

# Rochester Area Foundation

## Donor Advised Fund Handbook



Rochester Area  
Foundation

Rochester Area Foundation  
12 Elton Hills Dr NW  
Rochester, MN 55901

(507) 282-0203  
giving@rochesterarea.org  
www.rochesterarea.org

# Welcome, and Thank You.

Thank you for establishing an advised fund with the Rochester Area Foundation (RAF). With the creation of your fund, you have joined a community of donors committed to the Rochester area and to the people and organizations who make this area a wonderful place to call home!

This handbook is designed to empower you to become an active fund holder. You will find information on how to submit a grant request, how to make additional contributions, and how to get more involved with RAF through educational and donor programs.

As your philanthropic partner, RAF is here to assist you in every way. If you have any questions, please do not hesitate to contact us. We are happy to help.

Welcome to the Community Foundation family!

Sincerely,  
Jennifer Woodford  
Rochester Area Foundation President



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## Introduction to RAF

In 1944, the Rochester Area Foundation was formed to be a resource for individuals and nonprofits as they honor and support causes they love in a quest for *Better Communities for All*. More than 70 years later, RAF has grown into an organization with assets over 40 million dollars built on the pillars of philanthropic leadership, grantmaking and scholarships, and community initiatives.

To learn more about the Rochester Area Foundation, visit:

[www.rochesterarea.org](http://www.rochesterarea.org)



# Vision & Mission

## VISION

Better communities for all.

## MISSION

Building and enhancing the quality of life for all in the greater Rochester area through philanthropic leadership and community partnerships.

## VALUES

Our core values provide the basis of how we serve. These core values are:

- **Integrity**

We work to earn the trust of those we serve by operating ethically with honesty, openness and respect in all aspects of our work.

- **Collaboration**

We believe in the synergy of partnerships, combining resources for community benefit.

- **Inclusion**

We value persons from all walks of life and seek broad community involvement.

- **Innovation**

We demonstrate and welcome creativity, resourcefulness and ingenuity for achieving community good.

- **Stewardship**

We take seriously the fiduciary responsibility of safeguarding and growing the philanthropic assets and resources entrusted to us.



# Using your Rochester Area Foundation Donor Advised Fund

With your Donor Advised Fund, you remain active in the grantmaking process. You recommend the nonprofit organizations and programs that you wish to support through your fund. You may choose to support different organizations over time.

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## How to Recommend a Grant

Making a grant to fund a nonprofit organization through your advised fund is a simple process. The Chair of your advisory committee or the fund advisor fills out the Grant Recommendation Form and submits it by mail, fax, email, or through our online form system.

## To obtain and submit your Grant Recommendation Form

Visit [www.rochesterarea.org](http://www.rochesterarea.org), and click on “Fundholder Resources” under the Give tab, then click either the printable or online version of the form. Alternatively, you may contact us at (507) 282-0203 and request that we mail you a blank form which you can fill out and return. After you fill out the form, you can submit it directly through the online system, or mail, email, or fax the printable form to RAF.

## Send your completed form to any of the following:

Rochester Area Foundation  
12 Elton Hills Dr NW  
Rochester, MN 55901

[giving@rochesterarea.org](mailto:giving@rochesterarea.org)

Fax: 507-282-4938

## To update your contact information:

Fill out the fundholder contact form found on the Fundholder Resources page at [www.rochesterarea.org/give/fundholder-resources.php](http://www.rochesterarea.org/give/fundholder-resources.php)



# Things to Know

## Before Recommending a Grant

We have compiled the following guidelines to make the grantmaking process easier for you. Please familiarize yourself with these guidelines before you make a grant recommendation. Your grantmaking strategy may involve any number of worthy endeavors, but note that advised funds have some important federally mandated limitations.

