



October 21, 2016

Via Email

Elinor Ramey
Attorney Advisor
Office of Tax Policy
U.S. Department of the Treasury
1111 Constitution Avenue N.W.
Washington, D.C. 20224

RE: Private Foundations' Use of Donor Advised Funds

Dear Ms. Ramey:

Foremost, the Council on Foundations thanks you and the staff at the Office of Tax Policy at the U.S. Department of Treasury for their openness to conversations regarding philanthropy and to accepting invitations to present at the American Bar Association and other events. This willingness to engage in dialogue about issues both in regulations and in practice greatly assists the philanthropic sector with interpretation of the law and an ability to navigate gray areas in exempt organizations law.

This letter provides input regarding forthcoming regulations on donor advised funds (“DAFs”), specifically (1) the termination of private foundations into DAFs, and (2) whether recipients of grants from DAFs may treat such grants as public support to qualify for public charity status. These are important issues to our members, and we urge the Treasury Department and the Internal Revenue Service to proceed thoughtfully when drafting regulations.

We appreciate your role in preventing abuse of the tax rules by charitable organizations—maintaining the public’s trust in the charitable sector is important to us. We ask you to recognize that the vast majority of charitable organizations that sponsor DAFs (“Sponsoring Organizations”) do not engage in abusive behavior and take precautions to avoid doing so. We have attached several sample policies of Sponsoring Organizations that address and prevent abuse. We therefore ask that any changes in regulations intended to stop abusive transactions be focused and precise to avoid unintentional harm to useful and lawful charitable activities.

Private Foundation Terminations Into a DAF

More than half of all private foundations (nearly 75,000) have assets under one million dollars according to Foundation Center (<http://data.foundationcenter.org/>), and the administrative and compliance burdens on such foundations are significant. To comply with state and IRS

requirements imposed on private foundations and ensure good governance and management, all foundations are required to establish accounting systems, implement and manage an asset investment strategy, establish and maintain competent administration of the foundation either in-house or through a service provider, comply with statutory requirements for board composition, meetings, notices, and file all required state and federal forms, including the Form 990-PF and registration to conduct business in the state where the foundation is located. In addition, a foundation may also be required to hire outside legal counsel and auditors, if a separate audit is required for stated purposes or for good governance. These burdens are in addition to the excise tax that private foundations must pay on investment income.

The administrative costs of operating a private foundation often prove too burdensome and can easily swamp the grantmaking activity of a small private foundation. In that case, such a foundation may decide to transfer its assets to a Sponsoring Organization to take advantage of the administrative efficiencies of using a DAF. This is particularly true in times of financial decline where low investment asset values may well reduce the amount available for grants and make the costs of maintaining the foundation disproportionately high relative to the funds being granted.¹ Given these constraints, a private foundation may consider terminating into a DAF held by a Sponsoring Organization to continue advising regarding grantmaking in future years rather than see its assets squandered on administrative expenses.

The IRS has long recognized that public charities, such as Sponsoring Organizations, are subject to broad public oversight as compared to private foundations, and therefore are less prone to engaging in the transactions that the private foundation excise taxes should address. As a matter of public policy, the IRS should encourage the migration of assets from private foundations to public charities, including Sponsoring Organizations.

As authority for this proposition, the IRS and Treasury may look to Section 507 of the Internal Revenue Code of 1986, as amended (the “Code”) which encourages private foundations to terminate by transferring assets to a public charity, including a Sponsoring Organization. Under Section 507, a private foundation may terminate by distributing all of its assets to an existing public charity or public charities, described in Section 170(b)(1)(A), other than clauses (vii) and (viii), including community foundations and other Sponsoring Organizations. It is far easier for a private foundation to terminate by transferring assets to a public charity than to terminate by transferring assets to another private foundation. Because DAFs are, by definition, simply component funds of a sponsoring organization, the same principle stands for terminations into DAFs, and the IRS and Treasury should encourage the termination of small private foundations by transferring assets to Sponsoring Organizations of DAFs.

Section 507 encourages private foundation terminations into a Sponsoring Organization or other public charity by exempting such transfers from the private foundation termination tax. To accomplish a termination by transfer to a public charity, the foundation simply distributes its assets to one or more qualifying public charities that have existed at least five years prior to transfer.

¹ See Wilton, Jane L., Terminating a Private Foundation, Professional Tax and Estate Planning Notes (The New York Community Trust).

Most public charities, including all Sponsoring Organizations, are eligible to receive these distributions.

