



Jewish Federation
OF CLEVELAND
HERE FOR GOOD

DONOR ADVISED FUND PROGRAM

Frequently
Asked
Questions

DONOR ADVISED FUND PROGRAM



A donor advised fund (DAF) is a simple and tax-efficient way to manage your philanthropy, allowing you to recommend grants to eligible organizations that align with your charitable interests. When you establish a DAF with the Jewish Federation of Cleveland, you have a trusted partner in your philanthropy.

This guide provides general information about the Federation's Donor Advised Fund Program and summarizes the key policies that govern the Program. This material is presented for information purposes only and should not be interpreted as legal, tax, or financial advice. When considering charitable gift planning strategies, you should always consult with your own legal and tax advisors.

INTRODUCTION

1. What is a Donor Advised Fund?

A DAF is created by a written agreement between the Federation and a Donor (see #10) and is funded by contributions of cash, securities or other property to Federation. It bears the name of the Donor(s) or a name designated by the Donor(s). The assets in a DAF are owned, controlled and administered by Federation. The written agreement and the Policies and administrative rules summarized in these FAQs govern the administration of the DAF Program.

The Donor may designate one or more Fund Advisors (see #10 and #11). The Fund Advisor(s) may recommend distributions from the DAF to organizations classified for tax purposes as public charities whose purposes are not inconsistent with the mission and purposes of the Federation. **These recommendations are advisory only. Federation has sole authority to approve grant recommendations.**

2. What are the advantages to you as a Donor and Fund Advisor?

- You may recommend grants from the DAF to support the Federation and other local and national charitable organizations which benefit the Jewish and general communities.
- You may involve other family members in the grantmaking process.
- You may receive an immediate charitable income tax deduction (if you itemize) for the value of your contribution to establish the DAF and for all subsequent contributions you make into the DAF.
- You may avoid capital gains tax if you contribute appreciated securities or other property held for more than one year.
- No income tax is payable on net earnings credited to a DAF as the result of the investment or sale of DAF assets (with very limited exceptions).
- You are free from record keeping and administrative responsibilities. Federation invests and administers DAF assets, processes grant recommendations and sends grant checks to grantee organizations. It also provides you with statements on all DAF activity, at least quarterly.

- The only information you may need to keep for tax purposes are Federation's acknowledgement letters for any contributions to the DAF.
- You may make recommendations regarding the investment of DAF assets (see #35).

3. Is DAF activity confidential?

Yes. You may establish a DAF anonymously and request that distributions not be attributed to the DAF. Although DAF grants are reported to the Federation Endowment Fund Committee and the Federation Board of Trustees, they are not identified by fund name. DAF grants and investment activity are also not identified by fund name on Federation's annual federal information return (IRS Form 990). A limited number of Federation staff has access to information about individual DAFs.

CONTRIBUTING TO A DAF

4. What is the minimum contribution to establish a DAF?

\$100.

5. How are contributions to a DAF acknowledged?

Federation sends a contribution acknowledgement letter which may be used for tax purposes shortly after a contribution is made to establish the DAF (and each time a subsequent contribution is made to the DAF).

6. May additional contributions be made to the DAF?

Yes. Federation encourages additional contributions to DAFs. There is never a minimum contribution other than for the initial contribution. Other individuals or entities can make contributions to the DAF. This is useful for gifts in honor of special occasions or memorial contributions.

7. May assets other than cash be donated to a DAF?

Yes. Contributions may include securities (stock, mutual fund shares, exchange traded fund shares, bonds (including Israel bonds), other publicly traded securities), or other property. Please contact Federation's Managing Director of Finance (see last page for contact information) regarding all contributions of securities, real estate, investment partnerships, limited liability companies or other investment property, or vehicles, jewelry, art, and other personal property.

