



# **DONOR ADVISED FUND**

## **GUIDELINES AND POLICY**

# **LATINO**

# **COMMUNITY**

# **FOUNDATION**



# INTRODUCTION

---

Thank you for considering the Latino Community Foundation's (LCF) Donor-Advised Fund Program. As a statewide foundation serving California's Latino communities, LCF established this program to support the philanthropic goals of individual donors and increase the financial resources available to nonprofit organizations working to create opportunities for Latinos to thrive.

This document describes the LCF Donor-Advised Fund Program and the benefits of opening a fund.

The LCF Donor-Advised Fund Program offers individuals the opportunity to make tax-deductible charitable gifts and have the flexibility to make grant recommendations now or in the future. Please consult your financial and tax advisors to ensure the best use of this program for your personal tax situation.

By law, contributions to the LCF Donor-Advised Fund Program are irrevocable, and are tax-deductible on the date the gift is made. The LCF Donor-Advised Fund Program is subject to the terms and conditions of LCF's articles of incorporation, bylaws, investment and gift acceptance policies, and this document. LCF's Board of Directors reserves the right to modify the LCF Donor-Advised Fund Program at any time. LCF assumes responsibility for investment of the assets in the LCF Donor-Advised Fund Program.

## Benefits of the LCF Donor-Advised Fund Program

Donors to the LCF Donor-Advised Fund Program enjoy the following benefits:

**Flexible Charitable Giving Vehicle:** You make irrevocable charitable contributions of cash or appreciated securities to the LCF Donor-Advised Fund Program now and recommend grants to charity now or later.

**Simplicity:** Donors enjoy simple, comprehensive administration of their philanthropic planning.

A single contribution to the LCF Donor-Advised Fund Program can benefit multiple nonprofits while requiring only one tax substantiation letter and no check-writing on your part.

**Immediate Tax Benefits:** You receive an immediate dollar-for-dollar charitable federal income tax deduction for the full fair market value (up to the maximum allowed by law) for contributions to a donor-advised fund at LCF, a tax-exempt public nonprofit, and are not subject to capital gains tax on the appreciated value of securities contributed.

**Grantmaking Expertise:** LCF staff can provide expertise and up-to-date information about Latino-led and Latino-serving organizations in the state of California. LCF can provide research and docket preparation for you upon request, and assist in creating an individual strategic giving plan aligned with your values and interests.

**Enhanced Giving Power:** Any potential growth in assets within a donor-advised fund is tax-free, offering the potential for greater charitable grants in the future.

LCF sponsors events and provides other opportunities for donor advisors to share experiences, leverage funding, and learn about work being done in specific areas of interest.

**Grant Recommendations:** While the tax deduction is taken immediately, you may recommend grants to charitable organizations of your choice throughout the life of your fund. This can be done by contacting Sara Velten at [svelten@latinocf.org](mailto:svelten@latinocf.org).

**Family Involvement:** You may involve your family in the charitable giving process by naming successor advisors, while avoiding the complexity of managing a private foundation.

**We Charge No Fees:** If you choose to become a member of LCF's Leadership Circle (\$1,000+ annual gift to LCF) and that gift is greater than 1% of your fund balance, we will waive our charitable administration fee.

# ESTABLISHING A FUND

---

## Opening Your Fund

You can open a fund by completing a donor agreement by contacting Sara Velten, Vice President of Philanthropy at [svelten@latinocf.org](mailto:svelten@latinocf.org).

**Initial Contribution:** The initial contribution must be at least \$20,000.

**Additions to the Fund:** You can make additional contributions at any time. Each subsequent contribution must be at least \$1000.

**Irrevocable Gifts:** Contributions to the LCF Donor-Advised Fund Program are irrevocable and are not refundable.

**Types of Gifts:** You may contribute cash, stocks, bonds, mutual funds, real estate, and other assets.

**Naming the Fund:** You will be asked to name your fund for use in correspondence and for publications. You may want the name to reflect the charitable goals or values of your fund, such as the Latinos Future Fund. You may establish the Fund in your name, your family's name, or the name of a loved one. Donors can create names that are meaningful to them or in honor of an inspiring person, a choice which also serves donors who wish to remain anonymous. Donors use the fund name to ensure their contributions have a Latino "stamp" on them (e.g., The Latino Youth Fund), which can have additional impact in their giving to Latino-led and serving organizations. We would welcome the opportunity to have a discussion with you if you would like to consider other options. With each grant recommendation, you may elect to have the accompanying letter acknowledge your name and your personalized fund, just your fund name (e.g., The Latino Fund), or you may have the gift made anonymously.