The IRS has a longstanding practice of approving private foundation terminations into DAFs, as evidenced by its interpretation of the material restriction rule. Section 1.507-2(a)(7)(i) of the Treasury regulations provides that, for a transferor private foundation to terminate into a publicly supported charity, the transferor foundation “may not impose any material restriction or condition that prevents the transferee [public charity] from freely and effectively employing the transferred assets, or the income derived therefrom, in furtherance of its exempt purposes.” In determining whether any restriction or condition may exist in fact, various favorable and unfavorable factors may also be considered. The “no material restriction” rule does not bar all forms of restrictions, however. A terminating foundation may limit use of the transferred assets to a specific charitable purpose, such as cancer research, or it may require acknowledgement of the gift, such as by naming a fund after the family. It is critical to ensure that the recipient’s governing body is independent of the terminating foundation and that the recipient gains complete ownership and control of both the transferred assets and the income they produce for the restrictions not to be characterized as material. The IRS has long held in its private letter rulings that a transfer by a private foundation to a DAF terminates the private foundation under Section 507(b)(1)(A) and does not give rise to any tax upon termination because a transfer to a DAF includes no material restriction for purposes of Section 507.²

The Treasury and IRS should continue this practice because it encourages the movement of charitable assets to Sponsoring Organizations, which tend to be highly tax compliant, professionally managed, and efficient. Such transfers relieve the private foundation’s board from the legal responsibilities and administrative costs of operating a private foundation while still allowing former board members appointed as advisors to recommend grants based on the assets in the funds. Because grant recommendations are advisory only, the private foundation cedes all control and decision-making authority to the Sponsoring Organization, but the benefits received from the Sponsoring Organization’s administration of the fund are worth it. Final decisions regarding the distribution of the assets in the DAF will always be up to the Sponsoring Organization’s board which maintains exclusive legal control of the assets after the transfer.

Private Foundation Termination by Operation as a Supporting Organization

An organization may also terminate private foundation status by becoming a public charity or supporting organization to a public charity.³ A supporting organization achieves its status as a public charity by operating to benefit another public charity, such as a community foundation, and it need not pass the public support test which can often be difficult for a private foundation. The rules limit the role and control exercised by directors of the private foundation over the new supporting organization, and the supported organization should exercise a level of control and oversight.

² See, e.g., Priv. Ltr. Rul. 200009048, Priv. Ltr. Rul. 200150039, Priv. Ltr. Rul. 8836033.

³ See Code § 507(b)(1)(B).

Terminating a private foundation by operating as a supporting organization is less common than using a DAF due to the administrative burden of maintaining a separate legal entity and the longer timeline required (minimum of five years). However, community foundations are often asked to be the supported organization of a terminated private foundation operating as a supporting organization, and they typically are a good choice because they understand compliance and offer the administrative support to allow the supporting organization to operate effectively and efficiently.

In substance, the relationship between a supporting organization and a community foundation is very similar to that of a DAF and a Sponsoring Organization. In both cases, a responsible public charity oversees the use of the funds and ensuring that tax rules are not avoided.

Treatment of Grants from DAFs for Purposes of the Public Support Test

At public meetings the IRS and Treasury have expressed concerns about the use of DAFs to enable grantee organizations to qualify for or maintain public charity status without receiving support from other sources.

There are several ways an organization may qualify as a public charity. Some organizations are automatically classified as public charities, regardless of their sources of support, including churches, schools, hospitals, certain medical and agricultural research organizations, certain organizations providing assistance to colleges and universities, and governmental units. Other organizations qualify as public charities because they receive a broad base of public support.

An organization meets the safe harbor test to qualify as a publicly supported public charity if at least one-third of its total support comes from gifts, grants or other contributions from governmental units or the general public (the “Safe Harbor”). As an alternative to this safe harbor, an organization with at least 10% public support may qualify as a publicly supported public charity if it meets certain facts and circumstances described in Treasury Regulations section 1.170A-9(f)(3). Charities that earn more than one third of their support from program service revenue may also qualify as public charities provided they do not rely excessively on endowment income for support. See Section 509(a)(2).

For the Safe Harbor test, grants received from DAFs count as good “public” support without limitation under current law because DAF Sponsoring Organizations are themselves classified as public charities under Section 509(a)(1).

Your concern, and the policy question at issue, is whether an organization that receives all of its support from one or more DAFs should qualify as a public charity under the Safe Harbor. More specifically, whether the sponsoring organization should be disregarded when considering DAF contributions for purposes of the public support test.

