

Donor Advisor Fund Guidebook



The Erie Community Foundation
Helping today... Shaping tomorrow.

CELEBRATING 75 YEARS

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Welcome to the Family!

On behalf of Your Erie Community Foundation, thank you for considering us as your philanthropic advisor and partner. As a donor advisor, you play a very important role in making charitable investments in our community.

We have developed this guide to make your experience working with us easy and enjoyable. It contains information about making grant recommendations from and additional contributions to your Donor Advised Fund. It also contains information to help you interpret financial statements, fees and year-end giving deadlines. You can find additional information on our website at **www.ErieCommunityFoundation.org**.

I hope you will take advantage of our professional staff that is always available to answer any additional questions you may have. Please do not hesitate to call or email me if you have questions about your fund or would like to refer a friend or colleague to the Foundation Family.

Again, thank you for partnering with us to improve the quality of life in our region. We are proud to enable your good work.

Kevin E. Moore
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What is a Donor Advised Fund?

A Donor Advised Fund is an attractive alternative to creating a private foundation. Donors still have the flexibility to make grant recommendations to registered 501(c)(3) organizations, but they do not have mandatory distributions and there are no accounting or legal fees for filing required paperwork as with a private foundation.

Donor Advised Funds exist to help donors experience and enjoy charitable giving during their lifetimes. Donors who establish these funds receive a 100% charitable income tax deduction at the time of the gift while building a permanent, charitable fund that will impact our community forever. In future years, the donor may recommend that fund income, and in some cases principal, be used to make grants to favored charities.

Donor Advised Funds are normally established with a minimum of \$10,000. In some cases, funds can be established for lower amounts if there is a reasonable assurance that the account will grow to \$10,000 over a subsequent 24-month period. There is no maximum fund size, and funds may be added by anyone at anytime when it is convenient or financially advantageous.

How much do I have to spend?

Each year our finance department will calculate the amount of money available to spend (ATS) from your Donor Advised Fund. Our current Spending Policy, 5% of your fund principal, is based on a 20-quarter rolling average. For example, a Donor Advised Fund of \$100,000 will have approximately \$5,000 available for grants to various organizations.

Donors interested in building a permanent endowment should limit grants to income (ATS- Available To Spend). Income can accumulate over time, and there is no mandatory payout as there is with a private foundation. Grants in excess of ATS may also be made.

What happens to the rest of the money in my fund?

Donor Advised Funds are placed in our pooled investment fund and generate a return which is then added to your fund each year. A spending policy of 5% for grants is available for distribution each year while the balance of the principal and growth is reinvested. This model is designed to help your fund keep pace with inflation and grow over time. The goal of any endowment fund is to increase buying power through growth and additions to principal.

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Investment Policy

Your Erie Community Foundation invests Donor Advised Fund assets in our pooled investment fund. When you establish your fund, a staff member will review how funds are invested in greater detail based on current market trends and investment strategy. Fund growth provides additional tax-free dollars which will allow you to make more grants in the future.

The majority of our funds are in our managed pooled investments, which provide for long-term asset growth and the security of principal. We also have a Socially Responsible Investment pool for those who prefer that style of investment. Our strategy is not to maximize investments or to engage in market timing. Our core goal is to consistently grow your fund over time while minimizing the risk to the principal in your fund.

Our Finance Committee meets quarterly (at a minimum) to review all investment activity, review performance and discuss strategy. Our independent investment advisor, Fund Evaluation Group, and our Finance department continually monitor all investments.

The Finance Committee is comprised of trustees and other professionals with significant institutional investment knowledge and experience. They review the performance of our many investment managers against our investment policy guidelines. Our Vice President of Finance, Barbara Sambroak, MBA, CPA, works with our investment advisor and fund managers to provide day-to-day oversight of all funds in order to maximize performance and stay informed of changing market conditions.

What organization is eligible to receive a grant?

Your Erie Community Foundation adheres to all Internal Revenue Service laws for grants made from your Donor Advised Fund. As with all community foundations, our board of trustees has final approval over all grants made from the Foundation. This procedure ensures that all grants are made in the most cost effective and efficient way possible while following all laws and best practices associated with grant-making. It also provides protection and oversight for all grants from your fund by ensuring that the organizations you recommend are eligible to receive grants and that funds are used effectively.

When you recommend a grant recipient, we first verify that the organization is a registered nonprofit organization. The IRS requires that a recipient organization be a public charity as defined in Sections 501(c)(3) and 509(a) of the Internal Revenue Code. If a recommended organization fails to meet IRS requirements, we are prohibited from awarding your recommended grant, and we will notify you so you can modify your request.

(Grant Eligibility continued)

You may recommend a grant to any public charity located in the United States, including your place of worship, public libraries and most educational institutions. We do not make grants to individuals or to for-profit organizations from Donor Advised Funds.

