



Frequently Asked Questions About Donor Advised Funds

Getting Started

What amount do I need to start a fund? Donor advised funds (DAFs) can be established with any initial contribution, but note the minimum fee is \$400. We suggest starting a fund with at least \$36,000 to “equalize” the minimum fee.

Gifts into Your Fund

Can I give publicly traded stock? Absolutely! Many donors find that appreciated stock is the most beneficial contribution because they receive a tax deduction based on the shares’ full market value but realize no capital gains when GCF sells the stock.

Can I give closely held stock? Yes! Appreciated closely held stock also makes a great gift. You will be required (by the IRS) to have an appraisal to substantiate the tax deduction. GCF staff is pleased to discuss further the requirements to complete a proposed gift of closely held stock.

Can I make additional contributions to the fund? Is there a minimum amount?

- You are encouraged to make additional contributions! You are entitled to a tax deduction for every additional gift, of any size.
- Other people (or corporations) can make gifts to your fund (in honor of special occasions, for instance). Again, there is no minimum contribution amount.

Can I choose my own investment manager? At the time you establish a fund, GCF will ask you to suggest an investment firm from the current list of companies that hold funds for GCF.

Will my individual financial advisor continue to handle my fund? GCF’s relationships with financial institutions are established at an institutional level. We will be happy to work in conjunction with your financial advisor; however individual advisors do not have discretion over the investment management of assets.

Administrative Contribution & Fee

What are the expenses? Do I have to pay those out of my pocket? GCF’s administrative fee is 110 basis points (or 1.1%) of the fund’s market value up to \$750,000 or \$400, whichever is greater. The fee is calculated and assessed monthly and a sliding scale applies to larger funds. Investment management fees depend on the investment strategy you select, and direct fees generally range from 10 to 92 basis points. All fees are collected from the investments; you will not pay any amount out of pocket.

Advisors, Children & Succession

My spouse and I both want to be advisors. Is more than one advisor allowed? Yes.

Can my (grand)children be involved? Yes, either directly or indirectly. Your children can be named as current or successor advisors – meaning they will have the right to make grant suggestions from the fund. There are also several other ways for your family members to be involved. You should discuss these options with your contact at GCF.

What are the succession options for my fund after I die?

- If you have named one or more successor advisors, they will have the right to make grant suggestions until their death(s).

- If you have not named a successor advisor, or if your successor advisor(s) are deceased, the fund will generally convert to a Community Fund at GCF, from which distributable income will be used to benefit worthy nonprofit organizations in Greater Cincinnati. Your fund can also convert to one or more different fund types, including: a fund designated to support one or more specific organization(s) or a fund to support nonprofits that focus on an area of interest. Succession plans may evolve over time, please contact your Donor Services contact to discuss new plans.

Can I "close" a fund? Contributions to a DAF are irrevocable. All money in the fund must be held for, or disbursed to, qualified public charities. However, because you reserve the right to make grant suggestions, you could terminate a fund by requesting that the entire balance be granted to qualified nonprofits.

Grants

To which organizations can I make grants? The fund can make grants to any U.S. 501(c)(3) that is a public charity, but which is not engaging in hateful activities that incite or engage violence, intimidation, harassment, threats or defamation targeting an individual or group based upon their identity. Private foundations are not 501(c)(3) public charities. You may make grant suggestions to schools and places of worship. Further, it is possible to support causes in foreign countries (see below).

How can I support GCF's work in the community? GCF's community investments are a flagship of our work in the community. We are pleased to partner with donors in this work in various ways. One way is to suggest a grant to support GCF's community grants. You can even select the project you'd like to co-invest with us. Another opportunity could be impact investing. GCF's staff welcomes the opportunity to discuss how you might be part of our work in Greater Cincinnati.

Can GCF help me find worthy organizations in areas about which I care? Definitely! GCF's staff are in close contact with nonprofit organizations throughout the community, building a collective knowledge about community issues and opportunities. That expertise is available to GCF donors who are keen to find the

intersection between their passions and the community's needs.

How do I make grants?

- Online: You can access information about your DAF at any time. This password-protected service allows you to check the fund's current market value, review your recent grants and contributions and submit grant suggestions electronically to GCF. If you would like to sign up or have questions, please contact Lori Beiler at 513-768-6145.
- By mail or fax: send your suggestions to GCF using the Donor Suggestion Form you received when the fund was established. You may request additional forms by calling Lori Beiler or by downloading them from our website.

How can I check my balance or see if a grant has gone through? The quickest way is to access your fund online, where it is available 24 hours a day. If you would like to register for this service, please contact Lori Beiler at 513-768-6145.

How does the IRS restrict grantmaking?