First, we note that Sponsoring Organizations are not unique in their ability to be an intermediary re-granting organization under the tax law, and in every other case, the tax law respects the intermediary as the donor to calculate public support under the Safe Harbor. However, under

certain specific circumstances, the tax law can look through the intermediary to find the ultimate donor. Those circumstances arise when there is a question regarding whether the intermediary has control and discretion over the funds. If the answer is yes, the intermediary is respected as the donor. If the intermediary public charity is required to pass the funds to the ultimate recipient without any discretion on the part of the intermediary, as may occur in situations involving earmarked grants, then and only then does the tax law look through the intermediary.⁴

It is undisputed that Sponsoring Organizations have full control and discretion over the funds contributed to DAFs and that control and discretion follows the treatment of gifts made to DAFs for public support purposes. In Private Letter Ruling 200037053, the IRS held that contributions to a DAF are treated as public support to the Sponsoring Organization so long as the donor affirmatively acknowledges that contributions to DAFs belong to the Sponsoring Organization and are subject to its exclusive legal control. This latter requirement was codified by the Pension Protection Act of 2006 (“PPA”) in Section 170(f)(18) which disallows the deduction for any contribution to a DAF unless the donor obtains a contemporary written acknowledgment from the Sponsoring Organization stating it has “exclusive legal control” over the assets contributed. The PPA therefore codifies the Sponsoring Organization’s ultimate control over the funds contributed to DAFs. It is not uncommon for Sponsoring Organizations to deny grant recommendations in the interest of fair and accurate administration of the tax laws. For example, if the grantee is not eligible to receive distributions from a DAF, or the grant involves a prohibited private benefit, no responsible Sponsoring Organization would knowingly make such a grant.

It would be a major departure from existing law and established precedent to adopt a look-through rule regarding the treatment of grants from DAFs to calculate the grantee’s public support. Sponsoring Organizations always exercise control and discretion of DAF grant funds.

Adopting a look-through rule can present serious administrative hurdles as well. If proposed regulations were to treat contributions made by DAFs as coming from the original donor (or the advisor on the account, as appropriate), the obvious administrative difficulties include the need to: (1) require the disclosure of the donor, which undermines the ability to recommend grants anonymously, an important feature that DAFs provide; (2) require complex tracing of funds where the DAF has received contributions from more than one donor, as is often the case; and (3) add new administrative burdens on both the Sponsoring Organization, which would have to identify whom to treat as the donor for each grant distributed from a DAF, and on the grantee which would have to develop a system for categorizing contributions from any public charity that is also a

⁴ See Treas. Reg. § 53.4945-4(a)(4)(i) (providing that private foundation grants made to an intermediary public charity will not be treated as a grant to an individual if the foundation does not earmark the grant for a named individual. This is the case even if the private foundation has “reason to believe that certain individuals would derive benefits” from the grant so long as the grantee exercises “control in fact” over the selection process); Treas. Reg. § 53.4945-5 (regarding grants by private foundations to organizations other than public charities and stating that such a grant will not be considered made directly to the secondary grantee as long as the intermediary exercises control in fact); Rev. Rul. 66-79, 1966-1 C.B. 48 (providing that contributions to an “American Friends of” organization will be treated as made to the domestic organization rather than the foreign secondary grantee so long as the domestic organization has full control and discretion over the donated funds); *cf* Rev. Rul 63-252, 1963-2 C.B. 101 (providing that a contribution that is committed to go to a foreign organization is not deductible if the contribution “came to rest momentarily in a qualifying domestic organization” but the domestic organization did not have control over the funds).

Sponsoring Organization as coming from one DAF (with one or more donors), more than one DAF (each with one or more donors), or not from a DAF but from the Sponsoring Organization's general funds. Every public charity would have to complete such analysis to fill out the Form 990 schedule A accurately, even if the grant would be unlikely to tip the organization's public support in a meaningful way.

Another possible approach to designing such a rule would be to treat all grants from DAFs as subject to the 2% limit, rather than looking through the DAF to the identity of the donor. This option would also be administratively burdensome and likely unworkable because it would require complex tracing of funds. Most Sponsoring Organizations make grants from a variety of sources, not only from the DAFs they administer. To comply with such a rule, the Sponsoring Organization would have to ascertain the source of each dollar of funding and determine whether to inform the grantee. Grantees would be in the unprecedented position of treating contributions from the same source as limited sometimes and not limited in other cases.

Neither of these options is practical and, importantly, both would diverge from the current treatment of intermediary organizations.

