Donor Advised Fund (DAF) Guidelines

What is a Donor Advised Fund (DAF)?

A Donor Advised Fund includes these 3 attributes, more fully defined in IRS guidance:

1. The Fund is owned and controlled by a sponsoring charitable organization who is a public charity under IRS rules. Christian Foundation of America (CFA) is eligible. TIN 77-0566530.
2. The Fund is separately identified with reference to the contributions of a Donor or Donors. For example, the Smith Family Donor Advised Fund (established by the Smith family).
3. The Donor provides advisory instructions for the Fund's distributions to charity.

Getting Started

A Donor Advised Fund is created with an agreement between a Donor and Christian Foundation of America (CFA). Donors can be individuals, families, or entities. A Donor Advised Fund is activated once initial contribution is made. Our suggested minimum is $10,000. The Donor may name the Fund, subject to approval by CFA. Typically, the donors are the initial Advisors. It is possible name additional Advisors, or to name Successor Advisors.

Making Contributions of Cash or Property to the DAF

Gifts to a DAF are irrevocable, completed charitable contributions at the time of donation. The date of contribution the effective date for the donor's charitable gift receipt that can be used for tax deduction purposes. The assets of a DAF are owned and controlled by CFA. After the initial contribution, additional contributions may be made anytime, including testamentary contributions from final estate distributions.

Contributions may be current or testamentary, cash, publicly traded securities or other property, such as closely held stock, partnership interests, real estate, personal property, trusts and life insurance. Label contributions by Fund name: "The XYZ Fund of Christian Foundation of America."

Many Donors make contributions using appreciated, publicly traded stock that has been held for longer than a year, to enjoy maximum tax benefits. Contributions of property that may not have immediate liquidity are accepted at the discretion of CFA, subject to completion of our due diligence procedures. Contact CFA for instructions on how to transfer by wire transfer or other property types. Contact us for information about contributing property other than cash.

Recommending Grants (Payments) to Charitable Ministries/Organizations

Once a Donor Advised Fund is active, the current Advisor(s) may recommend distributions to qualified charitable organizations. CFA's mission is to support Christian churches and ministries, and charitable activities that operate within Christian values. For charities that are not stated as Christian, CFA will determine mission fit. Guideline minimum grant amount is $250. We encourage donors/advisors to contact us anytime for guidance about charities you wish to support. We will help you formulate a grant request that fits your intentions and is within CFA's policy and guidelines. You may establish a regular schedule of distributions such as quarterly or monthly. We are here to encourage generosity for Kingdom purposes. Grant recommendations can be made at any time.

Since year end is especially busy, please make recommendations by November 30 for year- end giving. Once CFA approves the grant, a check and letter will be issued. Grant distributions are processed monthly. Grant recommendations may be submitted at info@cfa.charity , or letter.

Eligible Grantees

Qualified charities include those described in Section 501(c)(3) of the Internal Revenue Code that are public charities, or Christian exempt religious organizations. CFA will consider grants to foreign Christian ministries or charities when it is readily possible to determine they are an eligible charity and operating within sound legal and ethical standards, in keeping with rules for foreign payments.

CFA's mission is to support Christian churches and ministries and other charities that operate consistent with Christian values. CFA reviews purposes and activities of charities to mission fit, as determined by CFA's Board of Directors. Please contact us to pre-screen an organization if you are not certain if it will qualify. We have a large list of approved charities, so we can recommend charities to you in a specific field of interest or locale, at your request.

Once a recommendation is received, CFA will perform due diligence to verify that the organization qualifies and the grant is within CFA's policy and guidelines. CFA's practice is generally to follow the Advisor's recommendation. However, the final decision about recommended grants is CFA's. While we conduct careful review, it is not possible to detect a problem with a charity who still holds a valid charity status with the IRS.

Grant Restrictions and Prohibitions (IRS regulations)

Grants from a Donor Advised Fund cannot result in the Donor/Advisors or related parties receiving an exchange of goods or services, or personal material benefit. (ex. Newsletter is considered immaterial). Prohibited benefits include tickets, memberships, meals, tuition, preferred parking or seating, travel, discounted merchandise or other preferential treatment from a grantee. Fundraising events and auctions are a common activity that should NOT be funded from your DAF, when you as donor receives a meal, entertainment, or other items of value.