In some cases, we may contact an organization for additional information about its mission or purpose, as well as ask for supporting financial documents. We will contact you directly if an eligibility question arises. Although we cannot distribute grants directly to foreign charitable organizations, we can make grants to U.S. public charities that fund and support foreign charitable activities.

Restrictions

The IRS places a number of restrictions on the use of grants. IRS regulations prohibit Donor Advised Funds from awarding grants to:

- purchase tickets to fundraisers or benefit dinners (including any portion of the ticket that is above the cost of the event).
- purchase or fulfill memberships that have any tangible economic benefit for donors, advisors or related parties.
- support a specific individual.
- fulfill personal pledges.
- secure personal benefits for donors, advisors or related parties.
- support political campaigns or lobbying.
- make grants, loans, compensation or similar payments (including expense reimbursements) to donors, advisors or related parties.

Our goal is to help you accomplish your charitable objectives in the most effective way possible while complying with all federal and state regulations. If you have any questions about eligibility, please feel free to contact our staff.

How do I recommend a grant once I have decided?

As a donor advisor, you may make grant recommendations online whenever and as often as you wish using “Access Your Funds.” For more information, please see the “Access Your Funds” section of this guide. Once you have decided which organization(s) are deserving of your grant from your fund, you can simply write a letter or send an email to us outlining your recommendations.

If you do not have access to a computer, we will mail a letter in the fall alerting you to the amount available in your fund. You may then complete the enclosed form and mail it back to the Foundation so we can process your grant recommendation(s).

Note: Grants may be made at any point during the year.

Access Your Funds

“Access Your Funds” (AYF) is a web-based donor service that provides instant access to information about your fund. With AYF, you get 24/7 secure access to your fund and updated monthly statements, including your fund balance, grant history, gifts and pending grants.

Online statements are available after the 20th of each month. These reports contain a statement of year-to-date activity, including realized and unrealized gains and losses, investment income, fees and contributions by you or other donors. Your fund statement also lists all grants made from your fund.

AYF is also used to make grant recommendations. You can research organizations in our database or submit the name and address of any nonprofit organization where you wish to make a grant.

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To recommend a grant, submit the name of the organization, the amount of the proposed grant (minimum \$100) and how you would like to be acknowledged. Please let us know if you wish the grant to go to a special purpose, such as a capital campaign, operations, etc. Otherwise, we will assume that the grant is for general support and will notify the recipient organization that there are no restrictions on the gift.

To use AYF, login with your username and password to our website at www.ErieCommunityFoundation.org, and click “Access Your Funds.” You will receive your AYF login information after your fund has been established. If you are having trouble accessing the information, or have forgotten your user ID or password, please call us at (814) 454-0843 and we will be happy to help.

How does the Foundation process grants?

Approved grants are normally paid out within two weeks of receiving your recommendation. Your Erie Community Foundation makes every attempt to provide prompt service and to respond to your suggestions quickly. There may be an occasional delay if we are unable to verify the status of the organization. If that happens, we will contact you regarding the situation to discuss options.

Fees

Each Donor Advised Fund is charged an administrative fee and its portion of investment management fees. Annual fees for donor advised funds are 60 basis points.

The fees are assessed directly to the fund and do not require additional payments by you at any time.

(Fees continued)

Fees help support general administrative and operating costs as well as:

- Charitable gift and estate planning assistance
- Investment and financial management
- Grant-making services
- Support to nonprofits in the region
- Initiatives to solve regional problems

Donor Advice and Education

Donor advisors are made aware of current local needs through distribution of The Erie Community Foundation quarterly grant docket and through periodic meetings with foundation staff. Call the office **(814-454-0843)** if you wish to meet with an ECF staff member at any time. Donor advisors continue to be informed through foundation newsletters, emails and annual reports and are invited to foundation-sponsored events.

You can always check your fund to see grant status, gifts to your fund, etc., via our online system. Please refer to the “Access Your Funds” section of this handbook.

When we make a grant for you, we send a letter with the grant check to the recipient organization. The letter includes the name of your Donor Advised Fund and your name and address unless you request anonymity (see below), so that the organization can thank you directly.

Generally, the grant processing takes two weeks or less. Due to the large number of grants made at year's end, additional time is typically required to process grants and notification letters.

Donor Recognition

Charities are informed that Donor Advised Fund distributions are grants from the donor's fund at The Erie Community Foundation and not a direct gift from the donor. Charities are asked to recognize and thank the donor for their original generosity and for recommending that a distribution be made. Your fund will be listed on our web site as well as in our annual report. We may, from time to time, feature a fund for marketing purposes and will contact you before we release any such marketing.

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well as in our
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Anonymity

Your Erie Community Foundation honors all requests for anonymity. You may instruct us to keep the fund name and/or your own name anonymous or choose anonymity for any individual grant that you suggest. Simply let us know your preference.