Conclusion

Given the considerations discussed above, we recommend that you consider adopting a principles-based approach rather than proposing a new set of rules, which would likely be difficult to administer. The recent IRS initiative to revise the Form 990 was animated by the principle that the best means of achieving tax compliance among charitable organizations is to emphasize the importance of responsible self-governance. We believe that same principle applies regarding the regulation of Sponsoring Organizations and DAFs. The more the IRS can encourage all Sponsoring Organizations to adopt strong internal governance policies and develop best practices, the less need there will be for complex rules. Sponsoring Organizations serve a valuable role as professional intermediaries who can assist donors to achieve tax compliance while meeting their philanthropic objectives. Treasury and the IRS would be wise to encourage Sponsoring Organizations in this role rather than discouraging them and making them less attractive to donors through burdensome regulation.

Thank you for the opportunity to provide input as you continue your work regarding DAFs. We welcome the opportunity to discuss any of the foregoing with the IRS or with the Department of Treasury if it would be helpful. Please contact me for additional information or analysis.

Sincerely,

A handwritten signature in black ink, appearing to read "Sue Santa". The signature is fluid and cursive, with the first name "Sue" and last name "Santa" clearly distinguishable.

Sue Santa
Senior Vice President of Public Policy and Legal Affairs

(703) 879-0715
Sue.santa@cof.org

Copies to:

Sunita Lough, Commissioner, Tax Exempt and Government Entities Division

Tamera Ripperda, Director, Exempt Organizations

Victoria Judson, Division Counsel/Associate Chief Counsel, TE/GE, Office of Chief Counsel

Janine Cook, Deputy Division Counsel/Associate Chief Counsel, TE/GE, Office of Chief Counsel

Mark Mazur, Assistant Secretary for Tax Policy, Treasury

Thomas West, Tax Legislative Counsel, Treasury

Krishna Vallabhaneni, Deputy Tax Legislative Counsel, Treasury



Donor Advised Funds Local Issues. Local Solutions.

Donor Advised Funds (DAFs) are a unique philanthropic tool. They allow donors to establish accounts at institutions, such as community foundations, and remain involved in supporting the causes and issues they care about. Community foundations oversee and manage funds on behalf of families or individuals and, in many cases, have the discretion to direct some of the resources to priority causes the foundation identifies.

Together, DAFs and community foundations are bringing local solutions to the causes and issues that matter most.

THE THREAT



Despite the benefits DAFs bring to communities, proposals have been discussed in Congress that would challenge the fundamental and long-standing value of endowed philanthropy. One misguided proposal would require a DAF to exhaust its funds within five years or pay an annual 20 percent excise tax penalty on remaining money. **Shortsighted policies could significantly diminish use of the fastest growing giving tool, reduce charitable giving among a diverse group of donors, and threaten communities' ability to quickly respond to local needs.**

KNOW THE FACTS

The Council on Foundations enlisted the **Urban Institute's Center on Nonprofits and Philanthropy** to collect new data on DAFs. The **Urban Institute** surveyed community foundations to understand more about both DAFs and the donors who use this philanthropic tool. This survey is the first to take an in-depth look at the relationship between the foundations and donors, the profile of the donors themselves, and the impact of DAFs on communities across the country. The results highlight key facts about DAFs:

- ▶ **DAFs help community philanthropy endure.** DAFs help increase the impact of charitable giving and build access to long-term philanthropic resources in our communities, allowing assets to be used to address immediate needs or support future development. DAFs ensure funds are available during hard times, much like a community savings account. **During the Great Recession, DAFs allowed community foundations to sustain and even increase charitable giving at a time when individual giving plummeted and communities were most in need.**

- ▶ **DAFs encourage lasting civic engagement.** More than 70 percent of foundations report the average age of a DAF donor is between 46 and 64 years old. This signals that DAFs are an important **entry point for planned, strategic philanthropic giving and long-term community involvement.** For example, 81 percent of foundations report donors serve on the foundation's board, or in another leadership role; 68 percent of foundations report donors help address pressing community needs; and, 42 percent of foundations report donors help anticipate emerging community needs.
- ▶ **DAFs build stronger communities.** DAFs are flexible, allowing community foundations to quickly respond to local needs. DAFs have been used to support everything from emergency response efforts to community economic development. The survey collected compelling stories that showcase how DAFs are uniquely designed to encourage donors to become active in identifying and solving local problems:

 EDUCATION	 SHELTER	 COMMUNITY	 SMALL BUSINESS
<p>The foundation conducted several focus group meetings that determined that our community needed a prekindergarten program. Two donors stepped up to the plate to fund this program through the DAF. This summer, approximately 160 students attended thanks to the collaboration with the local literacy group, the school corporation, the community foundation and our donors.</p>	<p>With our homeless shelter in danger of closing, we made the largest grant ever to save it. In response to the press coverage of our decision, several donor advisors made substantial grant recommendations to the same purpose. The shelter continues today under new leadership in large part because of [this] community support.</p>	<p>Community needs often rise at times when the economy is in recession. During 2010, many donors saw a drop in their incomes and assets. However, the donors who had given to DAFs were able to donate to local food banks, shelters, and employment programs because they made gifts to their funds during more prosperous years.</p>	<p>A donor created a \$1 million micro loan fund to make loans to start-up businesses, focusing on women and minorities. These are generally borrowers who would not have been eligible for bank financing.</p>

- ▶ **Community Foundations take seriously the obligation to protect donor investments.** The majority of community foundations voluntarily self-regulate through the National Standards for U.S. Community Foundations™ program. This peer-driven voluntary process includes a review of community foundations' DAF policies and procedures to ensure the community foundation exercises their exclusive control over all funds, gifts and grants with donor input. DAFs build stronger communities, encourage civic engagement, and empower foundations to respond immediately to local needs.

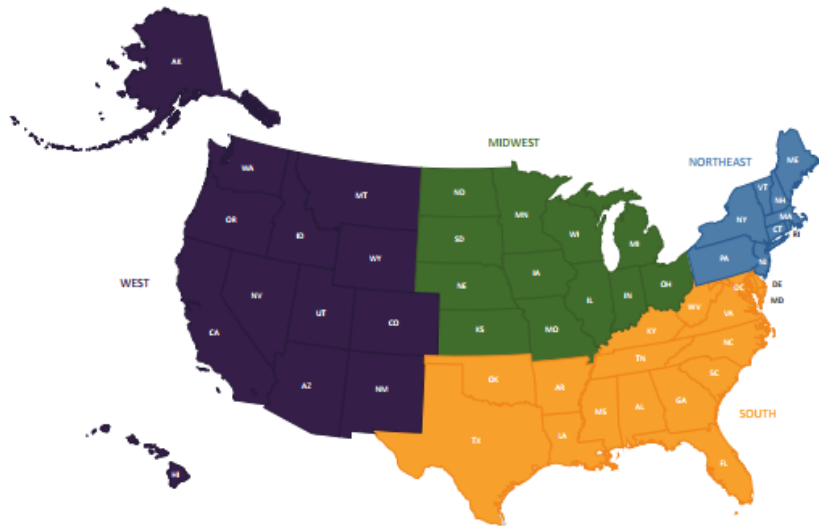
TAKE ACTION

Congress must uphold current law regulating DAFs so that communities can continue to benefit from the generosity of local donors.

For more information about DAFs, please contact Sue Santa, Senior Vice President of Public Policy and Legal Affairs, at ssanta@cof.org or 703.879.0600.

To learn more about the Council on Foundations, please visit our website at www.cof.org.

National Impact of Community Foundation Donor Advised Funds (DAFs)



Midwest: Michigan

"A DAF set up to [support] children's needs in the community funded the replacement of many playground structures deemed unsafe, but that the city couldn't afford to fix."

West: Nevada

"By working with the community foundation, one DAF donor provided start-up funding to create an arts and media center for a struggling liberal arts college in a rural town. If there had been a mandatory payout requirement on the DAF, the fund would not have been able to 'save up' enough assets to make this purchase that had been so important to the whole community."

Northeast: New York

"One of our donors took care of her mother who had Alzheimer's disease. Remembering how hard that was for her, our donor created a fund in her mother's name and asked us to help create a program to recruit and train volunteers to provide respite for family caregivers serving people with Alzheimer's and other dementias."

South: Oklahoma

"We launched [an initiative] after several donor advisors approached us for more information on local veterans' needs. Our donor advisors' interest initially resulted in \$250,000 in funding to launch two new veteran-resources projects, and has since inspired our board to prioritize the needs of post-9/11 veterans as part of our strategic plan."

Donor Advised Funds (DAFs) are a unique philanthropic tool. They allow donors to establish accounts at institutions, such as community foundations, and remain involved in supporting the causes and issues they care about. Community foundations oversee and manage funds on behalf of families or individuals and, in many cases, have the discretion to direct some of the resources to priority causes the foundation identifies. **Together, DAFs and community foundations bring local solutions to the causes and issues that matter most.**

ALABAMA

"DAFs made more than \$470,000 in grants to help with recovery efforts in the wake of the 2011 tornado outbreak that affected many Alabama counties. Without these funds, we couldn't have provided as much [support]."