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### Eligible Grantees

**You CAN recommend a grant to any of the following:**

- Any other component fund of the Rochester Area Foundation (e.g. Better Communities Fund)
- 501(c)(3) public charities, schools, municipalities, government entities and religious organizations anywhere in the United States (this includes the U.S. arm of any international organization)
- Private operating foundations (if the private foundation was not established by the advised fund holder or his/her family)

### Prohibited Grantees

**You CANNOT recommend a grant to any of the following:**

- Non-501(c)(3) organizations
- Individuals, or for the benefit of an individual
- Any entity if the purpose is not charitable
- Any entity to satisfy legally binding pledges of the donor, advisor, or related parties (see next page)
- Any entity from which the donor, advisor, or related parties will receive more than incidental benefits (see next page)
- Any entity for the purpose of supporting a political campaign
- Private, non-operating foundations
- The fund's donor, advisor or related parties in the form of a direct grant, loan, compensation, or similar payment

### Year-end Alert:

Many advisors recommend grants at calendar year-end. To make sure that the organization(s) you wish to support receives your grant(s) prior to December 31, **please submit recommendations to the Rochester Area Foundation prior to the second Friday in December.**

### International Grants

Grants may be recommended to international organizations that use a Foundation-approved fiscal sponsor within the United States (for example, Charities Aid International or Give2Asia). For all other international organizations, the Rochester Area Foundation is not able to send grants from funds held with us at this time.



# A Word About Pledges and Benefits

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## Pledges

Occasionally fund holders want to use their Donor Advised Funds to fulfill an enforceable pledge made to an organization. However, the IRS does not allow Donor Advised Funds to be used for this purpose. What constitutes an enforceable pledge? It occurs when a donor makes a financial commitment in writing to an organization s/he wishes to support. The donor is then legally responsible for fulfilling that commitment.

From the perspective of the IRS, however, using a Donor Advised Fund to satisfy that commitment results in an impermissible benefit—it's as if the donor were using the fund to satisfy a personal debt, such as paying a credit card bill or making a mortgage payment.

By ensuring that fund holders, family members of fund holders, and entities controlled by fund holders do not use Donor Advised Fund grants to satisfy their enforceable pledges, the Foundation protects you from paying IRS-imposed excise taxes equal to 125 percent of the benefit received (i.e., the pledged amount). For example, a fund holder makes a legally binding pledge of \$500 to XYZ College by signing a pledge card, and then requests that the Foundation satisfy that pledge by making a grant from his or her Donor Advised Fund. If the Foundation were to make that grant, the fund holder would be subject to a \$625 excise tax. The RAF could also be subject to a variety of excise taxes related to the grant.

To avoid this issue, you may set up multiyear grants from your Donor Advised Fund payable to the organization of your choosing. Once you have arranged this

with RAF, we will be happy to notify the organization of the Foundation's commitment on your behalf.

Alternatively, you may use the provided Grant Notification Slips to legally inform organizations of your intent to grant.

## Material and Incidental Benefits

Because donors receive charitable tax deductions for all gifts to a Donor Advised Fund, the IRS does not allow additional material benefits, such as free admission to grantee events, a discount at its retail shops, or a table at a benefit or fundraiser for the organization.

Allowable incidental benefits, however, can include coffee mugs, key chains, donor recognition plaques, newsletters, snacks, etc. or anything that would not reduce the charitable benefit received.

**Our staff is happy to answer your questions about pledges or material benefits in connection with Donor Advised Funds. Please feel free to contact us at 507-282-0203.**

# The Fine Print

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## **IRS Regulations**

The Foundation must adhere to Internal Revenue Service (IRS) regulations regarding recommendations from advised fund donors. IRS rules stipulate a donor cannot make a tax-deductible contribution and at the same time retain future control over the contribution. However, the law expressly recognizes the right of living donors to make grant recommendations from time to time.

## **RAF Board Responsibility**

All grant recommendations must be approved by the RAF Board of Trustees. Grant recommendations are reviewed at the monthly Board meeting unless necessitated by special circumstances. In general, the approval and distribution of grants of any amount takes approximately 3-4 weeks from receipt of the grant recommendation form.

