

## Recommending Grants from your Donor Advised Fund

It is easy to recommend grants from your Community Foundation Donor Advised Fund. Grants may be recommended to *any eligible 501(c)(3) public charity in the United States for a charitable purpose* provided that the grant:

- is at least \$250
- does not result in a personal benefit to any individual (as provided by Federal tax law).

### What is an “eligible” 501(c)(3) public charity?

Most public charities that people typically wish to support are eligible to receive donor advised fund grants. Donor advised fund grants can therefore support a wide variety of charitable entities. However, the tax code and other laws place restrictions on grants from donor advised funds to certain charities. As such, grants to the following types of organizations *will typically not* be made:

- supporting organizations under section 509(a)(3) of the Internal Revenue Code
- churches and houses of worship that have not been issued a tax-exemption letter by the Treasury Department, unless they operate under an umbrella exemption letter
- public safety organizations under section 509(a)(4) of the Internal Revenue Code
- foreign organizations
- for-profit organizations, even if limited to charitable purposes

In addition, donor advised fund grants *cannot* be made to a private non-operating foundation.

Please contact us if you have a question as to whether a particular charity is eligible to receive a donor advised fund grant, and we will research it for you. Please note that donor advised fund grants can only be made to eligible public charities as described, and grants to individuals are prohibited. A donor advised fund cannot be used to provide a grant, loan, compensation or similar payment to a donor, an advisor or related persons.

### How much can you recommend be distributed?

Advisors to *nonendowed* donor advised funds have the entire value of their fund available for grants. As permanent funds, the amount available to grant from an *endowed* donor advised fund is based on a percentage of the fund’s value determined annually by the Board of Trustees of the Community Foundation. In recent years, that amount has been 4.5% of the twelve calendar quarter (or actual if less) average value of the fund as of December 31 of the prior year. This amount is subject to change by our Board. Any amount not distributed from an endowed donor advised fund may be carried over for grants in future years or permanently added to the investments of the fund.

### How much is required to be distributed from the Donor Advised Fund?

Under current law, there is no mandatory amount that must be distributed from the fund annually – unlike private foundations that are required to distribute 5% annually. This makes donor advised funds very flexible gift vehicles as future grants can be planned to support charitable causes and projects important to the community.

### How can I learn more about what charities and causes to support?

This is an important reason to work with the Community Foundation. Our staff can help you identify causes and charities that meet your interests and values. Through our own resources as well as colleagues at community foundations throughout the country, we can research nonprofits anywhere in the country. We can help you develop mission statements and pass your philanthropic values on to future generations. Just call us for assistance.

### How is a grant recommendation made?

Grants may be recommended by using our Donor Advised Fund Grant Recommendation Form (available through our office or on our Web site). These forms can either be mailed or faxed to our office. Advisors may also recommend grants using our secure online *DonorCentral* service.

*DonorCentral* allows you to view activity within the donor advised fund, research grantee organizations, and recommend grants from any internet connection in the world. Please contact us for a username and password.

### **How are grant recommendations processed?**

Our staff confirms the tax exempt status of all recommended grantees and obtains other relevant information about the organization. The grants are typically paid within 10 business days. The advisor will receive a copy of the grant award letter which will identify the name of the donor advised fund and fund advisor – unless you have requested for this information to remain anonymous.

### **Can grant recommendations be designated for a specific purpose?**

You may recommend that a grant be used by a nonprofit grantee for a specific charitable program or activity of the organization – though it cannot be designated to benefit a particular person. Most grant recommendations are made for general operating support of the nonprofit – which is the default purpose unless a different recommendation is received.

### **Can I recommend a multi-year grant?**

By policy, the Community Foundation will accept multi-year grant recommendations that are five years or less in duration. Funds will be encumbered to ensure that future grant payments can be made. If the grant recommendation requires that the grantee perform certain activities or provide reports in order to receive future payments, our staff will work with you and the grantee to spell out those items in a Terms of Grant Agreement.

### **What is an improper “personal benefit” from a grant?**

Federal law prohibits grants from donor advised funds (as well as private foundations and charitable remainder trusts) from resulting in a personal benefit to any individual as these are charitable giving vehicles. This typically means that a donor advised fund grant *cannot* be used to:

- Pay an enforceable charitable irrevocable pledge obligation
- Purchase a membership at a nonprofit that provides benefits of value
- Purchase a fundraising event ticket (as a portion of the ticket is nondeductible) – nor used to pay just the deductible portion of the ticket, and
- Earmark support to a person or family being served by or working for the recipient charity, including other advisors to the fund or parties related to the donor.

### **Can grants be recommended to charities in other states? Or, in other countries?**

As noted above, grants may be recommended to support any eligible public charity in the United States. Currently, grants cannot be recommended to support charities in other countries except in unusual circumstances with the approval of the Community Foundation. However, these grant recommendations can frequently be processed to an intermediary public charity in the United States, though the Community Foundation will confirm that federal laws relating to anti-terrorism and other rules are complied with before processing the grant.

### **Are there any tax implications due to distributions from the Donor Advised Fund?**

As a deduction was received when gifts were made into the donor advised fund, there is no tax deduction generated from grants made from the fund. In addition, any earnings within the fund are tax-free and merely increase the amount available for supporting charitable causes.

*Donor Advised Funds are regulated by Federal law. As such, the Community Foundation (i) reserves the right to amend its policies and procedures relating to donor advised fund grants without notice as necessary to comply with any applicable statute or regulation, and (ii) any provision herein contrary to such statutes or regulations is modified to comply with same.*