommendation. In general, IRS regulations require that all distributions be made to a qualified public charity or government unit and not to any individual.

#### **I opened my fund and want to make a distribution immediately, can I do that?**

It all depends on which type of DAF was opened. Endowed funds are generally able to make distributions within one to two years following inception based upon the performance of the fund. Please remember that endowed funds may only use the income generated from the fund's investment, in most cases. Non-endowed funds may make distributions immediately upon inception assuming that the distribution is being made to a qualified public charity or government unit.

#### **I've opened my fund and want to make grants, but I'm not sure who is deserving, how can I get help?**



**WOODBURY**  
COMMUNITY FOUNDATION

## Woodbury Community Foundation Donor Advised Funds

The Foundation actively works with organizations in the community to understand the needs of local community and the programs that could benefit from the receipt of grant funding. Staff and members of the Board are always available to speak with donors about their personal passions and the needs demonstrated in the community to connect a donor's philanthropic desires to those needs in the most impactful and effective ways.

### **Is there anything I can't recommend?**

To be clear, the Foundation can approve recommendations that are consistent with the Foundation's charitable purposes. Grants cannot be made to pay for a membership, purchase a ticket to a fundraiser or make a grant that provides a special benefit to the donor, their advisors, or related parties. Grants, loans or other compensation may not be made to donors, their advisors, or related parties. Minimum distributions from the fund are \$250. The Foundation is not allowed to make a distribution to satisfy or discharge a legally enforceable pledge or obligation of anyone, including the donor of the DAF.

### **What is a Donor Advised Fund going to cost me?**

Fees are always kept to a minimum in order to maximize the impact in the community created by distributions from funds held by the Foundation. At the time of inception, a \$250 initiation fee will be assessed and an annual administrative fee of 1% or a minimum of \$150 will be applied on June 30<sup>th</sup> of each year. The fund is assessed any applicable investment management fees (which are netted out of investment returns reported by the Foundation). Current investment fees are available by contacting the Foundation office.