When publicly traded securities are contributed to a DAF, Federation will usually sell them as soon as we become aware of the transfer. However, at our sole discretion, Federation may hold the securities if we determine that an immediate sale is not advantageous or feasible, (for example, if the stock is thinly traded and we have to sell over a period of time so we do not negatively impact the price of the security). While the Fair Market Value ("FMV") on the date of the gift is acknowledged as the contribution amount, the proceeds of the sale of these securities (net of any commissions or fees charged by the broker) will be credited to the DAF.

8. May I make contributions to a DAF directly from an IRA?

Yes, but a contribution from an IRA during your lifetime versus at your death are treated differently for tax purposes.

During your lifetime, a direct IRA distribution to a DAF cannot be treated as a Qualified Charitable Distribution (QCD) and excluded from your gross income for tax purposes. A DAF is not a permissible recipient of a QCD under the tax laws. Please talk with your financial or tax advisor before proceeding with any lifetime contributions from an IRA to a DAF so you understand the full tax consequences prior to initiating such a distribution.

At your death, a DAF of the Federation is a permissible beneficiary of an IRA as well as a permissible beneficiary of a retirement plan. To make such a beneficiary designation should read: “Jewish Federation of Cleveland, to be added to [NAME] Donor Advised Fund.”

9. May I make a contribution to a DAF by credit card?

Yes. However, depending on how the payment is processed and the type of card used, credit card fees will be deducted from the DAF balance. The full amount charged will be acknowledged as a charitable contribution. Current fees are approximately 2.5%, but may change based on actual charges made by credit card processors.

EXAMPLE:

You make a \$10,000 donation to the DAF by credit card. You will receive an acknowledgement letter for \$10,000 and \$10,000 will be credited to the DAF. The 2.5% credit card fee will be deducted from the DAF. In this example, a \$250 credit card fee would be shown as a separate expense on the quarterly DAF statement.

FUND ADVISORS

10. What is the difference between a “Donor” and a “Fund Advisor?”

An individual who signs the DAF Agreement is a “Donor.” A Donor may name and/or change the name of the DAF and name Fund Advisors as well as Successor Fund Advisors. A Donor may, but is not required to, name himself/herself as a Fund Advisor. If an individual whose name appears in the name of the DAF does not sign the DAF Agreement, that individual is not a Donor and has no privilege to recommend grants, unless named as a Fund Advisor.

All Fund Advisors may recommend grants and investment of the DAF. Unless specifically authorized in the DAF agreement, Fund Advisors may not name other Fund Advisors or Successor Fund Advisors, nor may they change the name of the DAF.

11. Is more than one Fund Advisor allowed?

Yes. A Donor may designate himself/herself and/or another person as a Fund Advisor. If two or more Fund Advisors are named, one Fund Advisor will need to be identified as the contact person for the DAF. There may be as many Fund Advisors as desired, provided each is over 18 years old. Each Fund Advisor may recommend distribution of any or all the DAF without permission or action of any other Fund Advisor, unless otherwise provided for in the Fund Agreement or an amendment to the Fund Agreement.

For a DAF established for a minor child, a parent or another adult must co-sign the agreement and any grant recommendations.

12. May adult children or other individuals be added as current or Successor Fund Advisors?

Yes. An individual added as a Fund Advisor will have the immediate privilege to make grant recommendations from the DAF.

Successor Fund Advisors may be named at any time by the Donor and will have the privilege of making grant recommendations in the future upon the resignation, incapacity, or death of all Fund Advisors. Only individuals added as Fund Advisors or Successor Fund Advisors may make recommendations. No other individuals may have the privilege of making grant recommendations.

Participation in family philanthropy is encouraged. You may choose to involve several generations in furthering your family's charitable interests by naming children or grandchildren as Successor Fund Advisors.

13. If I am a Fund Advisor and become incapacitated, can the attorney-in-fact named in my Durable General Power of Attorney make recommendations on my behalf?

No. DAF assets are the property of the Federation. A Fund Advisor has no ownership rights with respect to DAF assets. Therefore, a Fund Advisor's Power of Attorney does not apply to a DAF because a Power of Attorney applies only to property owned by the grantor of the Power of Attorney.

