



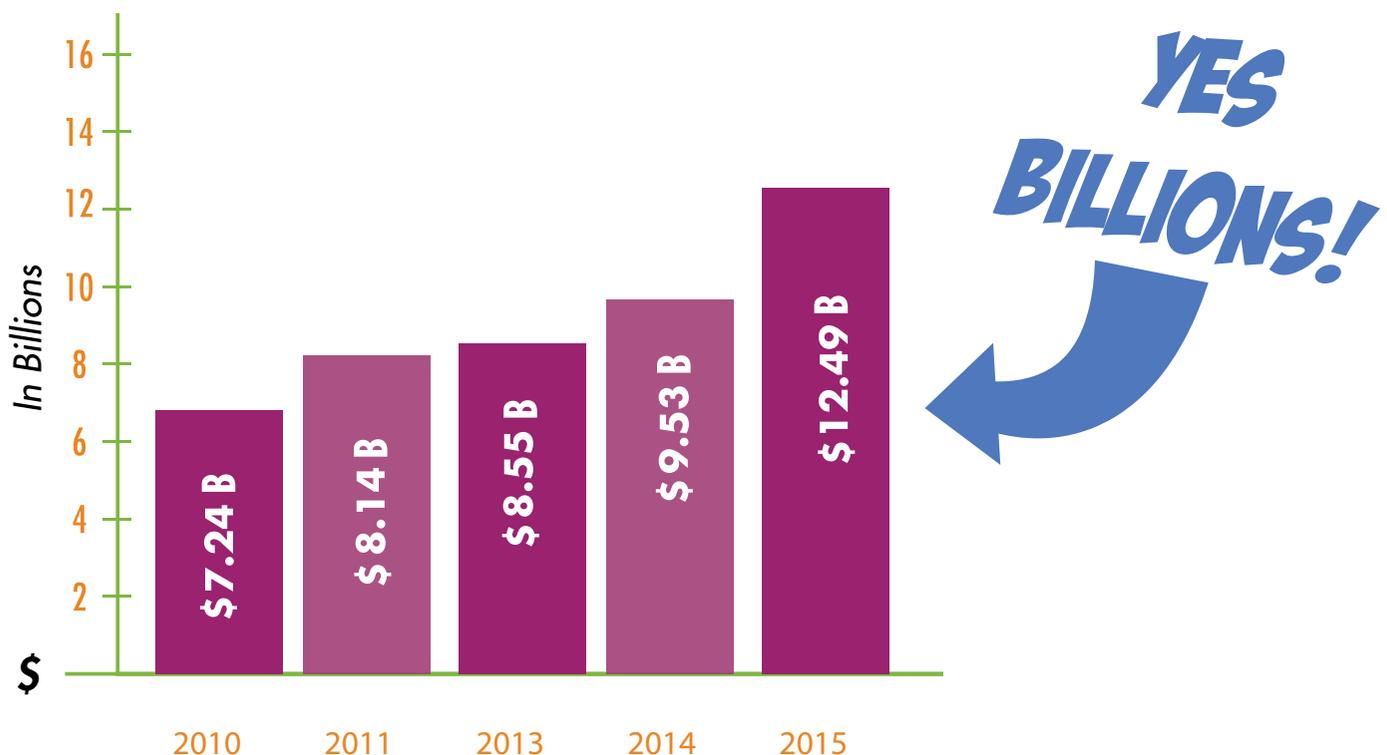
# 9 Facts Every Nonprofit Should Know About Donor-Advised Funds



# What is a Donor-Advised Fund?

A donor-advised fund is a philanthropic giving vehicle administered by a charitable sponsor. A charitable sponsor is a 501(c)(3) organization that has legal control over the donor advised fund and is responsible for operating and maintaining it. Charitable sponsors include public charities, community foundations, and charitable funds that are associated with an investment firm.

Grants from donor-advised funds are growing 27% from last year!