Also, you may choose to work with our staff to make your anonymous grant strategically. For example, the staff can use your anonymous grant to create a challenge grant (a.k.a. matching grant) to stimulate fundraising for an organization or cause you care about.

Changing Advisors for Your Fund

As a fund advisor, only you may recommend grants from your fund. You may change authorized advisors at any time during your lifetime by submitting a written request. Upon establishment of the original Donor Advised Fund, donor advisors may request that a successor generation of advisors be appointed to recommend distributions from the fund following the original donor's death. This language must be written into the original letter of agreement. If not, the fund will revert to The Foundation's unrestricted grant-making budget in which Foundation Trustees will determine the use. This allows for maximum flexibility in addressing the greatest unanticipated needs in the future.

Adding to Your Fund

You may make contributions to your fund at any time. Other persons, such as family members or friends, may also make contributions to your fund. Assets such as cash and securities, including stocks, bonds and mutual fund shares, are routinely accepted. Other assets, such as real estate, interests in closely held businesses, partnership shares and tangible personal property such as art, antiques, collectibles and jewelry, may also be gifted based upon review. We will accept most assets and always provide you with a receipt to substantiate your charitable income tax deduction.

Your Erie Community Foundation can receive gifts online (via credit card) for many of our funds (www.ErieCommunityFoundation.org). We also accept gifts by wire transfer or by traditional mail. Please give us advance notification if you plan to make a stock gift by electronic transfer so that we can place the gift in the correct fund. You may also choose to hand-deliver stock certificates, with the appropriately executed stock power.

In the case of more complicated gifts, such as real estate, shares in closely held businesses or other unusual assets, the proposed gift may require additional review by Foundation staff and trustees. This may add several weeks to the process. While our goal is to be responsive, The Erie Community Foundation trustees have final authority to accept or decline any proposed gift. Our gift acceptance policy is available upon request.

Estate Plans

Please keep your Donor Advised Fund in mind as you develop your estate plans. The most significant impact most of us will ever have is through the generosity of our estate plans.

You can include language in your will about your fund or list The Erie Community Foundation as the beneficiary of your retirement funds. This way, your donor advised fund will continue to be a vehicle for your charitable giving after your lifetime.

You can establish a Donor Designated Fund or other fund that will be funded upon your death. This will create a permanent funding stream for the charities you care about most. You can change the list of beneficiaries for your fund at the Foundation at any time for no cost and without changing your will. Give us a call. We would be happy to review these cost-saving options with you.

Year-end Giving

Many of our donors choose to make additions to their funds in December. We strongly encourage you to send us such year-end gifts and grant recommendations as early as possible to ensure timely processing.

Note: Gifts must be in The Erie Community Foundation's account by end of the day on December 31 to be eligible for a tax deduction for that year.

Cash, Check or Stock Certificates

Any liquid assets like cash, checks or stocks, must be delivered to our offices or postmarked by the U.S. Postal Service by close of business on December 31 each year. In the case of a stock certificate, it should be hand-delivered with the appropriately executed stock power by 4 p.m. on December 31.

Stocks Transferred by Wire

Instruct your broker to transfer to The Erie Community Foundation's brokerage account by December 15. Call us for more detailed transfer instructions.

Mutual Funds

Submit completed letter of instruction and most recent mutual fund statement to us by October 31.

Real Estate

Real estate gift acceptance requirements include a Phase I Environmental Assessment, a visual inspection and a qualified appraisal of the property. Contact us by September 30 to begin the process to be recorded in the current calendar year.

Special Securities (e.g. restricted stock)

Instruct your broker to initiate the process with us by October 31.

Thank You!

It is truly a privilege and an honor to assist you with your philanthropy. We are a community resource that is designed to help preserve wealth in our community while improving the quality of life for all citizens.

You can make a lasting gift through your estate plans. Even more, you can help us continue this wonderful work by referring your friends and colleagues to make a lasting gift through The Foundation. Tell them about your experiences with your fund. You can make a difference.

Remember, there is never a fee to talk with us about establishing a fund. If you have a philanthropic spirit and would like to create a permanent funding stream for a cause you care about, call us. We are here to help.

Warm regards,



Contact Information

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Web: **www.ErieCommunityFoundation.org**

Margaret Spaeder

peacefully passed away in 2007, but this year she:

- ▣ Helped local girls join the Girl Scouts
- ▣ Purchased a new van for St. Mary's Home
- ▣ Bought laparoscopic surgery equipment for St. Vincent
- ▣ Provided breast health services at UPMC Hamot



Your generosity can live on as well. Donor Advised Funds will convert to a Donor Designated Fund or an Unrestricted Fund after a donor's lifetime. Unrestricted Funds allow the Foundation's Grants Committee and Trustees to decide the most pressing needs now and forever. A Donor Designated Fund allows you to permanently designate income from your fund to one or more of your preferred nonprofit organizations after your lifetime. Either way, you will make a permanent difference in our community.



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