



Donor Advised Funds

The Community Foundation of Eastern Connecticut (“Foundation”) currently works with individuals, families, businesses and groups with a broad range of community interests who find that a **Donor Advised Fund (DAF)** provides a convenient and flexible tool that allows them to be personally involved in suggesting grant awards from their fund to achieve their envisioned charitable impact both in Eastern Connecticut and afar. Donor Advised Funds are typically less costly and easier to administer than other forms of philanthropic giving, such as family or corporate foundations.

Here’s how it works:

- You make a gift to the Foundation – you can give cash, appreciated stocks, real estate, or other assets.
- We set up a special fund in your name, in the name of your family or with a name of your choice.
- You receive the maximum tax benefits allowed by law in the year your gift is made.
- You recommend distributions (in writing) from your fund to support qualified charitable organizations or programs (locally or out of area).
- We routinely verify exempt status of grantees and then your recommendations are reviewed for final approval by the Foundation.
- We handle all the administrative details and issue grant awards to charities in the name of your fund (if you prefer your awards can be made anonymously).
- If you wish, your gift can be placed in an endowed fund that is carefully invested and can grow over time.

Starting and maintaining a Donor Advised Fund is easy:

In most cases, all it takes is a brief meeting or phone conversation to create a fund agreement with the terms under which you want your fund to operate now and in the future. The Foundation staff handles all ongoing details and keeps in regular contact, including sending an annual summary fund statement.

There are two options to consider:

1. You may establish an **endowed** Donor Advised Fund with any amount and over time, build to the \$10,000 minimum required to begin recommending grants. Your Fund is invested with our other endowed funds with professional investment managers.

Current annual administrative fee = 1.25% of the fund balance at the close of the fiscal year.

- You can simply follow the Foundation’s current spending rule (4% of the Fund’s balance over a 16-quarter time period) to determine the annual amount available for distribution.
- You also have the option to make distributions in excess of the spending rule. While the asset value of the Fund at the beginning of any fiscal (calendar) year should generally not drop below \$10,000 (either because of grants from principal or market depreciation), you retain the right to recommend grants from principal and, at your discretion, to recommend grants that completely exhaust the Fund. In both cases, the Foundation prefers thirty (30) days’ notice to the Foundation, with a limit of \$250,000 in any sixty (60) day period.

2. You may establish a **non-endowed** (“pass through”) Donor Advised Fund.

Current annual administrative fee = 1% of any gift at the time the gift is made or in lieu, an allocation equal or greater than 1% to the Foundation’s Community Leadership Fund or another fund held at the Foundation.

- All monies in the fund are fully liquid and available for distribution.
- The minimum distribution from the fund is generally \$250.

Flexibility

- Work in collaboration with the Foundation staff to identify interests and organizations to support or bring your own favorite causes to the table...or a little of both.
- You choose the amount of public recognition you receive, including anonymity.
- You can involve the next generation in charitable giving by involving children or other family members in recommending grants who can be named as successor advisors, as well, if you wish. Successor advisors can be named in the fund agreement at the time the fund is created or appointed at a later date in written instructions to the Foundation.

Get great satisfaction from making a wise charitable investment.

Whether you establish a non-endowed fund or a permanent endowment you can rely on sound stewardship, knowledgeable collaboration on grant making decisions, and a close affiliation with a committed, community-based organization. And, you can experience ongoing enjoyment and satisfaction which comes from supporting the causes you care about.

There are many ways of meeting your charitable intentions, including those that provide income to you. For more information about Donor Advised Funds or other outright or planned gifts, please contact Alison Woods, VP & Chief Development Officer, at 860.442.3572 or alison@cfect.org.

Additional Guidelines for Donor Advised Funds:

Donor advised funds are the most flexible fund option at the Foundation. *These guidelines ensure that these funds will be consistent both with the charitable purposes of the foundation and the regulations governing donor advised funds issued by the U.S. Treasury Department. We reserve the right to amend these guidelines at any time.*

1. **Grant recommendations may be made to qualified charitable organizations.**

A qualified charitable organization is one that has been issued a 501(c)(3) determination letter from the IRS stating that it is a charitable organization and is not a private foundation. Municipal, state and federal governments, public schools, and some religious organizations also may be eligible for grants for charitable purposes. If there are questions about an organization's eligibility, please call us and we will research the group for you using IRS and Guidestar databases.

2. **The Community Foundation's Board of Trustees retains control to approve or deny grant recommendations.**

The Community Foundation must evaluate each recommendation independently. By fund agreement terms, donor recommendations are not binding. All assets held in the donor advised fund shall be subject to the Articles of Incorporation, Bylaws, and policies of the Foundation, including the variance power which allows its Board of Trustees to modify any restrictions or conditions on the distribution of assets for any specified charitable purpose or to specified organizations, if, in their sole judgment, such restriction becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served by the Foundation.

3. **The IRS places several restrictions on the use of grants. The Foundation cannot approve the following types of grants from donor advised funds.**

- Grants to satisfy pledges; multi-year grants may be made subject to approval processes outlined in this document.
- Grants for which donors, advisors, or related parties received an excess benefit (membership, event attendance, sponsorships).
- Direct grants to or for the benefit of individuals.
- Grants, loans, or compensation for the donors, advisors or related parties.
- Grants that support political campaigns or lobbying.
- The Foundation will not typically allow grants to supporting organizations and private foundations.