



Donor Advised Fund Handbook CAROLINAS CREDIT UNION FOUNDATION



A Donor Advised Fund is a great alternative to starting a private foundation

A Carolinas Credit Union Foundation Donor Advised Fund offers many of the advantages of a private foundation without the initial set-up costs, ongoing excise taxes, and administrative expenses. By working with the Carolinas Credit Union Foundation, your credit union will avoid the continued compliance and reporting requirements as well as a separate accounting system to track your nonprofit's financials. With a Donor Advised Fund you can simplify and improve your credit union's charitable giving because donors (including both individuals and organizations) can leverage the tax deductibility of donations.

Comparison of Key Features

Carolinas Credit Union Foundation Donor Advised Fund	Private Foundation
No set-up fees	Substantial set-up costs (legal, accounting, filing fees)
No specific annual distribution requirement	5% annual distribution requirement
No excise taxes	Excise taxes, typically 2% of annual income
Shared operating cost	Responsible for all operating costs
No need to acquire 501(c)(3) status	Requires 501(c)(3) status, which must be maintained with the IRS
Aggregated annual reporting and licensing	CU responsible for annual reporting and licensing

A charitable fund that benefits the community and your credit union

If your credit union is considering its own foundation, a Donor Advised Fund offers significant benefits and is an excellent way to carry out your charitable wishes. A Carolinas Credit Union Foundation Donor Advised Fund gives your credit union the flexibility of its own foundation without the task of starting and managing a private foundation.

Benefits of a Donor Advised Fund

- Continued involvement of donors because the recipient and amount of each charitable grant is made following your credit union's recommendation
- Ability to name your credit union's Donor Advised Fund and market your fund to the organizations of your choosing
- Potential increase in fundraising from members and partner organizations because donations are tax deductible
- No capital gains taxes on gifts of real estate or limited partnership interests
- Federal tax deduction up to 30% for gifts of appreciated, long-term securities
- An opportunity to support favorite local charities, as well as any other 501(c)(3) charities in the United States
- Professional staff to assist you at any time
- No reporting requirements, administrative burdens, or expenses – we handle the paperwork

Establishing a Donor Advised Fund at the Carolinas Credit Union Foundation is simple

Review your charitable giving plans with your Board, financial and legal advisors. They, together with the Foundation, can assist you in determining the best type of gifts and the most appropriate assets to donate to start your Donor Advised Fund.

Steps to Establish a Donor Advised Fund

- A minimum opening deposit of \$10,000 is recommended. Most credit unions will want to establish an endowed donor advised fund that will continue to accumulate donations and allows for grant monies to be disbursed on a continuing basis. A nonpermanent fund could also be established for a one-time use after a period of time of accumulating donations.
- Name the fund. You may give your fund any name you wish (subject to applicable law) and brand your fund as the credit union's very own charitable fund. Separate check stock can also be obtained for grant distributions.
- Complete the fund agreement form. The Foundation will assist you in completing an agreement form.
- Transfer the assets. Appreciated securities can be transferred electronically from your financial institution to the Foundation's financial custodian. The Foundation's accounting department will assist you in this transfer. Or, you may write a check to the Carolinas Credit Union Foundation. Instructions can be provided for gifts categories.
- The Carolinas Credit Union Foundation will also help you establish a decision making board or committee, an application process, decision process, funding process, and reporting process, if desired. These steps ensure that you optimize the use of your fund.

Frequently Asked Questions

How do I recommend a grant?

Under IRS regulations, the Carolinas Credit Union Foundation (rather than the donor advised fund) is considered the legal entity making the grant. However, the Foundation relies on the recommendation of your credit union, as the donor of the donor advised fund, when making each grant. We provide an easy-to-use form for recommending grants. A sample form is included.

Are there any restrictions?

Yes. In accordance with IRS regulations, grants from donor advised funds may not be used to satisfy an irrevocable personal pledge or obligation of the donor, and no goods or services may be given to your credit union by the recipient organization in consideration of a grant.

What if a charitable organization asks for a pledge?

While distributions from donor advised funds may not legally fulfill pledges, you may offer a grant to a charitable organization requesting a pledge. You will simply fill out a form recommending a grant to that organization and send it to the Foundation.

What kind of organization may I recommend for grants?

You may recommend nonprofit public charities, schools, religious organizations, and government programs. They must be exempt under Section 510(c) (3) and 170(b) (A) of the Internal Revenue Code.

May I recommend a grant to an individual?

No. According to IRS regulations, the Foundation may make distributions only to qualifying public charities.

How are recommendations processed?

Once the recommending grant form is received, it will be reviewed to ensure it meets Foundation guidelines and IRS regulations. One of the benefits of having a donor advised fund with the Foundation is the assurance that your grant will always be given to qualified charities. If any information is uncovered that might lead the Foundation to question a grant recommendation, it will immediately be brought to your attention.

After review, the Foundation issues a check to the charitable organization with a letter recognizing your credit union as the grantor. A sample letter is included. We may also mail your credit union the check for distribution.

How often and when may I make distributions from the fund?

You may make recommendations at any time. Requests are processed each month.

How will you keep me informed of the fund's activity?

Each quarter you will receive a statement detailing contributions, grant making activity, investment performance, administrative expenses, disbursement fees, and the fund balance.

How do I make an additional contribution to the fund?