- By law, community foundations can only make grants for public charitable purposes. GCF will generally make grants only to qualified tax-exempt 501(c)(3) charities that are public charities (not private foundations).
- GCF may not issue a grant check that formally indicates it is intended to fulfill a pledge or commitment an advisor has made. In accordance with the laws governing DAFs, it is the donor's responsibility to communicate to the nonprofit the nature in which the pledge commitment will be fulfilled.
- Additional limitations on grantmaking from a DAF can be summarized as "no people and no parties."
 - **No People:** DAFs may not make grants to individuals either directly or indirectly or to a charitable entity for the benefit of a specified individual. Further, donors, advisors, or related parties are prohibited from receiving grants, loans, compensation, or similar payments (including expense reimbursements) from DAFs.
 - **No Parties:** Similarly, GCF cannot make a grant if the donor, advisor, or related party receives any benefit from the grant (e.g., tickets to a

gala fundraising dinner, memberships, payment of a relative's tuition to an educational institution, raffle tickets, etc.). Further, DAFs may not be used to make political contributions.

Please note that the Pension Protection Act of 2006 imposes penalties on donor advisors and foundation staff who do not follow these rules.

Can I make grants to organizations outside Cincinnati? Yes. While GCF's mission is to build a more vibrant and prosperous Greater Cincinnati region, we understand that many people have charitable interests outside the Tristate region. Therefore, any qualified public charity in the U.S. may receive grants from a GCF DAF.

Can I support foreign charities through a DAF? Yes! International grantmaking is much more complicated than domestic, but GCF can help you. By working through carefully selected U.S. intermediary organizations, GCF can help you make a grant to support a cause overseas – and it will comply with U.S. tax law and the Patriot Act's anti-terrorism provisions. In exchange for these services in a highly complex arena, the intermediary receives a fee ranging from 8–12%. GCF staff can help donors identify the appropriate intermediary group for the part of the world the donor wants to support. If a donor wants to support a specific type of project (for example, a clean water project in Africa), but doesn't know how to make the gift, GCF and the intermediary organization can help.

How quickly will a check go out after I submit my grant suggestion? Generally, your grant check will be processed within seven business days of receipt of the suggestion. Due to the complexity involved, international grants will take longer.

What is the minimum grant amount that I can suggest? To minimize administrative costs, grants must be at least \$100.

Is there a limit to the number of grants I can suggest each year? No.

Do I have to make grants every year? You are under no obligation to make grant suggestions from the fund, but we encourage you to be an active

philanthropist and use your fund to support all your charitable interests. Some donors use their DAF to facilitate more than 80% of their charitable giving each year.

I want to control the grantmaking from my fund? Is that possible? You may be involved in the grantmaking from the fund, but you may not control it. In accordance with tax law, when you establish a DAF you must relinquish control of the assets you contribute to the fund in order to take a charitable deduction. However, you do retain the right to make grant suggestions for the review of GCF's Governing Board.

Why does the Board have the final authority to approve or deny the grants? IRS regulations require that a donor relinquish control over the gift at the time it is made. (Donors only qualify for a tax deduction if they give the money to a public charity and relinquish the right to control it.) Consequently, GCF's Governing Board is legally empowered to approve or deny a donor's grant suggestion.

Are grants ever denied? If a donor suggests a grant to an organization that does not qualify for tax-exempt status, or one which is engaging in hateful activities that incite or engage violence, intimidation, harassment, threats or defamation targeting an individual or group based upon their identity the Board would deny the request. or if it is clear that the donor would receive some benefit from the grant, However, if all suggested grant recipients are qualified U.S. public charities not engaged in hateful activity, and there is no suggestion of private benefit to the donor, the Board will endeavor to honor the donor's wishes.

Why can't a DAF make a grant for a fundraising gala? There are specific IRS rules regarding the deductibility of charitable contributions for which donors receive a benefit. (For example, when a person buys tickets to a fundraiser and receives a dinner as part of the cost of the ticket, then the deductible amount is equal to the cost of the ticket less the value of the dinner.) Because a gift to GCF results in a full charitable deduction, the donor may not receive goods and services in exchange for that gift. You may make a grant to a fundraising event in lieu of attending.

Further, the Pension Protection Act of 2006 expressly prohibits donors, advisors, and related parties from receiving “more than incidental benefits.” Penalties apply for not following the rules.

What do I do if an organization asks me to buy tickets? Remember this rule of thumb regarding grants for memberships or special events: If you could not write a check from your personal checking account and receive a full deduction for the gift, then GCF will not be able to make a grant. Note the following recommended language:

“I am suggesting a grant to {name of organization} from my donor advised fund at The Greater Cincinnati Foundation. Please note that if the grant is approved,

it does not qualify for goods or services. I do not wish to receive any goods or services.”

Can I host a fundraising event and be reimbursed for the incurred expenses? No. Under the Pension Protection Act, donors, advisors, or related parties are prohibited from receiving grants, loans, compensation, or similar payments (including expense reimbursements) from DAFs.

Please request a copy of GCF’s Procedure Regarding Public Fundraising for Component Funds.