



FACT SHEET

Information for Donor-Advised Funds

A donor-advised fund allows you to remain involved in recommending the nonprofit organizations to receive annual distributions from your fund. This Fact Sheet provides individuals who have or are thinking about opening such a fund with more information on how this type of fund operates.

1. Ownership and Control

A donor-advised fund provides you with maximum flexibility in charitable giving, since you may submit recommendations for the distribution of money to be made from your fund each year. At the same time, you should understand that, as with any fund established with CFRBA, a donor-advised fund is a permanent, irrevocable gift to CFRBA; and CFRBA has full authority and control to administer the fund and to make investment decisions for the fund. CFRBA's Board of Directors has the power to modify any restrictions or conditions placed on the fund by you if (in the sole judgment of the Board) these restrictions or conditions become unnecessary, incapable of being fulfilled, or inconsistent with the charitable intent of CFRBA. Finally, according to IRS guidelines, CFRBA's Board must approve all distributions from all funds, including donor-advised funds; very rarely, however, would the Board not approve distributions recommended by a donor.

2. Donor Recommendations

Several months before CFRBA's fund distribution cycle (which occurs in November), you will receive a "donor recommendation form." You (or designated advisors, as explained below) use this form to notify CFRBA in writing of the nonprofits you wish to receive distributions from your fund. To assist you in making recommendations and at your request, CFRBA will send you the list of nonprofits who submitted grant requests to CFRBA for funding during the previous distribution cycle but did not receive an award through CFRBA's competitive grant-making process, giving you the option of recommending that your funds go to one or more of these nonprofits to meet their unfulfilled grant requests.

It is the responsibility of CFRBA to ensure that any nonprofit selected by you to receive a distribution is a 501(c)(3) (or similar) organization and is in compliance with all Federal guidelines to receive tax-deductible donations. Because an organization that is new to the Foundation requires additional research, processing your distribution to this organization may take slightly longer. You will be notified of any significant delay in processing your recommendation. As noted above, CFRBA's Board of Directors must ultimately approve all distributions.

Once the Board approves your distribution recommendations, you will receive a written statement from CFRBA listing the recipients and the amounts of the distributions from your fund for the year.

3. Advisors to the Fund

You, as the donor, can make recommendations for distributions from your fund throughout your lifetime (and the lifetime of your spouse, if they are a party to your fund). At the time you open your fund, you may alternatively specify in writing an advisor other than yourself, with this advisor making recommendations throughout their lifetime. You may name family members as successor advisors one generation beyond yours. You may also change the advisors to your fund during your lifetime.

If you or your designated advisors are unable to advise the fund for any reason and you are unable to name new advisors, your fund will become an unrestricted fund unless you have specified a charitable purpose or organization(s) to receive the funds at the time the fund was established. In that case, your fund will become either a field-of-interest (charitable purpose specified) or designated (organization specified) fund. Your fund will continue to carry the name given by you unless otherwise specified.

4. Distribution Options

- **In memory or honor of someone:** You may indicate this on your distribution recommendation form, and CFRBA will include this information when the distribution is given to the organization.
- **Personal recognition:** The letter accompanying each distribution check informs the recipient organization that the gift is made possible through the (name of your fund) of the Community Foundation for Rockbridge, Bath and Alleghany.
- **Anonymous distributions:** Upon request, CFRBA will not include your name and/or the name of your fund in the letter that accompanies the

check. Please let CFRBA know of this preference when you submit your distribution recommendations.

- **To a religious organization.** You may make distributions to religious organizations.
- **To organizations outside the Rockbridge, Bath and Alleghany region:** While the tri-county region is the focus of CFRBA's efforts, distributions can be made to any qualified US nonprofit organization so long as you, the donor, live within the tri-county region. If you live outside the tri-county region, you may set up a fund with CFRBA, so long as at least 50% of the distributions from your fund go to recipients within the region.

5. Distribution Limitations

- **To satisfy a pledge:** The IRS does not allow you to make distributions from your fund to satisfy a pledge. When you are approached by an organization to make a pledge or fill out a pledge card, CFRBA suggests that you use the following language to inform the organization of your recommendation to CFRBA: "THIS IS NOT A PLEDGE. I will, however, recommend that a distribution of \$xxxx be made to your organization from the (name of your fund) at CFRBA."
- **To help an individual in need:** The IRS prohibits donor-advised funds from making grants to individuals.
- **If I receive benefits:** Again, the IRS prohibits your receiving benefits – such as event tickets, preferred parking, membership benefits – in exchange for your distribution to an organization. When you make a gift to CFRBA, you receive a letter saying that "no goods or services were received for this gift." This statement confirms that the full amount of your gift is tax-deductible. Financial penalties apply if you, or a related party, receive more than "token benefits." The law also bars grants, loans, compensation, and similar payments from donor-advised funds to donors, advisors, and related parties.

6. Fundraising

If you wish to raise money for your fund at a public fundraising event, please review CFRBA's Fundraising Policy document and submit a completed Fundraising Application to CFRBA for consideration well in advance of the fundraising activity. You have the responsibility to understand and adhere to CFRBA's Fundraising Policy, which keeps the Foundation in compliance with applicable laws and IRS guidelines.