

20 Questions About Donor Advised Funds

The Community Foundation prides itself on providing superior service to donors. We strive to inform and enrich your philanthropy and welcome your inquiries at all times. At the Foundation, our goal is to build philanthropic assets to support the health and vibrancy of our region.

Glossary of Terms

- **Donor Advised Fund (DAF)** – A philanthropic vehicle available through the Community Foundation that allows donors to make a charitable contribution, receive an immediate tax deduction and then recommend charitable grants to nonprofits from the fund over time.
- **Gift** – A charitable donation that you give to the Community Foundation to establish a fund, contribute to an existing fund or support a program of the Community Foundation.
- **Grant** – A charitable donation made to a nonprofit organization from a fund at the Community Foundation.
- **Endowment** – A fund that will provide perpetual support. The principal of an endowment fund is invested and a spendable portion is calculated annually for charitable purposes.
- **Flexible Spending Endowment** – A fund that allows the donor to make grants from the principal, while maintaining a minimum balance that will remain endowed. There is no calculated spendable.

Establishing a Fund

1. What is the minimum required to establish a donor advised fund?

The minimum amount required to establish a DAF is \$5,000. DAFs must maintain at least a \$1,000 balance at all times.

2. Is my gift to a DAF tax-deductible?

Your original gift and subsequent gifts are tax-deductible. A receipt of your gift will be provided for your tax purposes. Grants to nonprofits from your DAF will not result in a tax-deductible gift because you have already received the tax deduction when your gift was made to the Community Foundation.

3. How much can I distribute from a DAF?

Endowed DAFs are permanent endowments that annually distribute a spendable income, based on the Community Foundation's spending policy, noted below, from which you can recommend grants. Flexible spending DAFs permit grantmaking from both the principal and net investment returns above the \$1,000 minimum balance.

4. May I name additional advisors to my DAF?

Yes. A founding donor may name additional advisors, so long as those advisors are presently living. Founding donor may also provide the right for successor advisors to name additional advisors, with approval from the Board.

5. How do I access information about my Fund?

Our Fund Advisor Portal is a secure online service accessed through our website, www.cfrichmond.org. Fund Advisors will be provided with portal access for managing their fund. Questions about the Portal can be directed to Charles Case, Customer Support Officer at (804) 409-5636 or ccase@cfrichmond.org.

With our Fund Advisor Portal, you have 24/7 access and can:

- Check the balance of your fund
- Review your fund's gift and grantmaking history
- Make grant recommendations

For more information, please contact Amy Singleton at
804-409-5613 or asingleton@cfrichmond.org.

- Review quarterly fund statements
- View and print important documents associated with your fund, including tax receipts

6. Can I remain anonymous?

At the time you establish your fund, you choose the recognition language the Community Foundation provides to grantees. You may also remain anonymous by request.

7. What happens to the DAF upon the death or resignation of all advisors?

Each fund is permanently recognized. Many donors ask that their fund be used at the discretion of the Foundation's Board of Governors to address the greatest needs in the community. Donors may also choose to support a charitable field of interest or specific nonprofits. Donors can also change this directive in the future.

Investments and Fees

8. Who invests the DAF assets and how are they invested?

Donors may select from multiple options. The Community Foundation offers [two pooled investment options](#). Our partnership with the University of Richmond (Spider Management Company) offers a long-term endowment model. Our partnership with Vanguard offers a lower-cost option of Index funds that track the market as well as a Socially Responsible Investment Fund. In both options, the Community Foundation adds any net gains, or deducts any net losses, from the investments to the DAFs fund balance on a quarterly basis.

Donors with a fund size greater than \$1 million may recommend their fund be managed by their own financial advisor.

9. How does the Community Foundation calculate spendable income for endowed funds?

Generally, the Foundation's Board of Governors applies a 4% spending policy for endowment

funds, exclusive of compensation to the Community Foundation, which is reviewed from time to time. The spendable income is determined annually based on a 12-quarter rolling market average of your fund.

10. How much does it cost to have a DAF?

Each DAF contributes an administrative fee to further the Foundation's general charitable purposes. This fee is assessed quarterly. The annualized compensation rate on DAFs is a stepped fee based on fund balances.

- First \$100,000: .90%
- Assets between \$100K – \$500K: .85%
- Assets between \$500K - \$1M: .75%

DAFs with sustained balances over \$1M:

- First \$1M: .75%
- Balances above \$1 million: .5%

Grantmaking

11. How can a DAF at the Community Foundation help to make philanthropy more effective?

Our donors have found great benefit in the services that are offered by the Community Foundation including:

- Advice and expertise on community needs
- Annual review of your fund and grantmaking
- Family education and engagement opportunities
- Opportunities to develop a giving plan to align with your personal values
- Review of your grant history and trends
- Site visits with local nonprofit leaders

Fees to the Community Foundation are then used to help fund many of the services named above.

12. How do I recommend a grant from my DAF?

You may recommend grants online through our Fund Advisor Portal. (See #5)

13. May I recommend grants to organizations outside Central Virginia and the U.S.?

Yes. Grantmaking is not limited to Virginia. The Community Foundation recognizes that donors have interests that extend beyond our geographic boundary and will generally approve grants to any qualified 501c3 publicly supported organization in the United States. International grantmaking is permitted in accordance with IRS guidelines.

14. What is the minimum grant size I can recommend?

The minimum grant amount is \$100.

15. When can I make my grant recommendations?

Grant recommendations may be made anytime throughout the year. Grant payments are Issued on a weekly basis, subject to the Community Foundation’s due diligence review.

16. How does the Community Foundation evaluate grantees?

Each recommended grantee must submit proper documentation including:

- Current Board list
- IRS tax exemption letter
- 990 tax filing
- Most recent audit

Many nonprofits have already been approved through our due diligence review. If you are granting to a new nonprofit, the due diligence review may take a bit longer, depending on how quickly the nonprofit submits their documentation. The Community Foundation will notify you of any delay in processing your grant recommendation.

17. May I make a multi-year commitment from my fund?

Yes, you may make a grant recommendation with multiple payments. However, the full amount of the grant will be recorded in the year of the original recommendation. At that time, the fund balance must be able to fulfill the full grant recommendation.

18. May I recommend a grant and receive benefits from a nonprofit as a result of my grant?

The IRS prohibits individuals from receiving benefits as the result of a grant from a DAF. The Community Foundation provides you with a letter at the time of your gift that says, “no goods or services were received for your gift.” The IRS may apply financial penalties if you or a related party accepts more than ‘token benefits.’ Benefits that are not allowed include things such as tickets, preferred parking, membership benefits, etc. You should request “No Benefits” when submitting a grant recommendation that may result in benefits.

Federal law imposes substantial financial penalties for violations. IRS penalties for more than "token benefits" can include a 125% excise tax to donors and a 10% excise tax to the Community Foundation, based on the size of the grant.

19. May I recommend grants from a DAF to assist an individual in need?

No. The IRS strictly prohibits donor advised funds from engaging in this type of activity.

20. What is variance?

Variance power grants the Community Foundation’s board the ability to ensure donor intent. For example, if a recipient organization of a designated fund were to close or radically alter its mission, the Foundation’s Board of Governors could use variance power to name a new organization whose mission is most closely aligned to the original mission of the initial organization, therefore ensuring the donor’s intent is honored.