

Donor-advised Funds

What Parish Stewardship & Episcopal Development Leaders Should Know

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The Episcopal Church Foundation (ECF)

Independent, lay led organization, founded in 1949

Empowers congregations through visioning and planning, leadership development, and raising financial resources for ministry

Through our programs, ECF is helping to build a Church characterized by:

- Lay and clergy leaders work together to transform the Church
- Healthy, vital, vibrant Episcopal communities of faith
- Meaningful opportunities for Christian stewardship and effective fundraising
- Innovative, mission-based ways to be the Church of the future



What is the Episcopal Church Foundation (ECF)?

Overview:

- Independent and lay-led foundation
- ECF's mission is to strengthen the **leadership** and **financial** capabilities of Episcopal congregations, dioceses, and other institutions
- ECF carries out this mission through a wide array of programs including...



Leadership Resources

- ECF Vital Practices (ecfvp.org)
- Vestry Resource Guide
- Fellowship Partners Program
- Educational Events
- Vital Teams

Financial Resources

- Capital Campaigns
- Planned Giving
- Endowment Management
- Annual Giving/Stewardship
- Strategic Resources



What is a donor-advised fund?

The IRS Definition

IRC 4966(d)(2) defines a “donor-advised fund” as (1) a fund or account owned and controlled by a sponsoring organization, (2) which is separately identified by reference to contributions of the donor or donors, and (3) where the donor (or a person appointed or designated by the donor) has or reasonably expects to have advisory privileges over the distribution or investments of the assets. All three prongs of the definition must be met in order for a fund or account to be treated as a donor-advised fund.

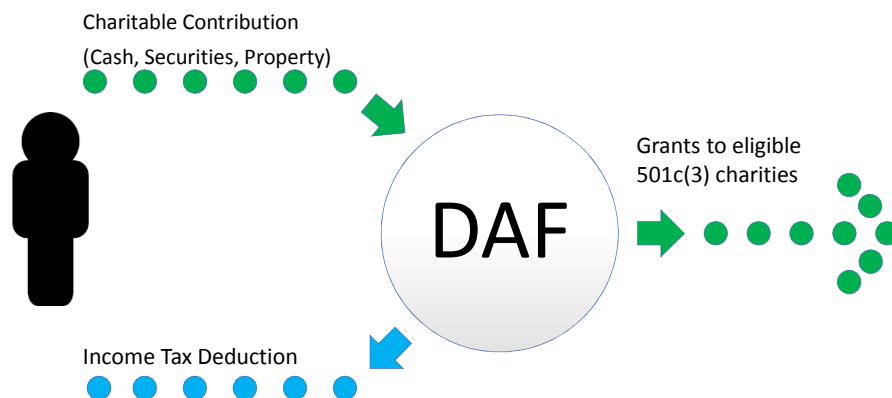


What is a donor-advised fund?

An understandable definition

A donor-advised fund, or DAF, is a philanthropic vehicle established at a public charity. It allows donors to establish their own individual fund, make charitable contributions to that fund and receive an immediate tax benefit for that contribution. The donor then recommends grants from the fund to qualified charities.

What is a donor-advised fund?



What Organizations Offer DAFs?

- National Charities—organizations national in reach and not focused on a specific cause, religion, etc. Examples: Fidelity Charitable, National Philanthropic Trust, US Charitable Gift Trust
- Community Foundations—organizations that generally have a specific regional focus. Examples: Bluegrass Community Foundation, California Community Foundation
- Single-Issue Charities—organizations that support a specific faith, cause, or institution. Examples: Combined Jewish Philanthropies, Redlich Horwitz Foundation, University of Texas Foundation

What to Expect: Account Minimums

- Different organizations will have different initial minimum requirements. Different accounts within an organization may have different minimums.
- \$1,000 (extreme low end)
- \$2,500–\$5,000 (typical initial requirement)
- \$25,000; \$250,000; \$10,000,000