## **Due Diligence**

When we receive your Grant Recommendation Form, we check each organization to make sure it is a qualified 501(c)(3) nonprofit organization. When necessary, we contact organizations and gather pertinent information such as program descriptions, a list of board members, budget information, and documentation of tax-exempt status. You don't have to worry about performing the due diligence on your grants—we take care of that for you. Be assured we will alert you prior to issuing the grant if there are any issues.

## **Awarding Grants**

Once grant recommendations have been approved and all of the necessary due diligence procedures are complete, a check will be issued to the organization requested. With the check, the organization will receive a letter stating that the grant they are receiving was made possible by your Fund at the Community Foundation. Any grant from your fund may be made anonymously, if you inform us to do so. These choices are available to you on a grant-by-grant basis as you complete the Grant Recommendation Form.

If you have restricted the grant for a particular use (for example, a certain program of the organization) notification of that restriction will be included with the check and grant letter.







## Additional Contributions to Your Donor Advised Fund

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You may add to your Donor Advised Fund at any time. There is no minimum requirement for additional contributions. We accept most types of gifts, including cash, publicly traded and restricted stock, IRAs, whole-life insurance policies, real-estate and other non-cash assets including limited partnerships, C-Corp and S-Corp stock, and tangible personal property.

Making additional gifts to your Donor Advised Fund may provide income-tax benefits. Rochester Area Foundation also offers a variety of planned-giving vehicles.

When non-cash assets are transferred to a Donor Advised Fund properly, they can be gifted without incurring capital gains taxes, allowing 100 percent of the proceeds to be given to charity. Please note that the timing of your gift can have a substantial impact on your personal tax situation, so it is important to contact us as early as possible in the process. If you are gifting appreciated assets, it is important that the gift be completed before entering into a binding sales agreement. We advise you to seek your own legal, tax, and financial advice in connection with gift and planning matters. Rochester Area Foundation and its staff do not provide legal, tax, or financial advice.

To make an additional gift by check and for cash wire instructions, please contact us for instructions at (507) 282-0203 or e-mail [giving@rochesterarea.org](mailto:giving@rochesterarea.org). Letting us know to expect your gift ensures that we credit your fund properly and helps you receive the maximum tax benefit.

Many advised fund holders want not only to give through their Donor Advised Fund during their lifetimes, but to direct some or all of their estate to their fund or other funds held at the Foundation. To discuss a succession plan for your fund, please contact us.

### **The Rochester Area Foundation's Privacy Policy**

The Rochester Area Foundation deeply values its relationship of trust with its donors and fund advisors. RAF's Confidentiality Policy governs the maintenance of personal data and provides that the Foundation will not sell, trade or exchange information about its donors or fund advisors, and will honor the wishes of those who prefer to remain anonymous in all communications materials. The full policy is available at [rochesterarea.org](http://rochesterarea.org).





## **Credit Card Donations**

Visit [rochesterarea.org](http://rochesterarea.org) and click the Donate button to make a donation with your credit card. Please note that credit card transaction fees will apply.

## **Fundraising by Donors and Fund Advisors**

Rochester Area Foundation maintains rigorous donor fundraising policies in accordance with IRS guidelines and the applicable Minnesota statutes. RAF must approve all fundraising efforts by donors or fund advisors prior to any third-party solicitations. Contact us for a copy of the complete fundraising policy.

## **Gift Acknowledgement**

All gifts will be acknowledged in accordance with Internal Revenue Code requirements.

It is the donor's responsibility to get an appraisal for all gifts other than cash and marketable securities for tax-deduction purposes.

## **Gift Acceptance Fees**

Any costs incurred to evaluate, acquire, or sell a complex gift asset, such as real estate, partnership interest, or closely-held stock, will reduce the net proceeds credited to the beneficiary fund.

### **Year-end Alert:**

Many donors make gifts to their funds at calendar year-end. Gifts mailed to RAF need to be postmarked by December 31 in order to be recorded for that tax year. To ensure that stock gifts are received into the RAF brokerage account before December 31, please allow up to three weeks to process stock gifts in December.