14. What happens to the DAF when the last-named Fund Advisor resigns, becomes incapacitated, or dies?

Upon the resignation, incapacity, or death of the last-named Fund Advisor, the DAF terminates. Upon the termination of a DAF, closing distributions are made in the following order: (i) to the Federation to pay any type of outstanding Campaign or Supplemental Campaign balance(s) of the Fund Advisor(s) (other than legally enforceable pledges); (ii) written testamentary recommendations on file; (iii) remaining balance to the Federation's unrestricted endowment. If the assets added to Federation's unrestricted endowment fund are \$10,000 or more, a named memorial fund in honor of the Donor(s) who opened the DAF will be established. If less than \$10,000 is added to Federation's unrestricted endowment fund, the assets will be transferred to the Honor and Memorial Fund of Federation's unrestricted endowment.

GRANTS

15. How are DAF grants recommended?

Grant recommendations may be submitted on Federation's online DAF portal. Each Fund Advisor will be asked to establish a unique username and password to view fund balances and recommend grants. For most efficient processing, the online portal is the preferred method of recommending grants. Alternatively, a recommendation form may be obtained from Federation staff and returned by mail, fax, or email attachment.

16. Is there a minimum amount for a grant recommendation?

Yes. The minimum amount for a grant recommendation is \$100.

17. Is there a minimum dollar amount that must be recommended each year?

No. However, if recommendations are not made for a period of three years and Federation does not have written recommendations for future grants, Federation staff may make reasonable efforts to contact the Fund Advisor regarding the status of the Fund. If reasonable efforts do not lead to contact with the Fund Advisor or activity in the Fund does not happen, Federation then may terminate the DAF and transfer the assets to the unrestricted endowment fund (see #14). (The three-year period may be modified and minimum annual distributions may be required if necessary to comply with future federal tax law requirements).

18. What must a grantee organization provide to Federation to be eligible for DAF grants?

A grantee organization must provide confirmation of its public charity classification, or its governmental unit status, a list of its board members and officers, and its mission statement. It also must agree to certain terms and conditions to ensure a grant to it from a DAF is used for charitable purposes not inconsistent with the Federation's purpose and mission and does not provide more than incidental benefits to a Donor, Fund Advisor, or related parties.

19. What organizations are eligible to receive DAF grants?

Recommendations may be made for grants to public charities (with limited exceptions) which benefit the Jewish or general community and whose purposes are not inconsistent with the Federation's mission and purpose. Grants to governmental entities for exclusively public purposes may also be recommended.

A "public charity" is an Internal Revenue Code ("IRC") 501(c)(3) organization which is described in IRC 509(a)(1) or 509(a)(2), generally organizations with broad public support and organizations that qualify as hospitals, schools, and "churches" which includes synagogues and temples.

Private Non-Operating Foundations and certain public charities which are IRC 509(a)(3) type III supporting organizations are not eligible to receive grants under Federation's DAF Policies.

20. Are foreign charities eligible to receive grants from a DAF?

No. Federation does not make grants from DAFs directly to foreign charities. However, a grant may be recommended to U.S. public charities which support charitable programs in foreign countries such as The Jewish Federations of North America, American Jewish Joint Distribution Committee, and qualified U.S.-based public charities, which are "friends of" foreign charities.

For an Israeli charity without a "friends of" organization, grant recommendations may be made to The Jewish Federations of North America (JFNA) with a recommendation to support the Israeli charity. JFNA has sole authority to approve the recommended grant. In order

for a grant to the Israeli charity to be considered by JFNA, the charity must have proper Israeli status as a charitable organization under Israeli law. There is a \$500 minimum for such recommendations.

Please contact a member of the DAF team for further questions regarding grants to U.S. public charities to support foreign charities.