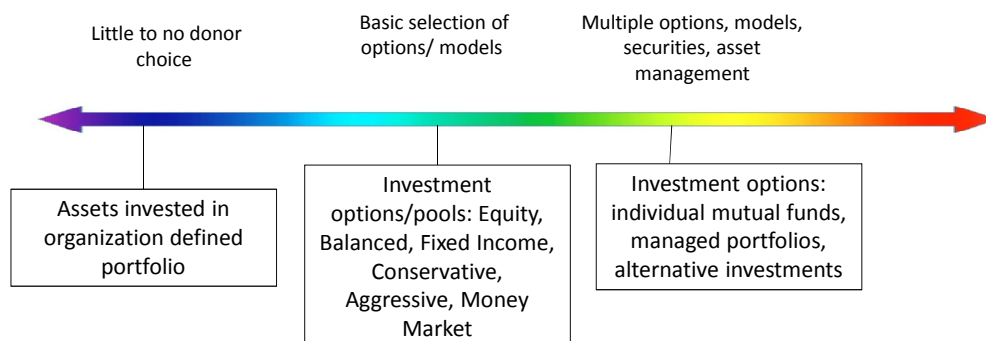
What is special about an ECF DAF



- Anyone, even non-Episcopalians, can create one
- Minimum donation of \$2500.
- Make as many grants as you want for \$100 or more each.
- 24 hours/7 days a week access to dedicated on-line portal
- Over 5 years, at least 51% of grants made need to go to Episcopal churches, dioceses, schools, camps or other Episcopal organizations
- You can also make grants to any qualified charity

What to Expect: Investments

- Donor-Advised funds typically allow or require the donor to select the investments or investment style of their individual fund.



What to Expect: Grants

- Generally speaking, DAFs can make grants to charitable organizations that are tax-exempt under Internal Revenue Code (IRC) Section 501(c)(3) and a public charity under IRS Section 509(a).
- When a donor submits a grant to the sponsoring organization, *it is a recommendation. The sponsoring organization can affirm or deny!*
- Grant recommendations are typically submitted in written form or as an online submission

What is special about an ECF DAF

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- 24 hours/7 days a week access to dedicated on-line portal



ECF-DAF: Online Access 24 hours a day

ecf **EPISCOPAL CHURCH FOUNDATION**
empowering congregations

Hello, James Murphy

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NAVIGATION

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[Contribution History](#)

ADVISOR FUNCTIONS

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Pending | History
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Fund
Manage
 Start typing... Search

Contributions

ANNOUNCEMENTS

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Oldest Vote: **0 days**
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onlineservices@churchfdn.org

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DAF Constraints/Limitations

- The DAF/sponsoring organization must retain the right to control donated property
 - Sell it, invest proceeds, approve or deny grant recipients, override grant timing
- No distributions to private non-operating foundations
- No distributions to individuals

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empowering congregations

Important DAF Restriction

***DAFs CANNOT BE USED TO FULFILL PERSONAL PLEDGES
OR A FINANCIAL OBLIGATION OF THE DONOR!***

<https://www.irs.gov/pub/irs-wd/00-0140.pdf>

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A charitable pledge is an obligation of the donor to give money or property to a charity at a future time. Where a charity (including a charitable organization of which a donor advised fund is treated as a component part) relieves a donor of a substantial obligation by satisfying the donor's pledge, the charity is providing the donor with an impermissible benefit. Accordingly, a donor's charitable pledge may not be fulfilled by a single payment or a series of payments from the charity.

I hope that this information is helpful to you. If you have any further questions, please contact Susan Kassell of this office at (202) 622-4930.

Sincerely,

Michael D. Finley
Chief, Branch 3
Income Tax & Accounting

Advantages of DAFs

- Generally established quickly with a simple application.
- Typically lower initial set-up and ongoing administrative costs than private foundations.
- No separate tax filings for the donor to complete.
- Offers the ability to diversify concentrated asset(s)
- Offers the donor the ability to temporally separate the tax deduction from the gifts/grants

Advantages of DAFs

- Donors may deduct the fair market value (FMV) of appreciated property donated to their DAF



Advantages of DAFs

- Offer an opportunity to teach children/future generations about the logistics and importance of charitable giving
- Offer the ability to monitor a charity's effectiveness and efficiency over time
- Can create a legacy charitable vehicle

Who might benefit from a DAF?

- Someone who is near retirement
- Someone who works on commission or has compensation highs and lows
- Someone who has received a large windfall or a bequest, inheritance
- Someone with a highly appreciated asset
- Provides flexibility to anyone

Why use a DAF— Some Real World Examples

- The estate planner
- Too much income
- Sharing the gain with a charity instead of Uncle Sam



**American
Red Cross**



Is an ECF DAF right for you?



Contact ECF to discuss:

Call: 800-697-2858

or E-mail:

giving@episcopalchurchfoundation.org

Recorded Webinars to Empower your Leaders

- Basics of Planned Giving for Parish Leaders
- Basics of Endowment Management for Parish Leaders
- Prospective Donors of Planned Gifts
- Basics of a Capital Campaign
- Annual Stewardship
- Vestry Leadership 101

For links to recordings visit: www.ecfvp.org

Upcoming Free Live Webinars

*Check our website, under
Events, for more info.*



At your service

ECF always available to assist at (800) 697-2858

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