



## DONOR-ADVISED FUNDS

With a donor-advised fund, you have a tax-advantaged, flexible tool to leave your legacy and support the charities and causes that matter to you. You get the perks of a private foundation, but at a better cost and tax benefit. Let the Outer Banks Community Foundation help you achieve your philanthropic goals.

### **Establishing Your Fund**

A donor-advised fund is easily established with a tax-deductible gift of \$1,000 or more. When you make your initial gift, we will work with you to complete and sign a short fund agreement, which establishes the name and charitable purpose of your fund, and describes its terms and conditions.

Many donors choose to name their funds with their family name, or in honor of a loved one. Some people get creative, and use a favorite quote or other inspiring phrase (e.g., the Love in Action Fund, the Just for Today and Tomorrow Fund). Every grant awarded from your fund will be made in the name you choose; in this way, your donor-advised fund can preserve your legacy, or memorialize a loved one, for generations to come.

Within the fund agreement is a place to state your charitable purpose. You can choose to leave your fund totally open to support any charitable organization by stating your purpose in very broad terms (e.g., “to be determined annually”); this will give you maximum flexibility in future years to support any charitable cause. Or, you may choose to designate your fund for a specific field of interest or cause — for example, to support the arts, or to help people in need. Designating your fund will focus your grant-making and ensure that we use your fund for your favorite charitable cause in the years ahead.

### **Gifts to Your Fund**

Once it’s established, anyone can contribute to your fund at any time. All gifts to your fund are irrevocable and tax-deductible. Contributions can be made by cash, check, or credit card — online ([www.obcf.org/donate](http://www.obcf.org/donate)), by mail, or by phone. The Community Foundation also accepts gifts of stock, real estate, and other assets. You may also wish to plan a future legacy gift to your fund (e.g., a bequest or gift of life insurance).

Once your fund reaches \$5,000 in gifts, you can begin recommending grants the following calendar year. If your fund does not reach \$5,000 within three years, your gifts will be added to our Community Fund, which is our largest and broadest grant-making endowment.

## **Making Grants**

When you establish your fund, you have the privilege of designating the advisors of your fund. Advisors are the individuals who recommend the grants from your fund. Usually donors name themselves as advisors, and you may choose to name other family members as well. In addition to the advisors you name, you may also choose to designate one or more additional individuals in one succeeding generation to continue as advisor. After that generation, the Community Foundation determines grant distributions from the fund, based on the fund's giving history, and based on any restrictions that you specified in your fund agreement.

We can begin making grants from your fund after it has reached \$5,000 in gifts. At the beginning of each calendar year, we will send you a financial statement indicating the amount available for grants that year. We determine that amount by taking 5% of the fund's average daily market value over the past three years. We can award that full amount at any time that year, or any amount less than that. In any given year, if you do not award the full amount available for grants, any leftover money will be reinvested into the principal of your fund.

To recommend grants, you can use the recommendation form that we mail you with your financial statement, or you can use our online form at [www.obcf.org](http://www.obcf.org). Grants can be made to any nonprofit or other charitable organization in any amount of \$100 or more. The Community Foundation's board of directors must approve all grants. Fund advisors may receive no goods or services in exchange for any grants.

Some donors wish to publicize their grants with the help of the Community Foundation, while other donors choose to make their grants anonymously. The Community Foundation works with each donor to honor whatever level of publicity or anonymity she or he wishes.

## **Administration**

The Community Foundation administers and manages every detail for your fund. We handle all contributions, issue tax receipts, invest the funds, write grant checks, audit the fund, publicize your grants, complete all required IRS paperwork, and more.

The Community Foundation charges an annual administrative fee of one percent for endowed funds, assessed on the fair market value of the fund on December 31 of the prior year. This fee is transferred out of the fund during the first quarter of the following year. No administrative fee is charged until the fund reaches the \$5,000 minimum. Our investment manager also charges a small fee based on the amount of the fund. That fee is less than a half of one percent annually. The returns that we report to you are net of those fees.

## **Non-Endowed Component**

As a service to fund holders, the Community Foundation also offers non-endowed, pass-through donor-advised funds, to be used in conjunction with traditional, endowed donor-advised funds. Pairing an endowed donor-advised fund with a non-endowed fund allows the donor to both "save

for the future” by growing a permanent endowment over time, while meeting current-year giving goals through the pass-through fund.

While the endowed donor-advised fund will be invested with the Community Foundation’s pooled investment, the non-endowed donor-advised fund will be held in the Community Foundation’s money market account, with any interest accruing to the Community Foundation. While the endowed donor-advised fund may distribute up to 5% of the fund balance in any given year (see “Distributions” above), the non-endowed fund may distribute up to 100% of its fund balance at any time.

To open a non-endowed, pass-through donor-advised fund, the donor must first or concurrently establish an endowed donor-advised fund of at least \$5,000. The non-endowed fund also operates under a different fee schedule. Please inquire with staff for full details.