

GUIDELINES FOR DONOR ADVISED FUNDS



**JEWISH
ENDOWMENT
FOUNDATION
OF LOUISIANA**

Phone 504-524-4559 | Fax 504-524-4259

www.jefno.org

www.jefno.donorcentral.com

TABLE OF CONTENTS

Welcome and Contact Information.....	1
Introduction and Explanation.....	2
What is a Donor Advised Fund (DAF)?	2
Why JEF?	2
Benefits of a DAF.....	3
Establishing a DAF.....	4
Grant Recommendations and Distributions.....	5
Fund Advisors	9
Fund Operations	9
Investments and Operations	10
DAFs vs. Private Foundations vs. Supporting Foundations	11

WELCOME

Thank you for your interest in a donor advised fund (DAF) with the Jewish Endowment Foundation of Louisiana (JEF). We hope that this guide will serve as a useful resource on your philanthropic journey.

Inside this guide you will find an introduction and explanation of the DAF as a giving tool as well as a handy Quick Reference Guide/FAQ divided into categories.

This guide serves as a resource for you, both in establishing your fund and in using it to achieve your philanthropic goals.

Please feel free to contact Bobby Garon or Debbie Berins if you have any questions or would like more information on DAFs or any of the other charitable giving options offered by JEF.

R. Justin (Bobby) Garon
Executive Director
bobby@jefno.org

Debbie Berins
Assistant Executive Director
debbie@jefno.org

INTRODUCTION AND EXPLANATION

Creating a Donor Advised Fund (DAF) with the Jewish Endowment Foundation of Louisiana (JEF) is an excellent way to manage your philanthropy, maximize your tax benefits and encourage your family to join you in creating a charitable legacy.

We are pleased to share with you answers to frequently asked questions about policies and procedures for JEF's Donor Advised Fund program.

If you have any questions or would like additional information, please feel free to call a JEF professional at 504-524-4559.

WHAT IS A DONOR ADVISED FUND (DAF)?

A DAF offers you an effective means of managing your charitable giving and involving your family in philanthropy. A DAF is one of the most effective – and increasingly popular – charitable vehicles in North America today. A fund bearing your name, or any name you specify, will be created and you will receive an immediate income tax deduction for your contributions to your DAF. While you relinquish control over the assets you donate, you do retain the right to make non-binding recommendations as to the distribution of grants from the fund. As a result, you are able to fulfill your philanthropic goals in a flexible, tax-efficient and cost-effective manner.

A DAF is easily established with a simple agreement between JEF and the donor(s) in consideration of your irrevocable contribution of money or property to JEF. The assets in every DAF are owned by JEF. The donor(s) and designated advisors may recommend distributions from the DAF to qualified public charities whose purposes are aligned with or not contrary to JEF's mission. These recommendations are advisory only, and JEF's Board of Directors has the final authority to approve grant recommendations.

WHY JEF?

The Jewish community benefits from the relationship established between the donor and JEF which leads to an ongoing dialogue about investing in community programs and institutions to address challenges and meet needs. Through efficient administration, sound investment policies, and stewardship, JEF builds relationships of trust with current and future donors. In addition, DAFs provide additional opportunities for donor engagement in the organized Jewish community and give JEF insight into individual donor priorities.

Furthermore, there is also an important benefit from contributions made from JEF's DAFs to nonprofit programs and charities outside of the Jewish community, as doing so helps JEF create and reinforce a more positive presence in the broader community. This, in turn, increases goodwill between the Jewish community and local nonprofits, businesses and government, contributing to an environment that is favorable to the fulfillment of JEF's mission. DAFs advance JEF's goals by:

- Helping members of the Jewish community engage in *tzedakah*, and training future philanthropists
- Caring for Jews in need locally, in Israel and around the world
- Providing financial resources for critical human services in the local Jewish and general communities
- Nurturing relationships between Jewish philanthropists and JEF professionals
- Building leadership and social capital in the Jewish community
- Establishing priorities that consider the future needs of the Jewish community
- Reinforcing the positive perception of JEF as a philanthropic partner with the broader community, by leveraging the public relations value of gifts from JEF's funds to a broad array of charitable causes outside of the Jewish community
- Helping to build JEF's General (Unrestricted) Fund for our Jewish community's needs both today and tomorrow

BENEFITS OF A DAF

Give. Grow. Grant.