Contributions of cash, appreciated securities (both publicly traded and privately held), as well as gifts of real estate and certain other assets such as partnership shares, are eligible as contributions to your endowed fund.

How is the disbursement fee structured?

For both endowed and non-permanent funds, the annual disbursement fee is calculated using the following fee schedule:

<u>Annual Disbursements</u>	<u>Annual Fee</u>
Up to \$10,000	6%
\$10,000 to \$50,000	5%
\$50,000 to \$100,000	4%
\$100,000 to \$250,000	3%
Over \$250,000	2%

Whom do I contact with questions?

If you have a question about your donor advised fund or Foundation services, we invite you to contact us with any questions.

We hope that this handbook serves as a helpful guide to your advised fund with the Carolinas Credit Union Foundation. Please contact us for any other information we can provide.

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Carolinas Credit Union Foundation General Policies

1. Mission Statement

The Carolinas Credit Union Foundation represents the cooperative efforts of credit unions in North Carolina and South Carolina working together to enrich the lives of children in the Carolinas.

2. Investments

The Finance Committee of the Carolinas Credit Union Foundation oversees the investment of all funds. Additions to funds that accrue investment returns are allocated to pro-rata share of income and market change beginning with the month following the date the addition was received.

3. Personal Benefit

Grants may be made only for charitable purposes, and may not result in personal benefit to any individual (other than for charitable intent, such as a scholarship). No goods or services are to be provided in exchange for any grants, nor may grants from the Carolinas Credit Union Foundation satisfy any legal obligation of any individual.

4. Conflict of Interest Policy

Staff members and volunteers of the Carolinas Credit Union Foundation will identify any affiliation with organizations or individuals who are potential recipients of grants, loans or scholarships at the time the disbursement is considered. Any person in such a conflict of interest situation will not participate in a decision-making role.

5. Changes to Agreements

The Carolinas Credit Union Foundation has the authority to amend and/or change any of its specific fund agreements to remain in compliance with applicable laws and regulation. Other changes in agreements may be made in consultation with the donor.

6. Changes to Policies

The Carolinas Credit Union Foundation retains the right to amend any policies in this document.

7. Expenses of Fund Administration

Administrative and disbursement fees will be allocated to each fund in accordance with the current fee schedule adopted by the Carolinas Credit Union Foundation.

8. New Funds

In order to fulfill its mission, the Carolinas Credit Union Foundation may develop new types of funds from time to time to meet the charitable needs of its service area.

Carolinas Credit Union Foundation Donor Advised Fund Agreement

GUIDELINES FOR ESTABLISHMENT OF THE _____ DONOR ADVISED FUND

Guidelines to establish the _____ (the "Advised Fund"), a special fund to be administered by the Carolinas Credit Union Foundation (the "Foundation"), are as follows:

1. Name of Founder: _____

2. Name of Advised Fund: _____

3. Type of Advised Fund: _____

4. Initial Deposit: _____

5. Main Contact Person: _____

Address: _____

Telephone: _____

6. Generate a quarterly fund status report for the Advised Fund.

7. Disbursement of funds from the Advised Fund shall be in accordance with the Charter, Bylaws, and Policies of the Foundation. We understand that the Foundation's Board of Directors can modify any condition or restriction on the distribution of funds for any specified charitable purpose or to specified organizations, if in its sole judgment (without the approval of any trustee, custodian, or agent) such restriction or condition becomes, in effect, unlawful, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served by the Foundation.

Accepted by Advised Founder:

Adopted by the
Carolinas Credit Union Foundation:

Date: _____

Date: _____

(Signature)

(Signature)

Carolinas Credit Union Foundation Donor Advised Fund Agreement

ADMINISTRATIVE POLICY OF THE

_____ DONOR ADVISED FUND

This Advised Fund shall be established to carry out charitable giving wishes. We understand that, although the Foundation welcomes distribution recommendations from the Fund, all recommendations are advisory in nature. The Foundation will independently determine whether recommendations are consistent with the Foundation's charitable purposes, and the Foundation may accept or reject recommendations.

1. The principal shall be administered by the Carolinas Credit Union Foundation, a 501(c)(3) tax-exempt organization, PO Box 2567, Kernersville, NC 27285-2567 (the "Foundation,") in accordance with applicable law and the Foundation's Charter, Bylaws, and Policies.
2. All contributions shall clearly identify the Advised Fund by name.
3. Dividends earned on the Advised Fund balance shall be used for purposes established by the founder. Dividends shall be allocated as follows:
 - a. Please donate all of the dividends to the Carolinas Credit Union Foundation's General Fund on behalf of the credit union.
 - b. Please donate _____ percent of the dividends to the Carolinas Credit Union Foundation's General Fund on behalf of the credit union.
 - c. All dividends shall remain in the Advised Fund.
4. The Foundation reserves the right to charge an annual **disbursement fee** based on the total annual distributions, as follows: up to \$10,000 in annual disbursements - 6% of the total amount disbursed; \$10,000 to \$50,000 - 5%; \$50,000 to \$100,000 - 4%; \$100,000 to \$250,000 - 3%; and over \$250,000 - 2%

Agreed to by Advised Fund Founder:

Agreed to by:

Carolinas Credit Union Foundation:

Date: _____

Date: _____

(Signature)

(Signature)