



FACT SHEET: DONOR-ADVISED FUNDS

Donor-advised funds make philanthropy easy and fun. Donors make irrevocable, tax-deductible contributions to a charitable endowment, and then recommend how the money in the fund should be distributed to charity. Donor-advised funds let people of any income level make their communities stronger. The Outer Banks Community Foundation works with each fund's advisors to help them meet their philanthropic goals.

How to Establish

A donor-advised fund can be started with a contribution of at least \$1,000. The fund must have a total of \$5,000 by the end of a calendar year in order to make a distribution the following calendar year. The total in the fund must reach \$5,000 within three years, or the fund becomes a donation to the Community Foundation's undesignated endowment.

A fund is established by completing and signing a short Endowment Fund Agreement. The individual, family, or group establishing the fund decides on its name and purpose, and the amount of the initial contribution.

Name of Fund

The donor decides the name of the fund; this is often the name of the donor, his/her family or business, or the name of a person the donor wishes to memorialize. Donor-advised funds preserve the donor's legacy for generations to come.

Purpose of Fund

Donors who establish a donor-advised fund have the opportunity to state a field of interest or fund purpose within their fund agreement. Donors may also wish to state their fund's purpose in broad terms (e.g., "to be determined annually") so that they can be flexible about which causes to support.

Contributions to the Fund

Contributions can be made at any time to the fund. Contributions can be made by cash, check, or credit card — online, or by mail or phone. The Community Foundation also accepts gifts of

stock, real estate, and other assets. Donors may also make planned gifts to the fund (e.g., bequests, retirement funds, life insurance funds).

Advisors

The donor names an advisor in the Endowment Fund Agreement, and that person (usually the donor and sometimes other members of his/her family) can make recommendations for grant distributions. There can be multiple advisors — usually these are family members. The donor can name one or more individuals in one succeeding generation to continue as donor advisor. After that point, the Community Foundation determines grant distributions from the fund, based on the fund's giving history.

Administration

The Community Foundation administers and manages the fund. The Community Foundation oversees the fund investments, deposits any contributions into the fund, acknowledges contributions with the appropriate tax receipts, provides an annual accounting of the fund, and determines the amount available for distribution each year.

Distributions

The Community Foundation determines the amount available for distribution each year by taking 5% of the fund's average daily market value over the past three years.

In addition, after the fund reaches the required \$5,000 minimum, one-half of contributions in a calendar year can be distributed as grants during the following calendar year, if the donor so chooses. For example, if \$1,000 is contributed to the fund one year, \$500 of that can be used for distributions the following year, in addition to the distribution amount determined by the formula.

The donor receives a statement during the first quarter of each calendar year indicating the amount of funds available for distribution during that calendar year. The donor also receives a recommendation form that s/he can complete prior to any quarterly board meeting indicating recommendations for distributions. Distributions can be made to any nonprofit or other charitable organization in any amount of \$100 or more. The Board of Directors approves all distributions at board meetings.

Investments

The Community Foundation's Finance Committee is charged with developing and adhering to our investment policy, which is available online and upon request. The Finance Committee also selects and oversees the Community Foundation's investment manager(s). Our portfolio is

professionally managed and is constantly monitored to ensure only the highest and most economical stewardship of your contributions. Detailed information on current manager(s) and performance is available upon request.

Fees

The Community Foundation charges an annual administrative fee of 1% for endowed funds, assessed on the fair market value of the fund on December 31 of the prior year. This fee is transferred out of the fund during the first quarter of the following year. No administrative fee is charged until the fund reaches the \$5,000 minimum for distributions. Our investment manager also charges a small fee to each fund based on the amount of the fund. That current annual fee is less than 1%.

Anonymity

Some donors wish to publicize their charitable grants with the help of the Community Foundation, while other donors wish for their grants to be made anonymously. The Community Foundation works with each donor to honor whatever level of publicity or anonymity s/he wishes.

Non-Endowed Component

As a service to fund holders, the Community Foundation also offers non-endowed, pass-through donor-advised funds, to be used in conjunction with traditional, endowed donor-advised funds. Pairing an endowed donor-advised fund with a non-endowed fund allows the donor to both “save for the future” by growing a permanent endowment over time, while meeting current-year giving goals through the pass-through fund.

While the endowed donor-advised fund will be invested with the Community Foundation’s pooled investment, the non-endowed donor-advised fund will be held in the Community Foundation’s money market account, with any interest accruing to the Community Foundation. While the endowed donor-advised fund may distribute up to 5% of the fund balance in any given year (see “Distributions” above), the non-endowed fund may distribute up to 100% of its fund balance at any time.

To open a non-endowed, pass-through donor-advised fund, the donor must first or concurrently establish an endowed donor-advised fund of at least \$5,000. The non-endowed fund also operates under a different fee schedule. Please inquire with staff for full details.