## Contributing to a Fund

You can fund a donor-advised fund in the following ways:

**Cash:** You can wire or mail check. Contact Sara Velten at [svelten@latinocf.org](mailto:svelten@latinocf.org).

**Publicly Traded Stock:** You can transfer stocks to the fund. Contact Sara Velten at [svelten@latinocf.org](mailto:svelten@latinocf.org).

**Other Gifts:** If the gift involves mutual funds, bonds, restricted stock, other non-publicly traded securities, real estate, or another type of asset contact the Latino Community Foundation for instructions.

LCF will review and approve all gifts in accordance with the foundation's Gift Acceptance Policy. If for any reason a gift is not accepted, it will be returned to the donor's fund of origin. Donors will receive confirmation after each gift has been accepted. For gifts of appreciated publicly traded securities, the confirmation will include the date of receipt, type of stock, and number of shares.

## Testamentary of Deferred Gifts

You can make a fund the beneficiary of a bequest of cash, securities, or other assets. Retirement funds or life insurance policies can be an excellent way to add to or create a fund. A fund can also be the beneficiary of a charitable remainder trust or charitable lead trust, as a deferred gift. Be sure to consult your tax and legal advisors when setting up any deferred gift or trust.

# TAX DEDUCTIONS

---

## Charitable Deductions

You can deduct your contribution to the LCF Donor-Advised Fund Program on your federal income tax return in the year of the contribution. The Foundation will provide written acknowledgement of all contributions to your Fund.

For appreciated securities, the date of the gift is the date the charitable contribution leaves the fund of origin. The deduction depends on the type of asset contributed. You should always consult your legal or tax advisors about your personal circumstances regarding estate and income taxes.

**Estate Taxes:** All contributions to your fund are excluded from your estate and therefore are not subject to either estate tax or probate.

**Capital Gains:** No capital gains taxes are applicable for appreciated securities contributed to the fund as long as the securities are transferred to the Latino Community Foundation and liquidated by the Latino Community Foundation after the contribution.

## Deduction Limitations

**Cash:** You may generally deduct up to 50% of your adjusted gross income ("AGI") in the tax year in which you make the contribution.

**Appreciated Securities and Real Estate:** You may generally deduct up to 30% of your AGI for gifts of appreciated securities held more than a year.

**Carryforward Deductions:** You can carry any excess tax deduction forward and deduct it for up to five additional years after the year of the original contribution. Your itemized tax deductions may be subject to certain other limitations; consult a tax advisor to determine tax deductibility limitations.

**Fund Income:** Income from investment growth, dividends, or capital gains in the fund is not tax-deductible by the donor, but accrues to the fund.

## FUND VALUATION

---

**Cash Gifts:** The LCF Donor-Advised Fund Program fund will be credited with the value of the donor's cash contribution.

**Non-Cash Gifts:** The fund will be credited with the net proceeds, after liquidation costs, from the sale of the securities, real estate/ or other non-cash gifts you contributed. LCF will seek to liquidate securities contributed by the donor promptly, which usually begins on the next trading day.

**Fund Value and Income:** At any point, the fund value will be computed as the sum of the initial net gifts plus interest, dividends, and other investment income (including capital gains distributions from underlying investment vehicles), less grant distributions and other operating expenses. The value of the fund will also fluctuate with market movements.

# GRANTMAKING

---

Donors may recommend grants to qualified charitable organizations. You may request grants by completing a Grant Recommendation form (contact Sara Velten at [svelten@latinocf.org](mailto:svelten@latinocf.org)). Upon receipt of your recommendation, LCF will verify that the charitable organization is eligible to receive the grant (see accepted nonprofits and restrictions below).

The Latino Community Foundation staff is available to consult with you about your charitable giving at your request. Meeting with LCF staff may help you think through your philanthropic goals and create a giving plan that suits your needs. LCF can provide important expertise and up-to-date information about Latino-led organizations in California. LCF can also provide a limited amount of research and docket preparation for you upon request.

## Grant Distribution

Grants are made by check bearing the name of the LCF Donor-Advised Fund Program. A letter will accompany the check recognizing the fund name and your name, unless you request anonymity. Quarterly statements will list your grants for the preceding quarter. You may request your grantmaking history by contacting Sara Velten at [svelten@latinocf.org](mailto:svelten@latinocf.org).

**Anonymous and Alternate Name Giving:** You may designate that a grant be given anonymously or in the name of another individual.

**Minimum Grant Amount:** The minimum grant recommendation is \$1,000.

**Number of Grants:** You may make unlimited grants from a fund (not to exceed the amount in the fund).

**Turn-around Time:** The Latino Community Foundation generally sends out grants within 10-14 business days of your recommendation, unless additional due diligence is required for a particular nonprofit organization. Any delay will depend on the organization's response time.