ALASKA

"From a capital campaign to build a youth shelter, to funding a [house building project], to having 10 DAF donors join the Community Foundation to start a teen suicide grant cycle, our DAFs address local needs."

ARIZONA

"Our DAF is our region's sole supporter of efforts to recruit and train youth to participate in government."

ARKANSAS

"A small business owner... established 6 donor advised endowments for his 6 grandchildren. He told the grandchildren: continue to give to this fund throughout your lifetime; find something in the community that you are passionate about and support it—be a part of your community; and pass this value of giving to your children."

CALIFORNIA

"Our community foundation was approached by a nonprofit to raise funds for transitional housing for foster youth. We approached several DAFs and private foundations in the community, and we raised the funds quickly for an immediate need."

COLORADO

"We have a donor who established a fund to address concerns about the safety of individuals and families ... who find themselves in mental health or substance abuse crises and cannot afford treatment."

CONNECTICUT

"One of our DAFs established annual grants to improve the quality of urban education through support of excellent teachers and to increase community awareness of the power of teachers in the educational process."

DELAWARE

"With generous support from a DAF at the Delaware Community Foundation, a church, is helping hundreds of men and women learn to speak English, increasing their ability to participate in the workforce, their children's educations and the community. Since its establishment in 2003, this DAF has donated more than \$6.5 million to support nonprofit programs that serve Delaware."

FLORIDA

"We just completed a campaign to provide food for the 21,000 kids in our community on free and reduced lunch during the school year, but not fed in the summer. The campaign raised over \$1.2 million for our local food bank - the initial challenge of \$500,000 came from over 40 donors who held DAFs."

GEORGIA

"A donor interested in environmental issues approached us with an initiative to help nonprofit organizations make their buildings more energy efficient... The donor funded the entire program and has helped more than 125 organizations with more than \$1.3 million in capital improvements, resulting in average savings of 16% on energy consumption and 20% on water usage. The program is now piloting similar initiatives in 2 other states with funds from the donor."

IDAHO

To ensure that a small farm community would always thrive, they established a \$550,000 endowed fund at the Idaho



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Community Foundation as part of their estate planning to benefit their beloved Emmett and Gem County.

Since 1992, the Rawlinson fund has distributed nearly \$730,000 in grants and – thanks to ICF’s investment committee – has grown 70% larger than the original gift. It has created parks, funded local theater groups, helped schools and much more.

ILLINOIS

“One DAF funds an organization that provides a unique service of transforming tattoos and body art for individuals trying to escape gang affiliation, prostitution and/or abusive relationships. This organization would not be eligible for grants from our foundation but is thriving because of grants from this DAF.”

INDIANA

“DAF funds created an initiative to address water quality. The grant required community groups to address water quality in a manner that encompassed education, provided data driven results and is replicable in other areas. As a result [a local college] now houses the [center].”

IOWA

“One DAF provided \$100,000 of seed funding to a new organization that will implement a community plan to transform a public park and watershed area into a \$40 million public learning and recreation area twice the size of NYC’s Central Park.”

KANSAS

“A major employer in our community established a DAF so that their employees could be involved in giving back. Their DAF has helped improve the quality of life in our area by funding local park projects, youth library programs, and public health initiatives.”

KENTUCKY

“A donor with a DAF at the community foundation had inquired with several local charities about accepting securities and they did not have the ability to accept that type of gift. The community foundation is going to help him facilitate the transfer of appreciated securities to his DAF so he can make some year-end gifts to local charities.”

LOUISIANA

“Recently, a university had an emergency scholarship need and staff reached out to various donors who were able to help fund the need. Also, through the foundation’s education events, two

DAFs provided funding to help at-risk youth.”

MAINE

“A donor advised fund established by a couple from Aroostook County, the ‘rooftop’ of Maine, reflects their passion for cultural preservation, specifically the Acadian culture, which was celebrated at the World Acadian Congress in Fort Kent in 2014.”

MARYLAND

“We hold a DAF from a family with 4 children that wanted to create a tradition of discussing community concerns and awarding grants based [those] discussions. It is the donors’ hope that their kids will become more cognizant of people in need and will realize that generosity is a responsibility [for] all in the community.”

MASSACHUSETTS

“One of our funds grants several hundred thousand dollars each year to public schools in poor communities for educational technology they could not otherwise afford.”

MINNESOTA

“A DAF funded the building of a community hospice house. This would not have occurred any other way.”

