THE BASICS OF SETTING UP A

DONOR ADVISED FUND

THE COMMUNITY —
FOUNDATION
SAN LUIS OBISPO COUNTY





We build a culture of giving. Since 1998. The Community Foundation San Luis Obispo County has been managing charitable funds while working with local donors and nonprofit agencies to improve the lives of all who live in and care about our communities. We hope this Handbook will provide important information to you as you consider and manage your own Donor Advised Fund.

What is a Community Foundation?

Community Foundations are tax-exempt, nonprofit, publicly supported philanthropic organizations that have the long-term goal of building permanent funds that will benefit communities through grant-making and other charitable activities. They serve donors to help them to accomplish their charitable goals and make an impact in their communities. There are over 1,000 community foundations located across the US.



Create connections between different segments of the community: Donors, Nonprofit agencies, Businesses, Governments



Attract and pool resources for the public good and distribute transparently



Play a leadership role informing and engaging the general public on issues important to the community



Group financial resources from a variety of donors to support local nonprofit agencies and their work



Gather local people and groups to provide funds that respond to local emergencies

What is a Donor Advised Fund and how can you use it?

Think of a Donor Advised Fund ("DAF") at The Community Foundation as a charitable giving account. It allows you to make a charitable contribution, receive an immediate tax deduction, and then recommend grants from the fund over time. A DAF opens up the world of philanthropy to a wider group of donors who want to address community needs in San Luis Obispo County and beyond. You can contribute to the fund as frequently as you like, and then recommend grants to your favorite nonprofit organizations whenever it makes sense for you.

A DAF is a tax-efficient way to conduct your philanthropy by reducing your tax liability while increasing your charitable impact.

- You may reduce your tax burden
- You may contribute appreciated assets to reduce or eliminate capital gains



Two Types of DAFs

1. Endowed

An endowed fund is a way to create a permanent fund that enables you to recommend grants that will continue to be awarded forever, leaving a legacy after you are gone.

Key things to know:

Principal is Preserved. The principal balance is not spent over time, which creates an ongoing funding stream. This means that the fund's earning power is protected against inflation. Any additional income or appreciation is added to the principal to protect its value. In this way, the fund will continue to support charitable programs forever.

Available Balance. The annual amount available to distribute through grants from the fund is called the Available to Spend Balance or "ATS". The ATS is based on a percentage of the fund's net income and appreciation. The formula used to calculate the ATS is set by the Foundation's Board of Directors. It is designed to preserve the principal of the fund and create an ongoing source for grantmaking.

Fees. All administrative fees are based on the fund balance. The investment fees for the endowment are charged quarterly.

2. Non-Endowed

The entire balance of a non-endowed fund is available for distribution at any time, and is not permanent. You may recommend any number of grant awards from this type of DAF.

Key things to know:

Immediately Available. Once the non-endowed DAF is established and the initial gift is received, you are able to immediately recommend a grant to benefit the community.

Flexibility. The entire balance may be distributed all at once or over time.

Fees. Each contribution to a nonendowed DAF is assessed a one-time administrative fee, and no additional fees are assessed on the fund balance regardless of how long the fund exists, the amount granted out, or the number of grants awarded.

Grant Timing. To give the fund time to earn income and appreciation, grantmaking does not begin until the fund has existed for one full calendar year. After that time, the ATS is available to grant out. Please see the current Spending Policy for details.

Professionally Managed Investing. Endowed funds are professionally managed. Investment strategy is guided by the Investment Policy Statement and reviewed annually to maximize returns, strengthen grantmaking, and create sustainable growth.

Establishing A DAF

Our team works closely with you to create a DAF that meets your charitable intentions and goals. We create a Fund Agreement for your approval that reflects your wishes. The agreement is presented to the Foundation's Board of Directors for acceptance. After the Fund's acceptance by the Board, the CEO and Board President sign two copies, with one original returned to you for your records. The gift to establish your DAF can then be contributed.

Once your fund is established, you have immediate access to information on local needs, assistance with grant recommendations, donor education, and special donor events. If your fund is non-endowed, you may begin recommending grants to nonprofit agencies as soon as the gift is received. If your fund is endowed, grants may not be available for immediate distribution, but all services and education opportunities are open to you.



What Can I Give?

- Cash. Checks. or Stocks
- Gifts that may be accepted but require prior approval
 - Real Property
 - Real Estate
 - Tangible personal property that is not readily sellable, including furniture, artwork, coin collections, and jewelry
 - Gifts of personal property for use in the Foundation's offices or programs, including furniture, office equipment, or artwork
 - Closely held and S corporation stock
 - · Partnership and Limited liability interests
 - Accounts receivables such as gifts of loans, notes, and mortgages
 - · Retained life income gifts
 - Life insurance policies

Read the Gift Acceptance Policy' for more information on the types of gifts the Foundation may receive.

*For a review of related policies, please visit cfsloco.ora/policies

Why Board acceptance and approval is needed: The Community Foundation is a steward of community funds, and its Board has a duty to approve all gift and fund acceptances as part of its ethical, fiscal, and operational oversight responsibility. Each fund may have a special purpose, and the Foundation's Board of Directors is responsible for ensuring the funds are used for the intended purpose of your fund.

Our Role

Grants Recommendations.

Though some donors come to The Community Foundation with a set list of causes or nonprofit agencies they want to support, the Foundation staff can help you identify your charitable interests and goals and create a list of reputable nonprofit agencies working in those areas. We can prepare a short term or multi-year plan and make recommendations based on your goals.