# Donor-advised funds work like this:

Donors contribute to a fund held by a charitable sponsor and receive an immediate tax benefit. Over time, donors recommend grants from the fund to their favorite charities. The charitable sponsor awards grants to nonprofits recommended by donors. Note that in addition to cash, donors can also contribute appreciated assets such as stocks, real estate, etc., which can provide substantial tax savings for the donor.

Donor-advised funds are typically invested in mutual funds or other investment vehicles that allow the value of the funds to grow over time, increasing the donor's ultimate philanthropic impact.



# 9 Facts Every Nonprofit Should Know

- 1. Gifts from donor-advised funds should be credited to both the charitable sponsor and the donor.** When you receive a gift from a donor-advised fund, the charitable sponsor is the official donor, so you should record the gift on a donor record for that organization (e.g. Vanguard Charitable Endowment). The gift should also then be “soft credited” to the specific donor that recommended the grant. Typically, the owner of the donor-advised fund will be identified as the grant-maker, unless the donor has requested that the gift be made anonymously.
- 2. Thank yous should come in pairs.** The same way you credit both the charitable sponsor and the donor, you’ll also want to thank them both, too. Even though the donor is only soft-credited in your records, it’s very important to thank the donor who recommended the grant. Be sure to create a specific acknowledgment letter that recognizes the donor as the one who recommended your nonprofit to receive the grant.





- 3. *Charitable sponsors don't decide who gets the grants.*** Sending them solicitations and other donor mailings is a waste of resources. For that reason, mark donor records for these organizations as "Do Not Mail".
- 4. *Donor-advised funds are often the simplest and least expensive way for donors to make a gift of appreciated assets (stocks, real estate, etc.) to your nonprofit.*** When these types of gifts are given from a donor-advised fund, your organization doesn't need to have a brokerage account, have to manage selling the assets, or provide the necessary paperwork for recognizing the gift. Through a donor-advised fund, your organization will just receive a check for the proceeds. Simple as that!
- 5. *Grants from donor-advised funds can't be used to fulfill a pledge.*** Even so, you can always ask a donor to commit to recommending a grant for your organization.
- 6. *Grants from donor-advised funds can't be used to purchase tickets to events or provide benefits to a donor.*** But that doesn't mean you can't give a donor event tickets to thank them for having recommended a grant.

- 7. Donors may have different strategies regarding how they use their donor-advised funds.** For example, some use it as a philanthropic savings account, while others use it as an immediate gift conduit and recommend grants soon after they contribute. Some donors use their donor-advised funds to give to many different organizations, and some give to just one charity. Engaging donors in a discussion about how they use their donor-advised funds can help your organization's outreach better support those efforts.
- 8. Many donor-advised funds allow the donor to recommend recurring annual grants.** This eliminates the need for the donor to initiate the grant each year. Asking a donor to make a recurring grant will significantly increase the likelihood of the donor's continued support.
- 9. Donors who give through a donor-advised fund are some of your best major gift candidates.** By setting up and funding a donor-advised fund, a donor demonstrates a great commitment to philanthropy and a demonstration of capacity. The average balance of a donor-advised fund is about \$300,000. All those funds (and likely more) will eventually be given away.





# Here's how DonorPerfect can help you manage donor-advised fund gifts:

The top screenshot shows the 'Linked Gifts' section of the DonorPerfect interface. It features a table with the following data:

Linked Name	Record Type	Amount
Mr. Roger Sandstone	Soft Credit	\$5,000.00

Below the table is an 'Edit soft credit' form with fields for Gift Amount (\$5,000.00), Gift Type (Soft Credit), General Ledger (Donor Advised Fund), Solicitation, Sub Solicitation, Thank-You # (TY - DAF Recomm), Fair Mkt. Value (\$5,000.00), Reference (1234), First Name, Last Name, and Memo (Donor Advised Funds). A 'Save Soft Credit' button is at the bottom.

