



community foundation  
Holland/Zeeland Area

# DONOR ADVISED FUNDS

## *Frequently Asked Questions*

The purpose of CFHZ's Donor Advised Funds (DAF) is to create an opportunity for people to organize their charitable giving and give back to the community in an informed and active way.

You are encouraged to contact the Community Foundation of the Holland/Zeeland Area at any time for more information on these FAQs or any other questions not answered in this guide.

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## WHO CAN BE ADVISORS ON THE FUND I ESTABLISH?

You may choose anyone to be an advisor on the fund. While often the advisors are the donors themselves, some parents establish DAFs for their children to engage them in charitable giving. Corporations may name individuals who are associated with the corporation as advisors to the fund.

## WHAT IS THE REQUIRED MINIMUM BALANCE OF A DONOR ADVISED FUND?

There is no minimum to establish a fund and no minimum to maintain within the fund.

## HOW DO I CONTRIBUTE TO MY DONOR ADVISED FUND?

CFHZ accepts gifts of all kinds—cash, stocks, bonds, mutual funds, real estate, and closely held stock, as well as legacy gifts of IRAs, life insurance policies, charitable gift annuities and charitable trusts.

*Note: the law does not allow IRA qualified charitable distributions to go into DAFs.*

## HOW DO I RECOMMEND A GRANT FROM A DONOR ADVISED FUND?

Grants may be recommended at any time by contacting CFHZ or online through your personalized Donor View portal. Individual grant recommendations of \$100 or more are strongly preferred.

## WHAT KIND OF ORGANIZATIONS MAY I RECOMMEND GRANTS TO?

You may recommend grants to nonprofit organizations that are tax exempt under Section 501(c)(3) of the Internal Revenue Code (most well-known nonprofit organizations have this status) such as schools, municipalities, religious organizations, and other tax-exempt organizations that serve a charitable purpose. If you are not sure of the status of an organization, we will verify if an organization is recognized under Section 501(c)(3).

## HOW CAN I USE MY FUND?

**May I recommend grants to 501 (c)(3) organizations outside of the Holland and Zeeland area?** Yes.

**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. We require that you maintain a minimum balance in your fund equal to any remaining balance of your multi-year recommendation.

**Can CFHZ automate my recurring charitable gifts?** Absolutely. CFHZ can set up your DAF to automate charitable gifts according to the schedule and amounts you specify. You may instruct us at any time to change or discontinue an existing scheduled gift.

**May I serve on the board of an organization and recommend a grant to it from the Donor Advised Fund?** Yes, so long as you receive no personal benefit from the grant.

**May I make grants anonymously?** Absolutely. One of the benefits of a DAF as compared to a Private Foundation is the ability to make anonymous grants. Just let us know that you desire anonymity, and we will ensure that your wishes are followed.

**Are there any restrictions?** You are subject to only a few restrictions when recommending grants. Grants from a DAF may not:

- Fulfill a personal commitment or charitable pledge by the donor. If you anticipate supporting an organization through a DAF, whether it is a one-time gift or a multi-year commitment, it is important that you do not sign a pledge card or make any other binding commitment to the organization.
- Be used to pay memberships or dues; nor can they be used for grants, loans, compensation or similar payments (including expense reimbursement) to donors, advisors, or donor related parties of an advised fund.
- Be given to an individual.
- Support a political campaign or lobbying initiative.
- Be used to purchase tickets for, or to sponsor, an event where the value of a meal, entertainment or a premium is included in the cost of the ticket or sponsorship. All grants from a DAF must be 100% charitable.

## HOW IS PAIRING A DONOR ADVISED FUND WITH GIFTS OF APPRECIATED STOCK A SMART GIVING OPTION?

DAFs make giving appreciated assets easy. You make one gift of appreciated assets into your DAF, and then recommend distributions from your fund to your favorite charities. You receive the full charitable deduction and avoid capital gains taxes at the time of the gift(s). Your recommended charities then receive a check, which is easiest for them to process.

## HOW IS THE GRANTEE NOTIFIED?

CFHZ sends a check with a letter to the recipient charitable organization indicating which Fund made the grant, unless you've requested to be anonymous.

## MAY I HAND DELIVER THE GRANT CHECK?

We abide by the legal guidance of the Council on Foundations to not permit the hand delivery of checks by donor advisors. The legal opinion of the Council originates from IRS concerns with the practice.

## WILL I RECEIVE AN ACCOUNTING OF MY FUND'S ACTIVITIES?

Yes, you will receive a quarterly fund statement. You will also have online access through Donor View to view fund activity and history.



## WHAT FEES ARE CHARGED TO MY DONOR ADVISED FUND?

Each Fund held by CFHZ is charged an administrative fee to help cover the operational costs of CFHZ and administering the DAF. The administrative fee is set by CFHZ's current fee schedule. The fee for a DAF is 1% annually (or a minimum annual fee of \$250).

## HOW IS MY DONOR ADVISED FUND INVESTED?

*You may recommend the following for the funds held in your DAF:*

- Have the funds invested in our "main pool" which is a highly diversified portfolio that is pooled with more than 600 funds and houses our Community's Endowment assets.
- Have the funds invested in a combination of the Vanguard Total World Stock Index Fund and the Vanguard Total Bond Market Index Fund. You may recommend any split between these two Vanguard funds.
- Not have the funds invested, in which case they will be held in cash.