1. **Give:** Donate appreciated property—now more valuable than ever—for an immediate tax deduction and avoid taxes on long-term capital gains.
2. **Grow:** Let your contribution grow tax-free so you can maximize what you give to the charities you support.
3. **Grant:** Make recommendations to JEF on donations to your favorite tax-exempt organizations.

What are some of the advantages of opening a DAF at JEF?

A DAF with JEF offers special services at a minimal cost. JEF administers the investment of your fund as well as all record-keeping, research, and grant distributions. All contributions are acknowledged with a letter to simplify your tax reporting. Account statements provide a convenient record of your philanthropy, and you can access your fund via the DonorCentral online portal at any time to review details of your fund, including contributions, distributions history, and the total fund balance. You may also submit grant recommendations 24/7.

JEF handles all administration and record keeping, including reporting receipts, disbursements, and investments of DAFs via JEF's federal tax returns. JEF processes all disbursements from DAFs, mailing checks to recipients and grant reports to donors, administering and investing the assets of the fund, and issuing regular financial reports on the status of the fund to the donors. JEF also provides an annual independent audit. All of JEF's work leaves donors free to concentrate on the substance of charitable giving.

You can make additional donations to your fund at times that are convenient or tax-wise for you and distributions from your fund to qualified charities can be recommended at any time.

How are DAFs a tax-wise charitable tool?

DAFs offer substantial tax benefits. All assets in a DAF grow tax-free, enabling you to make your charitable funds go farther.

You receive an immediate tax deduction for contributions even though you can defer grant-making recommendations to a later time. You can avoid capital gains taxes for gifts of appreciated assets. (Donations of assets held for at least one year receive the most favorable tax treatment.) And “bunching” multiple years’ charitable donations to open a DAF or to add to an existing DAF may help you reach a total of itemized deductions that is greater than the standard deduction for a single tax year. And in future years when you don’t itemize, you have funds growing in your DAF to make annual contributions to the charities of your choosing.

A single donation may be used later to provide grants to any number of charities, avoiding the cumbersome process of breaking a security position into many small units. Compared to private foundations, **DAFs provide better tax benefits, including higher deductibility limits, no excise taxes on investment earnings, no minimum distributions, and no separate tax returns.**

While donors may not receive an impermissible “material benefit” (discussed further below), they enjoy ready access to the knowledge and experience of JEF’s staff regarding the Jewish community’s needs, the needs of the wider community, and the organizations that exist to serve them. Donors may also take pride as they engage other family members and involve children and grandchildren in the grant making process, as well as meeting like-minded community philanthropists. As donors develop these philanthropic habits, they will derive satisfaction from meaningfully investing in worthy causes in the Jewish community and beyond.

DAFs are a win-win-win combination for the donor, JEF, and our community.

ESTABLISHING A DAF

How do I open a DAF?

You can create your DAF at JEF by completing a simple charitable fund agreement and making an initial contribution. In the agreement, you may name your fund, designate the individuals responsible for recommending grant distributions, select successor advisors, and choose the investment allocation. (*See Investments and Operations on page 11*) Once you complete the agreement and make a donation to establish your fund, you may begin recommending grants at any time.

Can I give assets other than cash to a fund?