MISSISSIPPI

“Our oldest DAF was opened by a very strategic philanthropist who aims to have her DAF-granting activity make social change or long-term improvements in the community. She thinks, plans and gives long-term.”

MISSOURI

“Donors have built up significant DAFs over the years [to] support key community projects, such as our performing arts center and a new cancer center for our regional hospital.”

MONTANA

“Many donor advised funds in Montana provide desperately needed grant money to purchase safety and emergency equipment for small, rural, volunteer fire departments. This equipment ensures the safety of the volunteers as well as supporting residents with medical emergencies until they can be transported to a regional medical facility.”

NEBRASKA

“Our local Boy Scout troop needed a new vehicle to transport scouts and equipment. The troop found a vehicle, but had a short window of

opportunity to purchase it. We called donor advisors and made up the difference in the amount of money they needed.”

NEW HAMPSHIRE

“One of our donors established a small DAF and since doing so has become more involved in the community, more aware of issues and is moving significant resources to our community foundation to do more substantial grant-making in the future.”

NEW JERSEY

In early summer, a grantee called with a pressing need: their neighborhood elementary school was hosting a summer school for the first time, and it wasn’t air-conditioned. With high temperatures expected and many students with asthma, they wondered if the Community Foundation could supply air conditioners. We sent the request to several donor-advised funds, and within two days they met the need. “We’re all a team and we’re so happy that everybody was able to work together and the folks at the Community Foundation were able to help get the units,” said Eva Gilbert, a first-grade teacher at the school. “It’s a success story.”

NEW MEXICO

“Our community has experienced pressing needs in regard to homelessness, hunger and education. We were able to work with donor advisors to provide critical funding in these areas.”

NORTH CAROLINA

“Six of our DAF donors recently responded to a time-sensitive need to assess the K-3 volunteer literacy packets and to align them to new reading standards at each grade level so that the curriculum being used by volunteers to strengthen literacy for those students would be more effective.”

OHIO

“One of our donors with a flow-through DAF was able to contribute significant funding to build a skate park for local teens to give them a safe place to develop their sport, away from unsafe walls, steps and parking lots.”

OREGON

“A local business leader and his wife created a DAF to serve their rural region of southwest Oregon. For 18 years the fund has supported the local university, a statewide children’s literacy program, a regional land conservancy and Oregon’s only [national park].”

SOUTH CAROLINA

“Donor-Advised Funds continue to be such a powerful tool, both for the individuals involved, as well as, the nonprofit organizations that benefit. DAF’s can be used to teach philanthropy for a younger generation, for employees within a business to learn about the fabric of community efforts, for individuals looking to support important causes, and a myriad of other purposes. DAFs often inspire greater understanding of the community, eagerness to understand “giving well” and thoughtful and strategic investments in nonprofit efforts.”

TEXAS

“One fund holder made a two-year grant to support [autism research], and another fund holder family uses their fund to support of Sarcoma research.”

UTAH

“Many of our DAF holders are young entrepreneurs who were not philanthropic prior to selling a business or a wealth-creating event. Our DAFs fund the community foundation’s efforts to seed social enterprises that employ low-income individuals and create stability and sustainability in the nonprofit sector.”

VERMONT

“Our Giving Together program invites DAF advisors to respond to vetted discretionary grant proposals so they can be fully funded. Without DAFs, our discretionary dollars would not address community needs as well.”

VIRGINIA

“In 2013, three local nonprofits collaboratively submitted a \$100,000 proposal to create a respite program for families who adopt special needs children and need trained caregivers. A [group member] was so inspired and confident of [the community foundation’s] endorsement that she recommended a grant of \$100,000 from her DAF.”

WASHINGTON

“We have had DAF holders contribute public art to our community, help with park renovations, and provide a variety of programs for youth, disabled and senior populations.”

WEST VIRGINIA

“One of our DAFs makes grants to organizations with programs that assist young adults who have aged out of the foster care system and find themselves without any support.”

WISCONSIN

“A number of DAFs have contributed to the collaboration between our YMCA, Boys and Girls Club, and public schools to create a model of child education that includes health and wellness, and a safety net for children.”

WYOMING

“A couple who established a Donor Advised Fund at the Community Foundation of Jackson Hole recently partnered with the Competitive Grants Committee to help fund the Jenny Lake Restoration project in Grand Teton National Park. This national treasure is undergoing repair to its trail system and boat docks that have been almost loved to death. The same fund augmented another discretionary grant to the Senior Center to offer free lunches for the elderly in our community. This program offers a well-balanced meal and the chance to visit with friends, reducing depression and isolation and providing what is for some, their sole source of nutrition for the day. Without a relationship with the Community Foundation through their donor advised fund, this couple would have been unaware of these community needs.”