**Grantmaking process:** Grant will be made directly to the nonprofit organization (donors may not act as intermediaries). All grant recommendations above \$25,000 are reviewed and approved by the Latino Community Foundation Board of Trustees.

Copies of the grant check cover letter are mailed to all pre-selected fund advisors and contacts.

**Anti-discrimination Policies:** The Latino Community Foundation verifies that the nonprofit organizations that receive grants do not discriminate on the basis of sexual orientation or gender identity or that they are currently working to establish such policies.

## Accepted Nonprofits

The Latino Community Foundation makes grants to 501(c)(3) public charities, 501(c)(3) private operating foundations, and government entities with United States affiliation.

You may recommend grants to qualified charitable and nonprofit organizations recognized by the IRS as able to receive tax-deductible contributions.

**Public Nonprofit Organizations:** You can recommend grants to charitable organizations that are tax-exempt under Internal Revenue Code Section 501(c)(3) and are public nonprofit organizations under

Internal Revenue Code Section 509(a). Grants can be made to private operating foundations but cannot be made to private non-operating foundations. Grants can be made to 501(c)(4) organizations, but only for specifically-defined charitable purposes.

**Religious and Educational Organizations:** Most established religious organizations and educational institutions are not listed as 501(c)(3) nonprofits but are nevertheless tax-exempt charitable organizations. The Latino Community Foundation will facilitate making grants to such organizations.

## Restrictions

**General Restrictions:** The Latino Community Foundation will not approve grants to individuals, private non-operating foundations, international organizations, or political candidates or parties. In accordance with the law governing donor-advised funds, LCF also will not approve grants to satisfy a pre-existing pledge or for any private benefit to the donor, such as dues, membership fees, benefit tickets, or goods purchased at a charitable auction. Donors, their advisors, and related parties may not receive grants, loans, compensation or similar payments (including expense reimbursements) from their donor advised funds.

# FEES AND EXPENSES

---

Each fund is subject to an administration fee

## Charitable Administration Annual Fee

An administrative fee of 5% of the first \$20,000 is assessed upon opening the fund and in subsequent years taken annually with a minimum fee of \$400 per year. Fee scales are detailed below. Additional investment management fees are passed through directly to the account.

Each fund is subject to an annual administration fee that depends on the fund balances at the end of each previous calendar year.

<b>Balance at Year-end</b>	<b>Annual Fee</b>
Up to \$50,000	2%
\$50,000 up to \$500,000	1 %
\$500,000 up to \$1,000,000	.55%
Over \$1million	.35%

Please note that The Latino Community Foundation offers this Donor-Advised Fund Program as a service to donors and the community, and that the above fees do not cover the full cost of the program. Therefore, we request that donor advisors make a meaningful annual contribution to the Latino Community Foundation for operating purposes.

**The Latino Community Foundation will waive the above fees if you make an annual Leadership Circle gift (\$1,000+ annual gift to LCF) to LCF that exceeds the fee that would have been administered based on the balance of the fund.**

## SUCCESSOR ADVISORS AND CHARITABLE BENEFICIARIES

---

You can name up to two successor advisors or select any number of charitable beneficiaries or areas of interest for the fund after your death. A successor advisor gains full responsibility for the fund upon the death of all the original donors, including the ability to make contributions, recommend grants, and name advisors, but not to name future successor advisors.

In the case that there is no successor advisor or beneficiaries selected, then the remainder of the fund will automatically transfer to the Latino Community Foundation's Endowment Fund, which will ensure annual grantmaking to meet the most pressing needs of the Latino community into the future. In some circumstances, donors may be allowed to have more than one generation of successor advisors.

To name or change successor advisors and/or charitable beneficiaries, please contact Sara Velten at [svelten@latinocf.org](mailto:svelten@latinocf.org).

## REPORTING AND RECEIPTS

---

LCF will mail you quarterly and annual statements showing your fund's balances and activity. At any point, you can review your fund balances and activity by contacting Sara Velten at [svelten@latinocf.org](mailto:svelten@latinocf.org).

LCF will also provide you with a gift confirmation for each contribution to your fund. For publicly traded securities, the confirmation will include the date of receipt, type of stock, and number of shares. Donors should consult with a tax advisor to determine applicable deductibility.

LCF will provide donors with all other financial reports or information required by law.

## OTHER INFORMATION

---

In the event of an inconsistency between the terms of this document and the Latino Community Foundation's bylaws and articles of incorporation, The Latino Community Foundation's articles of incorporation and bylaws will govern the rights and obligations of the LCF Donor-Advised Fund Program and its donors.