Yes. You may contribute stock, mutual fund shares, and, in many cases, privately held stock, real estate, or other tangible property. Gifts of stock, both publicly traded and closely held, have become more popular in recent years because of the benefits of gifting appreciated assets. Other assets, including privately held stock, restricted stock, artwork, insurance policies, and real estate may be donated, though typically these types of assets will be reviewed by JEF's Legal Committee and will require approval by its Board of Directors before acceptance. Generally, your DAF will be credited with the net proceeds from the sale of the asset after taking into account transaction costs such as credit card fees and commissions.

What is the minimum amount required to open a Donor Advised Fund?

\$5,000

Is there a minimum balance the fund must maintain?

Yes, DAFs must maintain a minimum balance of \$1,000.

What is the Cahn-Tolmas Donor Advised Fund Incentive Program?

If you are a new donor to JEF and would like to establish a DAF, you may be eligible for the Cahn-Tolmas Donor Advised Fund Incentive Program. Rather than the \$5,000 minimum initial gift, you can donate \$4,000 to open the fund—and JEF contributes the next \$1,000. Once your DAF has been created, you can begin recommending grants. Additional guidelines include distributing a minimum of \$1,000 from your DAF to Jewish public charities and maintaining a minimum fund balance of at least \$1,000 for two years.

GRANT RECOMMENDATIONS AND DISTRIBUTIONS

How do I make grant recommendations from my DAF?

As a donor, you become an advisor to the fund. Your grant recommendations may be made online, mailed, faxed, or emailed to JEF. For your convenience, you may make grant recommendations and access your grant history and fund balance through our password-protected online portal, DonorCentral (www.jef.donorcentral.com). When making your grant recommendations, you may choose to make that gift in honor of or in memory of someone.

What is the minimum amount for DAF recommendations?

\$100 per grant to any qualified charitable organization and \$25 to JEF's General Fund.

Why does JEF have the final authority to approve or deny the distributions?

IRS regulations require that a donor relinquish control over the gift at the time a contribution is made. (Donors only qualify for a tax deduction if they give the money to a public charity and relinquish the right to control it.) Consequently, JEF is legally empowered to approve or deny a donor's recommendations.

How does JEF determine which recommendations will be honored?

Before a distribution is made, JEF ensures that the proposed recipient organization has IRS tax-exempt status and that its mission and/or purpose does not conflict with JEF's mission and/or purpose.

Comprised of members of JEF's Board of Directors, the Distributions Committee is responsible for the oversight of the review and determination of any recipient organizations whether it has or has not previously received funds from JEF.

Are recommendations ever denied?

JEF reserves the right to review each and every recommendation on a case-by-case basis. If the recommended recipients are qualified public charities that fall within the general scope of JEF's mission, and there is no suggestion of private benefit to the donor, JEF will make every effort to honor the donor's wishes. In cases where recommendations are denied, they typically have been denied because they were to organizations that: 1) do not qualify for tax-exempt public charity status and/or 2) provide material benefits of goods or services to the donor as a result of the distribution, (event tickets, meals, auction items, etc.). If a recommendation is denied, the donor will be notified and alternative charities that align with that denied recommendation may be communicated to the donor at that time.

To what organizations can I recommend distributions?

The fund can make distributions to any 501(c)(3) that is a tax-exempt public charity. Private foundations do not fall under this definition.

What other grants can I recommend from my DAF?

Grants from DAFs may be made to nearly all 501(c)(3) public charities as recognized by the IRS – secular, Jewish, local, and otherwise – as well as to certain supporting foundations. Distributions may also be made to synagogues and other qualified houses of worship as well as to JEF and to any other DAFs you hold at JEF.

JEF is unable to make grants for non-charitable purposes. For example: to private foundations (operating or non-operating), individuals, or overseas organizations, although grants may be made to U.S. public charities that support overseas charitable activities. Also, grants may not be made to charities that do not fit within JEF's mission or are made in exchange for more than an incidental benefit to you.