The bottom screenshot shows the 'Gift Details' form. Key fields include:

- Gift ID #: 8
- Date of Gift: 03/01/2016
- Type of Gift: Check
- Gift Amount: \$5,000.00
- Fair Market Value: \$5,000.00
- Reference / Check Number: 1234
- General Ledger: Donor Advised Fund
- Class: [Dropdown]
- Campaign: [Dropdown]
- Solicitation: [Dropdown]
- Sub Solicitation: [Dropdown]
- Thank-You Letter: TY - Charitable Sponsor
- Receipt Delivery Preference: Letter
- Solicitor: [Dropdown]
- Associated Address: MAIN - The ABC Foundation / 123 Main Street / Barbara Jones / Taylorsville, PA
- Gift Narrative: Donor Advised Funds
- Created Date: 03/01/2016
- Created By: ERempfer
- Modified Date: 03/02/2016
- Modified By: ERempfer
- Record Type: Gift
- Batch Number: 0
- Thank You Date: [Dropdown]
- Receipt Amount: \$0.00
- Pledge Payment: [Checkbox]
- Split Gift: [Checkbox]
- Anonymous Gift?: Yes (selected) / No

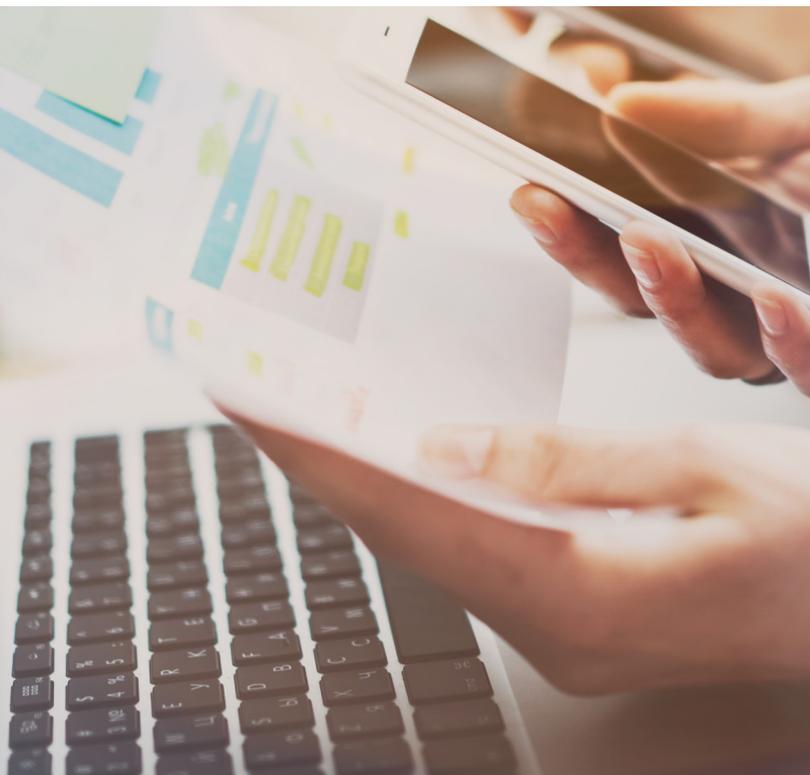
When you credit a grant from a donor-advised fund to a charitable sponsor in DonorPerfect, you should also soft credit the donor who recommended the grant. These gift records can be linked together for easy reference, tracking, and reporting.

## Charitable Sponsor

## Donor Acknowledgment



Instantly (and effortlessly) send personalized acknowledgments. With Insta-Merge, you can store templates letters for both charitable sponsors and donors that will auto fill their information and acknowledge their gifts the moment a grant is received. This smart feature helps build relationships while making personalized communication simple and seamless.



For more information about  
DonorPerfect, contact your  
Regional Account Manager at:

(800) 220-8111

[info@donorperfect.com](mailto:info@donorperfect.com)

or visit [www.DonorPerfect.com](http://www.DonorPerfect.com)