



THE COMMUNITY FOUNDATION

Serving Richmond and Central Virginia

(804) 330-7400 • www.tcfrichmond.org

21 Questions About Donor Advised Funds

The Community Foundation (TCF) prides itself on providing superior service to its fund donors. We strive to inform and enrich your philanthropy and welcome your inquiries at all times. At TCF, our goal is to build philanthropic assets to support the health and vibrancy of our region. All funds at TCF, including donor advised funds, include an endowed portion that will support our community in perpetuity.

Glossary of Terms

- **Donor Advised Fund (DAF)**—A philanthropic vehicle available through TCF that allows donors to make a charitable contribution, receive an immediate tax deduction and then recommend charitable grants from the fund over time.
- **Gift**—A charitable donation that you give to TCF to establish a fund, contribute to an existing fund or support a program of TCF.
- **Grant**—A charitable donation made to a nonprofit organization from a fund at TCF.
- **Endowment**—A fund that will provide perpetual support. The principal of the endowment gift is invested and a spendable is generated 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.

Establishing a Fund

1. What is the minimum value of a fund?

The minimum amount required to establish a DAF is \$10,000. DAFs must maintain at least a \$10,000 balance at all times. As a community foundation, we strive to build endowment assets for our region. The \$10,000 minimum is the portion of your fund that will remain in perpetuity to support our community.

2. Is my gift to a DAF tax deductible?

Your original gift and subsequent gifts are tax deductible. A written receipt of your gift will be provided for your tax purposes. Grants to nonprofits from your DAF will not result in a tax deductible because you receive the tax deduction when your gift is made to TCF.

3. How much can I distribute from a DAF?

Endowed DAFs are permanent endowments that annually distribute a spendable income, based on TCF spending policy, noted below, from which you can recommend grants. Flexible Spending DAFs permit grantmaking from both the principal and net investment return subject to the \$10,000 minimum balance.

4. May I name additional advisors to my DAF?

Yes. At the time the DAF is established, you may name a second generation of advisors to succeed you. These advisory privileges may not be reassigned.

5. How do I access information about my Fund?

DonorXpress is an online service accessed through our web site, www.tcfrichmond.org. To obtain a DonorXpress account, contact Leah Forst, Philanthropic Services Officer at (804) 409-5636 or lforst@tcfrichmond.org. With DonorXpress, you have 24/7 access and can:

- Check the balance of a fund
- Review a fund's gift and grantmaking history
- Make grant recommendations
- Review quarterly fund statements
- Research charitable groups through a direct link to GuideStar, or go to GiveRichmond.org for in-depth profiles on 600+ local organizations.
- Participate in our community grants programs
- Register for TCF events

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6. How will I be recognized, and can I remain anonymous?

All donors to TCF are listed alphabetically in our annual report without reference to giving levels. Additionally, at the time you establish your fund, you choose the recognition language TCF provides to grantees.

You may remain anonymous by request.

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

Each Fund is permanently recognized. Generally, distributions from the fund will be used at the discretion of the TCF Board of Governors to address the greatest needs in the community.

Investments and Fees

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

TCF has an investment partnership with the University of Richmond where its pooled assets are invested. TCF adds any net gains, or deducts any net losses, from the investments to the DAFs fund balance on a quarterly basis. You can view your gift and grantmaking history and fund balance through Donor Xpress, a secure online portal. Outside investment options are available to funds of \$5 million or more.

9. How does TCF calculate spendable income for endowed funds?

Generally, TCF's Board of Governors applies a 4.25% spending policy for endowment funds, inclusive of compensation to TCF, 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 unrestricted support to further TCF's general charitable purposes, which is accessed quarterly. The annualized compensation rate on DAFs with a fund balance of less than \$1 million is 1%, or a minimum of \$350. Funds of \$1 million or higher are .75% on the first \$1 million and .50% on the additional amounts.

Grantmaking

11. How do I recommend a grant from a DAF?

You may recommend grants online through our secure Donor Xpress portal.

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

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

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

The minimum grant amount is \$250.

14. When can I make my grant recommendations?

Grant recommendations may be made anytime throughout the year. Grants are paid on or about the 1st and the 15th of each month, subject to TCF's due diligence review.

15. How does TCF evaluate grantees?

Each recommended grantee must submit proper documentation (typically through GiveRichmond.org) including:

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

Depending on how quickly the nonprofits submit this documentation, some grants may take longer to process. TCF will notify you of any delay in processing your grant recommendation.

16. May I pay a personal pledge from my DAF?

The IRS strictly prohibits payment of a personal pledge from a DAF; however, you may recommend a pledge from your fund. Do *not* sign a personal pledge card. Rather, when you are approached by an organization, please contact TCF for appropriate language to ensure your intent is properly recorded.

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

Yes, you may make a 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 amount.

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

The IRS strictly prohibits individuals from receiving benefits as the result of a grant from a DAF. TCF 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’ such as tickets, preferred parking, membership benefits, etc. You should state “No Benefits” when submitting a grant recommendation that may result in benefits.

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. How can a DAF at TCF help to make my philanthropy more effective?

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

- Advice and expertise on community needs
- Annual review of your fund and grantmaking
- Family education and engagement opportunities
- Review of your grant history and trends
- Site visits with local nonprofit leaders
- Search GiveRichmond.org to learn more about 600+ local nonprofits serving our region. Search by name, zip code or interest area to find in-depth information about an organization’s leadership, financials and programs.

21. 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, TCF's Board of Governors could use variance power to name a new organization whose mission most closely aligned to the original mission of the initial organization, therefore ensuring that the donor's intent is honored.