Keep in mind that federal law expressly prohibits distributions from DAFs which confer more than an "incidental" benefit to a donor or a party related to the donor. In fact, recent legislation has enacted a penalty of 125% of the value of the benefit to be levied against the fund advisor who recommends such a grant. In addition, a 10% levy can be made against a staff person who knew the grant would result in such a benefit when the recommended grant was approved. An example of an incidental benefit would be token items such as mugs bearing the charity's name or logo.

Can I use my DAF to make a grant to the Jewish Federation of Greater New Orleans' Annual Campaign, or to other charities?

You can and should use your fund to recommend gifts to JFGNO and other qualified charities. However, because your fund's assets already belong to JEF, a fund advisor may not use distributions from the fund to fulfill a personal, legally binding pledge. Doing so would result in an impermissible benefit to the donor and could potentially subject the donor to penalties.

To that end, if you intend to support an organization and are approached about making a commitment, you should not sign a pledge card. Rather, you should tell the solicitor that, rather than make a pledge, you intend to recommend a distribution from your DAF. You should then submit a recommendation to JEF.

What are some other examples of prohibited uses of a DAF?

- Payments of school tuition;
- Payments for pieces bid on at an art auction;
- Payments for raffle tickets for a charity.
- Payment of membership dues or a sponsorship that confer to the donor tangible items or tickets to events (e.g., museum galas, etc.). Again, all such expenses must be paid from personal funds. **Please note:** the IRS has deemed that synagogue dues confer only a spiritual benefit and may be paid from a DAF.
- Payment for tickets to a fundraising event (such as a concert, meal, golf outing or similar event) at which the donor receives some benefit. Expenses such as these should be paid using personal funds.

Can I use my DAF when an event ticket or membership has both a non-tax-deductible component and a tax-deductible component?

Often an event ticket will have a non-tax-deductible portion (the cost of the dinner or show) and a tax-deductible portion (the charitable gift). This is referred to as "bifurcation". Present IRS regulations restrict JEF from permitting donors to use a DAF for the tax-deductible portion and to use personal funds to pay for the non-tax-deductible portion.

JEF's policy on this may change at any time pending further guidance from the IRS. Donors should consult their own legal and tax professionals for guidance regarding their donations and recommendations.

Can I pay my JCC membership from this fund?

If your JCC membership entitles you to health club privileges – a material benefit of goods or services – it would be unlawful for that portion of your membership to be paid from a DAF and JEF will have to deny the request, again due to bifurcation.

What about my synagogue dues?

This is the exception to the membership rule. Because no physical goods or services are exchanged for your dues, they can be paid out of a DAF. The IRS has deemed that synagogue dues confer only a spiritual benefit. As stated above regarding prohibited uses of DAFs, tuition for the synagogue's religious school or preschool may not be paid from a DAF.

Can I recommend distributions to organizations outside the Jewish community?

Yes, almost every qualified public charity in the U.S. may receive grants from the JEF's DAFs. The exceptions occur where a charity's mission falls well outside of or contrary to the scope of JEF's mission.

Do I have to make recommendations for distributions from my DAF every year?

You are under no obligation to make recommendations from the fund in a given year. You can donate to your DAF, take an immediate charitable income tax deduction and decide which charities you wish to support at a later time. However, because of increased concern that Congress may change this regulation, JEF recommends annual distributions of minimally 5% of your fund balance. Moreover, to abide by congressional considerations, if a fund has had no distribution activity for a period of 5 years, the fund will be considered dormant.

Is there a limit to the number of distributions I can recommend each year?

No. There are no restrictions other than the minimum balance requirement for the fund.

How quickly will a check be cut once I submit my grant recommendation?

Checks are typically cut once a week. Approved recommendations received by JEF by Friday of each week will be sent within five (5) business days. Any distribution recommendation to an organization that has not been previously reviewed will be submitted for approval and may take an additional five (5) to ten (10) business days processing.

Can I remain anonymous when establishing a fund or recommending grants?

Yes. Some donors prefer to use a pseudonym when naming funds. Advisors may also request that grants be awarded anonymously

How are grant funds distributed?