Donor Advised Fund grants cannot be used to satisfy a pre-existing personal pledge or other financial obligation of the Donor, Advisors or related parties. Donors/Advisors participating in fund raising campaigns should communicate as follows: *"It is our intention to request a grant from the ABC Donor Advised Fund at CFA for the XYZ fund raising campaign. This communication is for your information and does not constitute a pledge or other promise to give by the donor or by CFA".*

Federal rules prohibit DAFs from making direct grants to individuals such as scholarships, hardship, benevolence, including grants to an entity for the benefit of a specified individual. For example, a payment to a university naming a designated student's tuition payment is prohibited. Donors, Advisors or any related parties may not receive grants, loans, compensation or similar payments (including expense reimbursements) from the related Donor Advised Funds. Contact us for details to establish designated funds, scholarship funds, endowments or other charitable fund types.

Grant Acknowledgment

Usually the Advisor/Donor would like acknowledgement that a grant has been made from the charity who receives the grant. Each payment will state the contribution is from "The ABC Family Donor Advised Fund of Christian Foundation of America" . The recipient organization is encouraged to acknowledge the gift to the Advisor and to CFA. If the Donor/Advisor prefers to remain anonymous, the name of the DAF and Donor/Advisor will not be disclosed.

Additional language confirms that no benefits have been offered or provided to CFA or the Advisor in exchange for the grant, and states that no charitable contribution income tax gift receipt should be issued, since the gift is from charitable funds where the donor was previously receipted.

Successor Gift Advisors and Ultimate Use of Final DAF Funds

The original Donor—who is usually the original Advisor—may name successor gift Advisors. For instance some name their adult children. CFA can help you consider the best way to name and provide guidance for Successor Advisors if you would like to include that option.

Following the death or incapacity of the last Advisor, Fund assets will be transferred to the unrestricted funds of CFA in support of the CFA mission, unless there is advisory instruction on file accepted by CFA. Final advisory instructions might name a field of interest, designate organizations to benefit from the Fund or establish a permanent endowment. CFA may establish minimum account sizes for designated or permanently endowed funds. Advisors have an opportunity to make a lasting Legacy impact with these final advisory instructions and we encourage you to do so.

Inactive DAF Funds and Small Balances

If a DAF is inactive for three years, CFA will make every effort to contact the Advisor(s) and encourage them to recommend one or more gifts. If the Fund remains inactive within a reasonable time, CFA may transfer the balance of the Fund to its unrestricted assets to support CFA's mission. If a Donor Advised Fund is less than $1,000 for three years, CFA will contact the Donors and encourage them to contribute to the Fund. If no contributions are made within a reasonable time, CFA will transfer the entire balance of the Fund to its unrestricted assets to support CFA's mission.

Investment of DAF Assets

Donor Advised Funds up to $50,000 are considered available for current distributions. Those DAFs will not be invested unless the Donor/Advisor communicates they plan to not spend a significant portion for at least one year. DAFs over $50,000 are available for investment. CFA has a variety of investment options. Larger DAF's may participate in actively managed options, or a customized asset allocation strategy. Investments are within CFA's approved Investment Policy and monitored by CFA's investment committee. Investment returns and income are credited to the Fund, accumulate tax free, and are available for grants. Upon request, a DAF may hold a donated asset, subject to CFA review. The activity and balance information for each Fund is reported monthly.

Fees & Expenses

Administrative cost recovery fees apply to all Funds at Christian Foundation of America. Once funded, a minimum annual fee of $10/month or $120 annually, or the higher fee based on the Fund's market value at 1.0%/annum, is collected quarterly. Investment management fees are charged within the investment program selected. Consideration is given to reduce the annual cost recovery for larger DAF funds, depending on total effort needed. For testamentary asset additions, CFA will collect a gift maturity assessment of the higher of $2,000 or 5% of assets transferred, in recognition of the deferred nature of the addition. Reductions may be granted for larger additions.

Direct expenses incurred or special processing required by a specific Donor Advised Fund will be passed through to the Donor Advised Fund. Examples include costs to administer complex grants such as expenditure responsibility grants, foreign grants, and costs associated with contributions of property such as closely held stock, real estate, etc.