Administrative Support.

The Foundation acknowledges gifts, sends documentation for your tax records, and confirms grant distributions awarded from your DAF. Fund statements listing gifts to your fund, grants distributed, and the DAF's current balance are sent to you semi-annually. We perform due diligence on grants and verify adherence to any grant restrictions, such as support for a specific program. We can offer grant recommendations and notify you about special giving opportunities.

Knowledge of Community Need.

We are a local organization with local staff, and committee and board members. We have in-depth knowledge of the issues and opportunities in our local communities. We monitor community needs, such as education, the environment, economic development, arts and culture, and health and human services. We gather information and track local nonprofit agencies and programs. Our website also has links to local data to assist you in learning more about the issues in our county.

Philanthropic Representation.

Foundation staff can serve as your confidential representative while researching nonprofit agencies and programs on your behalf. We are able to act as a go-between with the non-profit to glean the information you need to make an informed recommendation. This means you can ask questions, review non-profit qualifications or program details in private and on your own timeline.



Donor Education.

Through our robust donor education programs, The Community Foundation strives to inform donors on community needs and issues. These interactive sessions give you the opportunity to connect with local nonprofit agencies and other donors about the important work being done in San Luis Obispo County. We also send regular newsletters with information about work being done locally.

We are available for individual meetings or to meet with you and your professional advisor or family members. We encourage you to meet with us at your convenience to share new priorities or interests. Please call 805-543-2323 or email info@cfsloco.org for more information.

What to Know Before Recommending a Grant

Grant Purposes.

Grants must be for charitable purposes. The minimum recommended grant amount is \$1.000.

Grant Processing. Typically, the process to perform due diligence on and receive approval for recommended grants, and then distribute awards takes one to two weeks. Grant distributions over \$25,000 will need Board approval and will require more time.

Grant Notification. We will reach out to you after your grant is distributed with a copy of the award letter for your records and a confirmation that the grant has been distributed. Unless you have requested anonymity, the grant award letter will share that the distribution is from your fund held at The Community Foundation. Your address is also shared with the grant recipient, so the nonprofit agency can thank you for the grant. If you prefer, you can request that all correspondence be sent to our office instead of your home.

According to IRS regulations, grants may not result in benefits, goods, or services of value to you as the donor and fund advisor, members of your family, or businesses you control. DAF grants may not be used to pay for event tickets, meals, sponsorships, registration fees, discounts, merchandise, preferred parking and/or seating, and memberships unless the membership confers nothing of value.

Eligible Grantees. You may recommend grants to any 501(c)(3) organization or to most units of government, schools, colleges and universities, police departments, fire departments, state parks, etc. The organization need not be based in San Luis Obispo County. The Foundation may award grants to U.S. organizations that carry out their work in other countries.

When You're Ready. Complete and sign a Donor Grant Recommendation form and return it to our office via email or mail. This form can be requested from a staff member or downloaded from our website. The email should contain any special instructions such as any restrictions to specific programs or whether the grant is unrestricted. You will also need to confirm that neither you, a business you control, or a family member will receive any benefit as a result of the grant.



About Pledges. Pledges have different meanings in different situations. You may not use a grant from your DAF to make a payment on a binding commitment to a nonprofit agency. This is different from telling a nonprofit agency you intend to support them with a gift. For example, a DAF grant may not be used to to buy a piece of artwork at a fundraising auction. But a grant may be used to support your favorite nonprofit agency as a result of an annual appeal. Please contact the Foundation staff if you have questions regarding this distinction.

What Else?

Privacy and Confidentiality.

The Foundation understands that you value your privacy. We normally inform grant recipients of the name of the fund, your name and address for the purposes of thanking you personally. If you prefer any level of anonymity, please let us know in writing. All anonymous grant distributions will ask that correspondence, including thank you notes, acknowledgement letters, and donation requests be sent to the Foundation office so that we can forward them to you.

- Total confidentiality: The Foundation will not release the name of the fund, fund advisor nor any contact information to the grant recipient.
- Fund name only: The Foundation will only release the name of the fund the grant is distributed from and will not release your name or contact information to grantees
- Donor name only: The Foundation will only release your name and will keep contact information confidential and ask that all correspondence be sent to the Foundation office.
- Public Recognition: The Foundation can ask that the grantee not publicly acknowledge the award nor include your name or the fund name in any printed materials.

Adding to Your Fund.

You may contribute to your fund via cash, check, or online donation via credit card payments at your convenience. Please refer to page 3 of this handbook for more information.



Fundraising.

Some donors wish to conduct fundraising to add to their fund/s. Please refer to the Foundation's Donor Initiated Fundraising Policy found on our website and contact Foundation staff for specific requirements.

How Friends and Family Can Contribute to Your DAF.

Some donors allow family members, friends, or the general public to contribute to their fund. They may contribute at any time via checks mailed to the Foundation office or with a credit card on our website. All donations should include the name of the fund in the memo or comments section in order to receive proper credit.



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*For a review of related policies, please visit cfsloco.org/policies

Security. In the interest of maintaining online security, please contact Foundation staff immediately if you receive any request via email to change or verify your account details. Please do not transfer funds or respond to any such emails. Foundation staff is happy to verify any change requests. For more information on how confidential records are handled, you may request a copy of our Confidentiality or Donor Records Policy or download from our website.