



QUESTIONS ABOUT DONOR ADVISED FUNDS (DAF)

Montgomery County Community Foundation prides itself on providing superior service to donors. We strive to inform and enrich your philanthropy and welcome your inquiries at all times. At the Foundation, our goal is to build philanthropic assets to support the future of Montgomery County.

Glossary of Terms

- Donor Advised Fund (DAF) – A philanthropic vehicle available through the Community Foundation that allows donors to make a charitable contribution, receive an immediate tax deduction and then recommend charitable grants to nonprofits from the fund over time.
- Gift – A charitable donation that you give to the Community Foundation to establish a fund, contribute to an existing fund or support a program of the Community Foundation.
- Grant – A charitable donation made to a nonprofit organization from a fund at the Community Foundation.
- Endowment – A fund that will provide perpetual support. The principal of an endowment fund is invested and a spendable portion is calculated annually for charitable purposes.
- Flexible Spending Endowment – A fund that allows the donor to make grants from the principal, while maintaining a minimum balance that will remain endowed. There is no calculated spendable. Establishing a Fund

Questions about Donor Advised Funds:

1. What is the minimum required to establish a donor advised fund?

The minimum amount required to establish a DAF is \$15,000.

2. Is my gift to a DAF tax-deductible?

Your original gift and subsequent gifts are tax deductible. A receipt of your gift will be provided for your tax purposes. Grants to nonprofits from your DAF will not result in a tax-deductible gift because you have already received the tax deduction when your gift was made to the Community Foundation.



3. How much can I distribute from a DAF?

Endowed DAFs are permanent endowments that annually distribute a spendable income, based on the Community Foundation's spending policy, noted below, from which you can recommend grants.

4. May I name additional advisors to my DAF?

Yes. At the time the DAF is established, you may name a second generation of advisors to succeed you. These advisory privileges may not be reassigned once the fund is operational.

5. Can I remain anonymous?

At the time you establish your fund, you choose the recognition language the Community Foundation provides to grantees. You may also remain anonymous by request.

6. What happens to the DAF upon the death or resignation of all advisors?

Each fund is permanently recognized. Generally, distributions from the fund will be used at the discretion of the Foundation's Board of Directors aligned with the original intent of the donor. Donors may also choose to support a charitable field of interest or specific nonprofits.

7. Who invests the DAF assets and how are they invested?

The Community Foundation retains an accredited investment fiduciary who oversees the management of the funds in accordance with the foundation's Investment Policy. In addition to making quarterly presentations to the Community Foundation's board of directors, the investment fiduciary meets with the board's Investment Committee to oversee the board fiduciary responsibility on the investment of the funds.

8. How does the Community Foundation calculate spendable income for endowed funds?

At this time, the Foundation's Board of Directors applies a 3% spending policy for endowment funds, inclusive of compensation to the Community Foundation, which is reviewed from time to time. The spendable income is determined annually based the fund's balance on December 31st of the prior year.

9. How much does it cost to have a DAF?

Each DAF can contribute an administrative fee to further the Foundation's general charitable purposes. At this time, MCCF does not charge a fee.

10. How do I recommend a grant from my DAF?

After MCCF receives and vets the grant requests, you will receive a letter, form and a list of the organizations who have requested grants long with the mission of the organization, the project for which funds are being requested, and the requested funding amount.



11. May I recommend grants to organizations outside Montgomery County and the U.S.?

No. Montgomery County Community Foundation focuses on this community. Grants that mostly serve Montgomery County but which less than half of the grant will be used to also serve some contiguous areas may be considered.

12. What is the minimum grant size I can recommend?

You may give one-third of your available fund grants funds to any organization for up to three organizations who have submitted grant requests.

13. When can I make my grant recommendations?

Grant requests are due on September 15th each year and the documents are emailed by the last week of September, subject to the Community Foundation's due diligence review. This due diligence includes a review by

14. How does the Community Foundation evaluate grantees?

Each recommended grantee must submit proper documentation including:

- *Summary Grant Request and information about the project for which they are requesting funding.*
- *Current Board list*
- *IRS tax exemption letter*
- *990 tax filing*
- *Most recent audit*

15. May I make a multi-year commitment from my fund?

No, you may not make a pledge or use the Community Foundation's DAF to fulfill a pledge made to an organization.

16. May I recommend a grant and receive benefits from a nonprofit as a result of my grant?

The IRS prohibits individuals from receiving benefits as the result of a grant from a DAF. The Community Foundation provides you with a letter at the time of your gift that says, "no goods or services were received for your gift." The IRS may apply financial penalties if you or a related party accepts more than 'token benefits.' Benefits that are not allowed include things such as tickets, preferred parking, membership benefits, etc .

17. May I recommend grants from a DAF to assist an individual in need?

No. The IRS strictly prohibits donor advised funds from engaging in this type of activity.



18. How can a DAF at the Community Foundation help to make philanthropy more effective?

Our donors have found great benefit in the services that are offered by the Community Foundation including:

- *Advice and expertise on community needs*
- *Annual review of your fund and grantmaking*
- *Family education and engagement opportunities*
- *Opportunities to develop a giving plan to align with your personal values*
- *Review of your grant history and trends*
- *Site visits with local nonprofit leaders*

19. What is variance?

Variance power grants the Community Foundation's board the ability to ensure donor intent. For example, if a recipient organization of a designated fund were to close or radically alter its mission, the Foundation's Board of Directors could use variance power to name a new organization whose mission is most closely aligned to the original mission of the initial organization, therefore ensuring the donor's intent is honored.