21. Are there restrictions on DAF grants?

Yes. Federation DAF policies provide that a DAF grant may not be made:

- If the grant recommendation is designated to satisfy a legally enforceable obligation of any person (see #23);
- To provide a grant, loan, compensation, reimbursement or similar payment or to provide more than an incidental benefit to a Donor, Fund Advisor, or related parties;
- To, or for the benefit of, any specific individual;
- To reimburse an individual or a business entity for expenses related to a charitable program;
- To public charities whose purposes are inconsistent with the mission and purposes of the Federation, as determined solely by the Federation;
- To an individual or a business entity to purchase property, even if it will be donated to a public charity (e.g., a grant to a book store to purchase books for a school).

22. May a grant be recommended for an event conducted by a grantee organization (e.g., gala, charity tournament, raffle, awards dinner, etc.)?

A recommendation for a grant may be made for an event only if

the Fund Advisor or related parties do not accept, and the grantee organization does not provide, any tickets or more than incidental benefits in connection with the recommended grant. Due to the potential for penalty taxes on the Fund Advisor and Federation staff who approve such grants, they cannot be approved even if the Fund Advisor or others offer to pay the non-deductible portion of the event ticket.

Example of a prohibited grant: You recommend a grant for \$450 for a charity's fundraising dinner that costs \$500 per person. The deductible charitable contribution portion is \$450 and the non-deductible meal cost is \$50. Federation will not pay a \$450 grant for the charitable contribution portion from the DAF even if you pay for the \$50 meal personally. This is considered a bifurcated* grant and is not permitted by current IRS guidance.

If you are not attending the event or accepting any benefits and the recommended grant would otherwise be 100% deductible as a charitable contribution, this should be indicated in the "Notes" box on the online portal or on the grant recommendation form.

**Bifurcation is splitting or separating the non-deductible from the deductible portion.*

23. May a grant recommendation include a designation for payment of a legally binding pledge, obligation, or commitment?

No. DAF grants may not be designated to pay a legally binding pledge, obligation, or commitment. A grant recommendation which contains the word pledge, obligation, commitment, or

comparable language cannot be processed. Before making any commitment that you intend to meet by recommending a grant from a DAF, please call Federation staff, who may be able to work with the recommended grantee organization to structure a suitable arrangement.

24. May a grant be recommended for membership fees of a grantee organization?

Grant recommendations will not be approved if they are payments for a membership that provides more than an incidental benefit, according to IRS regulations (e.g., access to gym facilities).

However, grant recommendations to pay for synagogue and temple dues or other types of payments characterized as membership dues will be approved if the full amount of the dues would otherwise be a tax-deductible contribution.

25. May a Fund Advisor recommend a grant to pay for a child's or grandchild's school tuition?

No. A grant recommendation may not be designated for a scholarship for a particular student or for a student's other education expenses. Grants for scholarship programs conducted by an organization may be recommended from a DAF, provided the grantee organization awards scholarships according to objective criteria and neither the Fund Advisor nor a related party controls the grantee's scholarship award process.

26. Does my campaign gift get granted automatically from the DAF when I speak with my solicitor?

No. Your solicitor is not permitted to recommend grants from the DAF on your behalf.

Federation has an Automatic Campaign Grant Program. This program provides a process for grant recommendations for the Campaign to be made automatically from the DAF. To participate, a letter would be sent to you for signature(s). That letter permits Federation staff to submit a recommendation on your behalf, each November, for grant(s) to Federation's Campaign for Jewish Needs. The amount of the grant is determined by the amount recorded in Federation's donor database. You would only be responsible for arranging to have sufficient assets in the DAF to enable the processing of the grant recommendation.

27. May I recommend a grant to purchase cemetery plots?

No. Amounts paid to purchase cemetery plots or for annual care are not tax-deductible as charitable contributions and therefore a grant from a DAF may not be recommended for such purchases.

28. Why does Federation have final authority to approve or deny grant recommendations?

Federal tax law governing DAFs requires Federation to have ultimate authority and exclusive legal control over all property in a DAF.