# Grant Notification Slip

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For occasions when you want to personally deliver the grant check, or during the time period while we are processing your grant request, we would be happy to provide you with grant notification slips that you can use in lieu of the grant check. The form (example below), notifies your charitable recipients that grant money will be on its way to their organization from your fund. You can find Grant Notification Slips on the Fundholder Resources page under the Give section of our website.

## Examples:

Each week in church a collection plate is passed. You would like to give to this collection at your church through your fund. Simply add your Grant Notification Slip into the collection informing your church of the expected donation. Follow up by submitting your recommendation form to RAF and we will distribute your grant.

You are an avid supporter of the arts and have been invited to the annual gala event. While at the event, the organization's passion for their cause has motivated you to make a donation on the spot. You can use a grant notification slip to inform the organization at the event that you will be making a request to your fund for a grant. Keep in mind that you can not use your fund to purchase tickets to an event, auction items, or raffle tickets.

## The DO's of Grant Notification Slips:

- Do submit your Grant Request Form for all recommendations from your fund.
- Do let us know if you wish to remain anonymous.
- Do use the Grant Notification Slip if you want to personally deliver the news about the grant.
- Do contact us if you have any questions.

GRANT AMOUNT: \$ \_\_\_\_\_

This non-negotiable certificate represents a grant being made to your organization from a fund at the Rochester Area Foundation. A check from the Rochester Area Foundation will arrive separately.

TO: \_\_\_\_\_  
Organization Name

MADE POSSIBLE BY: \_\_\_\_\_  
Fund Name or Donor Name

Rochester Area Foundation  
12 Elton Hills Dr NW  
Rochester, MN 55901





# Fund Management

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When you establish a Donor Advised Fund at the Rochester Area Foundation, your gift is pooled with other funds and invested. Our funds are broadly diversified across a number of asset classes and fund managers. The guiding philosophy of the Fund's management at all times is to promote the prudent stewardship of funds entrusted to RAF for the benefit of the community of donors and charitable organizations we serve. Visit our website at [rochesterarea.org](http://rochesterarea.org) for the complete investment policy.

## Investment Committee

Our Investment Committee, made up of Rochester Area Foundation board members and community members, is responsible for the overall management of invested funds held by the Foundation. Committee members meet at least four times a year, as well as in response to developments in the capital markets and other investment demands, such as portfolio rebalancing and manager-related decisions. They are also responsible for selecting, monitoring and terminating investment managers and consultants, and reviewing long-term performance relative to the Foundation's investment objectives.

## Reporting

A quarterly fund statement is sent to you via your preferred communication channel - either mail or email. This statement will show the balance of your fund. You will also receive a quarterly update on investment performance.

# How Your Fund Supports Our Work

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The Rochester Area Foundation's annual operating budget is supported in large part by the fees we receive from managing the assets in Donor Advised Funds, enabling the Foundation to have a powerful impact in the Rochester area. The revenue generated from administrative fees supports the Foundation's core services, which include philanthropic advising, nonprofit capacity building, grantmaking, gift and grant processing, investment and charitable asset management, planned giving services, new fund development, community leadership activities, and communications.

The Rochester Area Foundation is a comprehensive resource for philanthropists focused on the greater Rochester area. We can help you understand the most pressing issues facing our community and let you know where your grants can make a difference. We can help you find organizations that are doing outstanding and innovative work. We spearhead community initiatives, connect you with other like-minded philanthropists, and help you encourage others to build the community's charitable capital.

In short, we go far beyond transacting grants and managing your charitable investment wisely. Our "business" is helping philanthropists like you have lasting and meaningful impact in the greater Rochester area and the world.

## Supporting Fee

For funds held at the Rochester Area Foundation, an administrative fee is assessed quarterly and is calculated on the balance of the fund at the end of the quarter.

## Investment Fee

Funds invested incur the costs related to third-party investment management. The fee is a blended rate based on the asset values and the current fees charged by our underlying investment managers and custodians, and the returns are net of those fees.



# Rochester Area Foundation