CFHZ Board of Trustees has ultimate responsibility for the investment portfolio and delegates responsibility to its Investment Committee for implementing and monitoring the investment policy. The Investment Committee meets bi-monthly and is comprised of local business and financial leaders in our community. To request an overview of our investment strategy and performance, simply reach out.

If you maintain a balance of \$500,000 in your DAF, there are additional custom investment options available. If this applies to you, please contact us to discuss.

## WHAT HAPPENS TO MY DONOR ADVISED FUND UPON MY/OUR DEATH(S)?

Some donor advisors name a child(ren) as a successor advisor(s), thus enabling the next generation to recommend grants from the fund. We allow multiple generations of successor advisors. When the last of the advisors is not willing or able to advise the fund or CFHZ has not had any contact with the then-current advisor for at least three (3) years, the remaining balance in a DAF may be used for one or more of these purposes:

1. Creates an unrestricted fund in your name, with the balance pooled with others' gifts in CFHZ's "Community Endowment" and used at CFHZ's discretion for significant, vetted grants to nonprofits that benefit the Holland/Zeeland community.
2. Creates a field of interest fund at CFHZ named for you, with interest from the fund directed to those local nonprofits that focus on the area(s)/need(s) you name.
3. Goes to create an endowment fund at CFHZ for a specific nonprofit to which you feel a strong affinity. Or, if the nonprofit(s) already has an endowment fund with CFHZ, your DAF balance is credited to that pre-existing fund.
4. Is bestowed on a percentage basis to the nonprofit(s) you have pre-designated via a designation form CFHZ provides you. We can release funds to those nonprofit(s) in a lump sum or over a pre-specified number of years.

## WHAT IS THE DIFFERENCE BETWEEN A DONOR ADVISED FUND AT CFHZ AND A DONOR ADVISED FUND AT A COMMERCIAL GIFT FUND?

There are several important differences between establishing a DAF at CFHZ and a Commercial Gift Fund. These differences include the level of grantmaking support, fees, and the ability of the donor to leave a local legacy.

### **Donor service, local expertise**

CFHZ has professional staff available to help you identify and assess local grantees and provide input on current local community needs. Commercial Gift Funds are not familiar with our community and are unable to assist with due diligence involving local grantees. In addition, the Commercial Gift Funds are not aware of local organizations that might be engaging in initiatives or projects that would be of interest or appropriate to your DAF.

### **No Minimum**

CFHZ does not require a minimum balance to establish or maintain within the fund.

### **Investment options**

Most DAF assets at CFHZ are pooled with our more than 600 funds and invested together in a highly diversified portfolio. You also have the option to advise a customized split between a stock and bond index fund if you would prefer not to be in the "main pool." All of CFHZ's investments are overseen by our Investment Committee made up of local leaders in business and finance. Commercial Gift Funds often have multiple investment options as well.

### **Fees**

CFHZ charges a 1% administrative fee for assets in DAFs, these fees are commensurate with the level of service and community intelligence CFHZ provides. Fees at CFHZ support our research, grantmaking, civic engagement and other efforts to create long lasting positive change in our community. Commercial Gift Fund fees may be lower (around .75%), but they are not reinvested in the community.

### **Local Legacy**

One of the main reasons individuals start a DAF at CFHZ versus a Commercial Gift Fund is to leave a legacy gift to the Holland/Zeeland area. The assets remaining in a CFHZ DAF when the final advisor passes away may be converted into a permanent fund here at CFHZ. This enables the donor's generosity to continue to benefit the local community after the final advisor's death. After the final advisor's death, a DAF at a Commercial Gift Fund is under the control of an organization and staff far removed from our local community, making it very unlikely that the funds will become a legacy gift for our community.

	<b>DONOR ADVISED FUND</b>
<b>FUND OPENING</b>	
Fee to open	None
Initial gift minimum	None
Minimum balance requirement	None
<b>DONOR INVOLVEMENT</b>	
May recommend grants from fund during one's lifetime	Yes
May name successor advisor(s)—to recommend grants from the fund after the initial donor(s) are no longer living	Yes, we allow multiple generations of successor advisors
May specify nonprofits that should receive legacy gifts from the fund	Yes, you may name nonprofits and amend at any time
<b>ADDITIONAL FUNDING</b>	
Additional gift minimum	None
May make a credit card gift	Yes. Credit card fee assessed by the card provider is charged to the fund. Fee varies (avg. 2.5%)
May make gift of appreciated assets, e.g. stock, land	Yes. Direct costs (fee for appraisals, title and legal work; stock commissions; and any loss CFHZ incurs to sell the asset) are charged to the fund
May make legacy gifts of IRAs, life insurance policies, charitable annuities	Yes. Direct costs associated with accepting the gift will be charged to the fund
May others may contribute to my fund	Yes
<b>GRANTMAKING</b>	
Amount available for grant recommendations	Entire fund balance (unless assets were endowed by donors)
Minimum grant size	\$100 recommended minimum, but not required
May make gifts anonymously	Yes
Minimum annual grant requirement	None
May automate regularly recurring grants	Yes
Maximum number of grants annually	None
May grant to organizations outside of Holland/Zeeland area	Yes
<b>ADMINISTRATION</b>	
Annual fee	\$250 minimum or 1% annually
Investment options	Options include cash, CFHZ investment pool, index funds with customizable allocation. Additional options for funds maintaining a balance $\geq$ \$500,000.
Fund listed publicly in CFHZ annual report	Yes, unless donor requests otherwise (amount not listed)