JEF will issue a check for each approved recommendation and will mail it to the recipient charity. We will include a cover letter informing the charity that the grant was made as a result of the donor(s)' recommendation to JEF and, unless anonymity is desired, we will request that the charity acknowledge receipt to the donor(s).

FUND ADVISORS

What is the difference between a Fund Advisor, Additional Advisor, and Successor Advisor?

Fund Advisor - All initial donors named on the original charitable fund agreement

Additional Advisor - Any additional individuals named on the charitable fund agreement addendum

Successor Advisor – Any individual(s) named on the charitable fund agreement addendum who will become Fund Advisors upon death or disability of the initial donors/fund advisors.

My spouse and I both want to be fund advisors. Is more than one advisor allowed?

Yes, you may both be named as initial donors.

I would like my children to be involved. Is that possible?

Your children can be named as additional advisors or successor advisors – meaning that they will have the right to make grant suggestions from the fund. In addition, if you wish to engage in “family philanthropy” (meaning that several generations of your family will work together to support common interests or organizations over time), JEF allows you to name successor advisors who assume the privileges of recommending grant distributions and asset allocations upon the death of all donors and original advisors.

FUND OPERATIONS

Am I allowed to make additional contributions to the fund? Is there a minimum amount?

JEF encourages additional contributions to the fund and there is never a minimum amount required to contribute. You are entitled to a tax deduction each time you make an additional gift. Other individuals may also donate to the fund (e.g., for special occasions) and receive their own income tax deductions and arrange for gift acknowledgement. As JEF professionals may not provide tax advice, we recommend that you discuss any questions about tax-deductibility of donations with your own professional advisor(s).

Is there a minimum or maximum amount for each distribution that I recommend?

Yes, the minimum distribution is \$100. There is no maximum amount that may be distributed as long as the minimum fund balance requirement of \$1,000 is met.

How will I know the status of my DAF?

You may view your account online via JEF’s online portal, DonorCentral. You will also receive an annual account statement in the mail that will include details on contributions, investment earnings, distributions, and the total balance of the fund.

Can I close my DAF?

Contributions to a DAF are irrevocable gifts to JEF. All money in the fund must ultimately be held for or disbursed to qualified public charities. However, because you reserve the right to make grant suggestions, you can terminate a fund by making grant suggestions equaling the entire balance of the fund to be disbursed to another DAF or any qualified nonprofit organizations.

What happens to my fund after I die?

If you have named one or more successor advisors, they will have the right to make grant suggestions until their death(s). If you have not named a successor advisor or after the lifetime(s) of your successor advisor(s), the fund will generally go into the JEF General Fund.

When and how does a DAF end?

The DAF will terminate upon the death(s) of all donors and successor advisors or when the donor voluntarily terminates the fund. Upon the death of all donor advisors and successor advisors, the balance of the DAF will be distributed to a successor charity(s) chosen by the donor or successor advisor. For your successor charity, you may opt to create or add to a Lion of Judah Endowment or Perpetual Annual Campaign Endowment to support the Jewish Federation of Greater New Orleans. If there is no designated successor charity, the balance of the DAF will be transferred into JEF's General Fund which is distributed for use in the Jewish community locally, in Israel, and overseas. If you wish to voluntarily terminate your fund, the balance may be directed to another qualified DAF or charitable organization as noted above.

INVESTMENTS AND OPERATIONS

How are funds invested? What are my investment options for my DAF?

Donors may select their own investment strategy from a number of options depending on the fund balance. Donors with funds totaling \$300,000 or more may choose to retain their own independent, outside financial advisor. The JEF Board of Directors and its Investment Committee provide donors with funds of \$50,000 or more with several investment allocation options to choose from below:

FUND VALUE	INVESTMENT
Up to \$50,000	Fixed Income Pool
\$50,000 or more	Donor may choose between: Mixed Investment Pool: 60/40 Investment Allocation or Mixed Investment Pool: 75/25 Investment Allocation
\$300,000 or more	Donor may choose to retain an Outside Fund Manager

NOTE: Fund balances will be reviewed annually. Fund holders will be notified if fund values have changed significantly, and investment allocations need to be changed.