OPERATION

29. How long does it take for DAF grant recommendations to be processed?

If Federation has proper paperwork on file concerning the grantee organization, it will take approximately five to ten days from receipt of the recommendation to approve and process. It will take longer if the organization has not previously received DAF grants from the Federation or if the organization provided incomplete information. Using Federation's online DAF portal is the fastest method to submit grant recommendations. **If your grant recommendation is time-sensitive, please contact Federation staff for assistance.**

30. How are grants sent to grantee organizations?

Grant payments must be sent directly to the grantee organization. Official addresses are determined by IRS filings or written confirmation with the grantee organization. For grants to local chapters, checks are mailed to the parent organization if the chapter does not have separate tax-exempt charitable status.

31. May a Fund Advisor recommend that a grant be made with no identification of the fund name or Fund Advisor?

Yes. A Fund Advisor may request that a grant check not contain the name of the Fund Advisor or the DAF.

32. How will Federation process grant recommendations made in honor of, memory of or for specially designated grants?

For a grant recommendation **to the Federation** made in memory of a family member or friend, to honor a life cycle event or for other special events, Federation staff will send a written acknowledgment to the family of the deceased or the honoree when the grant is processed.

If such a grant is recommended to an outside organization, that information will be included in a separate letter mailed with the grant check. The grantee organization is responsible for advising the family of the deceased or the honoree.

Federation has a policy that we do not disclose the amount of a grant recommendation to the honoree. Federation cannot guarantee outside organizations have a similar policy.

33. What happens if Federation does not approve a recommendation?

The Fund Advisor will receive an explanation of why the recommendation was rejected. Federation staff will try, where possible, to recommend an alternative organization which could receive a grant.

34. What DAF reports are provided to the Fund Advisors?

Statements are mailed on a quarterly basis to Fund Advisors and contain a listing of grants made, contributions received, earnings credited, and fees charged during the quarter. Also, fund balance, grant history, and statements may be viewed on Federation's online DAF portal.

INVESTMENTS

35. May a Fund Advisor make investment recommendations regarding DAF assets?

Yes. Investment recommendations may be made twice per year and also when additional contributions are made. Rebalancing of investments is not automatic. In general, Fund Advisors may recommend allocations of a DAF's assets to Federation's Money Fund or Main Investment Fund. Changes are subject to the approval of the Federation's Finance and Investment Committee. The recommendation must be consistent with the investment policies established by the Finance and Investment Committee. A copy of the DAF investment policies and a form which can be used to recommend changes is sent biannually with the DAF statement.

36. Are there fees?

Yes. Administrative and investment fees based on the fund size are paid directly from the DAF assets. It is recommended a sufficient balance be maintained to pay administrative and investment fees. Fees are as follows:

FUND SIZE*	ADMINISTRATION FEE	INVESTMENT FEE**
up to \$1 million	0.26 ^{1/4} % (\$150 minimum annual fee)	0.31 ^{1/2} % on all investments
greater than \$1 million	0.21 %	0.31 ^{1/2} % on all investments

*Fund size may be determined by aggregating all funds established by a Donor.

**This investment fee is in addition to charges by investment managers and custodians.

NOTES

FOR QUESTIONS ABOUT THE DAF PROGRAM, SUBMITTING A GRANT RECOMMENDATION OR THE STATUS OF A PENDING RECOMMENDATION, PLEASE CONTACT:

Michelle Feinberg

Senior Manager
Donor Advised Funds
216-593-2875
216-593-2903 (fax)
mfeinberg@jewishcleveland.org

Linda Moran

Administrator
Donor Advised Funds
216-593-2884
216-593-2903 (fax)
lmoran@jewishcleveland.org

FOR INFORMATION REGARDING INVESTMENT OPTIONS AND NON-CASH CONTRIBUTIONS, PLEASE CONTACT:

Kari Blumenthal

Managing Director of Finance
216-593-2893
216-593-2901 (fax)
kblumenthal@jewishcleveland.org



Jewish Federation
OF CLEVELAND

HERE FOR GOOD

Jack, Joseph and Morton Mandel Building
25701 Science Park Drive, Cleveland, OH 44122