



FREQUENTLY ASKED QUESTIONS ABOUT DONOR ADVISED FUNDS

GETTING STARTED

What amount do I need to start a fund? We recommend that donor advised funds be established with an initial contribution of \$25,000 or more. A fund may be created with less, but the minimum fee of \$250 will apply.

GIFTS INTO YOUR FUND

Can I give stock? Absolutely! Many donors find that appreciated stock is the most beneficial contribution possible, because they receive a tax deduction based on the full market value of the shares, but they realize no capital gains when donating stock to LCF.

Can I make additional contributions to the fund? Is there a minimum amount? You are encouraged to make additional contributions to the fund! You will be entitled to take a tax deduction each time you make an additional gift of any size.

Other people (or corporations) can make gifts to the fund you established (in honor of special occasions, perhaps). Again, there is no minimum contribution amount.

FEES

What are the fees? Do I have to pay those out of my pocket? The Foundation's administrative fee is 50 basis points of the market value of the fund up to \$500,000. The fee is calculated and assessed quarterly and a sliding scale applies to larger funds. Investment management fees depend on the investment manager you select, and generally range from 30 to 75 basis points. All fees are collected from the investments, so you need not pay any amount out of pocket.

All donor advised funds are assessed a minimum base service fee of \$250 annually. A fund of \$25,000 or more will avoid the minimum fee.

ADVISORS AND SUCCESSOR ADVISORS

Who can recommend grants from the Donor Advised Fund I established? Anyone listed as an advisor on your Fund Agreement can recommend grants from the fund. The Foundation will consider written requests to add additional advisors or successor advisors to the fund.

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

What happens to 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 for after the lifetime(s) of your successor advisor(s), the fund will generally convert to an unrestricted fund at LCF, and the distributable income will be used to benefit worthy nonprofit organizations in the Licking County area. Alternatively, you may specify that the fund convert to an endowment that benefits certain public charities or areas of interest you choose. In this case, before you establish the fund you must advise LCF of the charities you have selected, so that the fund agreement reflects your intention.

GRANTS

How do I make grants? By mail, email or fax: Complete the Donor Advised and Community Charitable Fund Grant Recommendation Form; then mail, email or fax your suggestions to LCF. Additional copies of this form can be downloaded by calling LCF (740.349.3863) or from our website (<http://www.thelcfoundation.org/grants/dafunds/>).

How do I check my balance or see if a grant has been made? The quickest way is to contact LCF at 740.349.3863 or lcfassistant@thelcfoundation.org.

What are the restrictions on grantmaking? By law, community foundations can only make grants for public charitable purposes. LCF will generally make grants only to qualified tax-exempt 501(c)(3) charities that are public charities (not private foundations).

Community foundations cannot fulfill a donor's individual pledge or legally binding commitment through a grant from a donor advised fund. If LCF is aware that a grant suggestion relates to a pledge or commitment, the Board will have no choice but to deny the request.

Similarly, LCF cannot make a grant if the donor receives any benefit from the grant (e.g., raffle tickets, tickets to a benefit dinner or event, memberships, payment of a relative's tuition to an educational institution, etc.).

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

To what organizations can I make grants? The fund can make grants to any U.S. 501(c)(3) that is a public charity. Private foundations do not fall under this definition.

Can I make grants to my church or my child's school? Yes. Places of worship generally qualify as do most educational institutions. You can also suggest grants to governmental entities such as municipal police departments, libraries, and hospitals. Grants cannot be used to pay a child's tuition or for medical bills.

Can I suggest multi-year grants? Yes. You may recommend multi-year (installment) grants. These grants are approved for the full grant amount, but are paid in installments based on a schedule recommended by you (e.g., annually). Due to IRS regulations, you may not recommend grants to fulfill pledge obligations. Please do not sign pledge agreements with charities; rather contact the Foundation first. We are happy to put your grant on a payment plan subject to the availability of funds from your donor advised fund.

Can I suggest grants anonymously? Yes. The Foundation will always protect the anonymity of our donors.

Can I recommend a grant to an organization on whose Board of Directors I serve? Yes, you may make donor advised grants to organizations in which you, your spouse or family members participate in a volunteer or board capacity. We simply ask that you certify that you will receive no personal benefit from the grant by agreeing to the terms and conditions on the Donor Advised and Community Charitable Fund Grant Recommendation form.

Can I make grants to organizations outside Licking County? Yes. While LCF's mission is to improve the quality of life in the Licking County area, we understand that many people have charitable interests outside this region. Therefore, any qualified public charity in the U.S. may receive grants from a LCF donor advised fund.

Can I support foreign charities through a donor advised fund? No. International grantmaking is much more complicated than domestic; and at this time, LCF is not able to help you. We can, however, award grants to U.S. public charities that fund and support foreign charitable activities.

How quickly will a check go out after I submit my grant suggestion? Processing of requests may take up to 30 days from date request received (longer if securities need to be sold) to allow for due diligence to be conducted. LCF processes grant disbursement checks typically within two weeks of final approval.

What is the minimum grant amount I can suggest? To minimize administrative costs, grants must be at least \$250.

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

Do I have to make grants every year? LCF encourages fund advisors to retain an active role in their donor advised fund. In order to carry out its mandate of distributing charitable dollars to the community, LCF periodically reviews the grantmaking activity of all donor advised funds. Should a fund not make any grants over a five-year period, the foundation will contact the fund advisor to discuss intentions for the fund.

I want to control the grantmaking from my fund? Is that possible? You may be involved in the grantmaking from the fund, but may not control it. In accordance with tax law, when you establish a donor advised fund 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 the LCF Governing Committee. (See "Why does the Board have the final authority to approve or deny the grant?" below.)

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, the Governing Committee at LCF 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 if it is clear that the donor would receive some benefit from the grant, the

Board would deny the request. However, if all suggested grant recipients are qualified U.S. public charities, and there is no suggestion of private benefit to the donor, the Board will endeavor to honor the donor's wishes.

I want to fulfill a pledge/commitment to a specific charity through my fund. Can I do that?

No. By law, LCF may not issue grant checks to fulfill a pledge or commitment. (See above "What are the restrictions on grantmaking?") If a donor were permitted to use an advised fund to fulfill a legal obligation or pledge, it would be clear that the donor never truly ceded control of his or her gift to LCF. For this reason, LCF cannot satisfy a donor's pledge or obligation, even if the commitment is to a qualified public charity. If LCF is made aware that your grant suggestion relates to a pledge or commitment, the Board must deny your request.

What do I do when an organization asks for a pledge? You might respond to a request for a pledge by giving an indication of your intent, such as:

"We have suggested (or We will be suggesting) that a grant be made from the {name of fund} of the Licking County Foundation to {name of organization}. Pending approval by the LCF Governing Committee, a check will be issued from the Foundation to {name of organization}."

Why can't a donor advised fund 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.) Since a gift to LCF results in a full charitable deduction, then the donor may not receive goods and services in exchange for that gift. You may make a grant in response to a fundraising event in lieu of attending. Further, the Pension Protection Act of 2006 expressly prohibits donors 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 LCF will not be able to make a grant. Note the following possible language:

"I am suggesting a grant to {name of organization} from my donor advised fund at the Licking County 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 a donor advised fund make a grant to an individual? No. Donor advised funds 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 donor advised funds.

Can I hold a fundraising event and get reimbursed for my expenses in organizing the event? 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 donor advised funds.