Thank you to the many community foundations that shared their stories with us through the survey. Here is a sample of the stories we received. While some states had more than one story, other states did not have a DAF story from a community foundation. Please contact the Council at govt@cof.org to share a story from your state.



Examples from Community Foundations working with Private Foundations:

1. A private foundation intends to award a grant to a public charity for a particular program and intends the grant to count toward the current year's required minimum distribution. However, the public charity runs into issues that cause delays in the program and delays the need for payment of the grant. The private foundation can make a grant to a donor advised fund at a community foundation so that the grant is made in the current year as approved, but allows for the lag in time for the grantee to receive the funds.
2. A private family foundation is developing a program designed to support community efforts and charitable causes in all "company communities," or towns where the family had owned businesses years ago. To efficiently facilitate this program, the private foundation establishes two separate donor advised funds at a community foundation - each intended to focus its grantmaking activities in one of these company communities. *See Knight Foundation information below.*
3. A community foundation's board member has other philanthropic interests including an active private foundation. While the board member is not interested in terminating the private foundation into a donor advised fund, he is interested in building the assets of, and providing support for, the operations and programs of the community foundation. The board member establishes a DAF with a grant from the private foundation to support the community foundation's grantmaking and administrative costs. The donor advised fund also allows more grantmaking flexibility as compared to the private foundation, which is administered by a bank, and has a much more cumbersome process for grantmaking disbursements.
4. A private foundation with limited staff and research capabilities establishes a one million dollar donor advised fund at the community foundation. The private foundation looks to the community foundation to help them to make "smarter grants" with greater impact. They've partnered with the community foundation in the most recent community grants round, helping to make several grants possible in counties that previously had not received the same level of funds.
5. In a divorce, a private foundation may become a point of controversy that stagnates grantmaking. Using one or more donor advised funds to transfer and divide private foundation assets necessitated by a divorce or a family change in the private foundation, is often a successful solution.



KNIGHT HAS OFFICES IN EIGHT CITIES BUT IN 18 SMALL TO MID-SIZED COMMUNITIES WE WORK IN PARTNERSHIP WITH LOCAL COMMUNITY FOUNDATIONS.

Our strategy focuses on identifying and working with partners to help these communities attract and nurture talent, promote economic opportunity and foster civic engagement. We work with community foundation leaders and local advisory committees to identify investment opportunities that can help these communities be more informed and engaged. We have committed \$140 million to community foundation endowments.

If you are interested in receiving Knight funding in these 18 communities, please read more about our individual community strategies, and ask your local community foundation about the local Knight donor-advised fund.

These cities include:

[Aberdeen, South Dakota](#); [Biloxi, Mississippi](#); [Boulder, Colorado](#); [Bradenton, Florida](#); [Columbia, South Carolina](#); [Columbus, Georgia](#); [Duluth, Minnesota](#); [Ft. Wayne, Indiana](#); [Gary, Indiana](#); [Grand Forks, North Dakota](#); [Lexington, Kentucky](#); [Long Beach, California](#); [Milledgeville, Georgia](#); [Myrtle Beach, South Carolina](#); [Palm Beach County, Florida](#); [State College, Pennsylvania](#); [Tallahassee, Florida](#); [Wichita, Kansas](#)

Passing on the gift of giving was simplified thanks to the Community Foundation.

As a successful businessman, Jim O'Halloran knows the importance of a succession plan. That is why as he thought about the future of his family's private foundation, the James and Jeanne O'Halloran Foundation, Jim knew he needed to create a plan to continue the family's legacy of giving. Jim turned to the Community Foundation where he found the organization's administrative excellence and giving expertise a perfect fit for the future needs of the family's foundation.

By transferring the assets of the private foundation to a Family Foundation Fund held at the Community Foundation, Jim's family members are serving as fund advisors. This allows them to focus on developing their skills in charitable giving, rather than the administrative work of operating a private foundation.

As the next generation of the family develops their charitable giving skills, the Community Foundation is there to assist by facilitating grants to organizations they recommend, and providing administrative support and guidance on community initiatives. Thanks to their example and thoughtful planning, Jim and Jeanne's legacy of giving is sure to continue for generations.

"The Community Foundation has the best capability to assist my family in charitable decision making, resulting in a wonderful way to give back to the community and world."

— Jim O'Halloran