Investment Policy Statements for In-House Managed Funds and Outside Managed Funds are available by request to JEF's staff.

As a donor, will I be taxed on the income earned by the DAF's investments?

No. In creating a DAF, you will be making a completed charitable donation to JEF. As a tax-exempt entity, JEF does not pay any tax on its investment earnings. Thus, balances in the DAF grow tax-free, allowing additional funds to be recommended to qualified charities by the donors and their successors in the future.

Does JEF charge a fee for administering DAFs?

Yes. In order to cover the costs of administering and investing the assets, servicing fund holders, and operating the foundation, JEF charges a reasonable and competitive Administrative Cost Reimbursement (ACR) fee. This fee is subject to change from time to time, pursuant to decisions made by the JEF Board of Directors.

Currently, JEF's annual administrative fee is 1% on the balance of a fund up to \$500,000 and 0.5% on any value over \$500,000. All fees are collected annually from the fund itself, so donors do not pay any amounts out of pocket. Fees are periodically subject to change.

How often will I receive a statement?

You are able to check the status of your fund whenever you please through our online portal, DonorCentral. Additionally, annual statements are issued typically in late Spring.

DAFS VS PRIVATE FOUNDATIONS VS SUPPORTING FOUNDATIONS

DAFs provide nearly all of the advantages of a private foundation while eliminating the initial and ongoing legal and accounting costs. DAFs offer higher tax-deductibility limits, no excise taxes on earnings, and no minimum distributions. Also, DAFs afford more privacy as there are no separate tax returns made available to the public. DAFs are simpler for donors as there are no administrative burdens involving investments and grants.

DAFs are a cost-effective alternative to private foundations for gifts to public charities. The donor to a DAF receives an immediate tax deduction when he/she makes a contribution to the fund. And unlike private foundations, DAF advisors can defer their decision about which specific charities to support with these funds to a later date. DAFs are also significantly less expensive to start and maintain than private foundations by avoiding initial and periodic legal, accounting, and high administrative costs.

Another major advantage of a DAF over a private foundation is the freedom the donor has to give anonymously, when the donor so chooses. Information about the total amount of assets in, a DAF,

as well as the programs, organizations and causes supported by a specific fund, is kept strictly confidential.

Finally, DAFs are an attractive exit strategy for those who created a private foundation and now no longer want to administer one but still wish to centralize their charitable giving in a named fund.

An alternative to creating a DAF is establishing a Supporting Foundation of JEF. A Supporting Foundation offers the advantages of a DAF but is governed more like a private foundation. For more information on establishing a Supporting Foundation as an alternative to a private foundation, please contact Legacy Director Debbie Berins (debbie@jefno.org).

Can I use my DAF in conjunction with a private foundation?

DAFs can easily be used in conjunction with a private foundation. The 5% minimum annual distribution from a private foundation may be made to a DAF, enabling the donor to defer decision-making on grants to a later date.

The professional staff at JEF is delighted to provide you with more information about our Donor Advised Fund program and is available to respond to any questions or concerns you may have.

Note: This document is not intended to be legal advice. Donors should consult their own legal and tax professionals for guidance regarding donations and recommendations. This pamphlet may be modified from time to time to conform to JCF Board policy as well as to legal restrictions affecting Donor Advised Funds.



Mission: The Jewish Endowment Foundation of Louisiana (JEF) ensures a secure future and an enduring legacy by serving as an essential resource for Jewish and non-Jewish philanthropy.

Phone 504-524-4559 | Fax 504-524-4259

www.jefno.org

www.jefno.donorcentral.com