

# Donor Advised Fund Handbook





## MISSION

*To foster a culture of giving that amplifies our collective strength, inspiring generations of Members to make Ocean Reef and our surrounding communities a better place.*



# Table of Contents

<b>About Donor Advised Funds</b> .....	2
Benefits of DAFs. ....	2
Ocean Reef Funds a Great Complement to Private Foundations & 'Hometown' Funds .....	5
<b>Establishing an ORCF Donor Advised Fund &amp; Legacy</b> ....	6
Basic Process & Requirements .....	6
Lifetime Use & Legacy. ....	7
<b>Using Your Donor Advised Fund</b> .....	8
Recommending Gifts from Your Fund. ....	8
Prohibited Gifts .....	9
Donor Advised Gift Form .....	9
Contributing to Your Fund. ....	10
Statements. ....	10
<b>Foundation Support</b> .....	11
<b>Contact Information</b> .....	12

# About Donor Advised Funds

A **Donor Advised Fund (DAF)** is a charitable giving vehicle administered by a public charity which manages charitable donations on behalf of an organization, family or individual.

The donor establishes and replenishes the fund with donations of cash or assets, receives tax deductions in the year donated and continues to be actively involved in the fund's charitable use by recommending gifts to charities of their choice anywhere in the United States, at their convenience.

## Benefits of DAFs

Some of the primary benefits of charitable giving through an Ocean Reef Community Foundation Donor Advised Fund include:

### ■ Instant, Low Minimum Start Up

Because DAFs are automatically covered by the Foundation's IRS charitable status, they offer an easy-to-establish, immediate charitable vehicle with no legal hoops to jump through and no start up expenses. The minimum recommended initial contribution of \$10,000 becomes part of your fund available to you to grant to charity.

### ■ No Fees or Costs to Maintain

The Ocean Reef Community Foundation offers DAFs to Ocean Reef Club members as a service to the community and is exceptional among community foundations and commercial providers of DAFs in that it charges no fees whatsoever. All administrative costs are covered by the Foundation's Administrative Fund.

### ■ Investment Option Available

Funds opened with \$100,000 or more which will maintain a minimum balance of \$50,000 are eligible to invest in a choice of three options with varying risk levels. Funds opened with \$1 million or more are eligible for a custom portfolio (subject to approval of the Investment Committee). Invested Funds are managed by Eaton Vance WaterOak Advisors and overseen by the Foundation's Investment Committee. The Foundation charges no fees; however, basic costs are passed through and are currently a very low 20 basis points.

### ■ Maximum Tax Advantage

DAFs offer the maximum tax advantage of any charitable vehicle. For example, the tax deduction for a cash gift to a DAF is up to 60% Adjusted Gross Income versus 30% for a private foundation donation.

### ■ Double Tax Benefit on Stock Donations

Donors who contribute long-term appreciated securities to a DAF get a double federal tax benefit – appreciated securities are deductible at their full market value if owned longer than one year and the capital gains tax on the appreciation is completely avoided.

### ■ Uniquely Flexible Tax Solution

DAFs have no annual distribution requirement so allow you to time donations into your fund for maximum tax advantage and then develop a charitable giving plan to make the resulting gifts on your own timetable. This is especially useful when receiving large amounts of income in any particular year – for example, in a retirement year, a bonus or inheritance, upon the sale of a business or when facing large capital gains taxes for a stock buy out.

### ■ Simplicity & Convenience

DAFs centralize and streamline philanthropy to make giving virtually effortless. One fund allows you to recommend gifts to many different nonprofits without many separate contributions and receipts (for instance, dozens of individual donations could be funded with one stock donation with all your contributions and outgoing donations tracked on a single DAF statement). The Foundation distributes

donations and communicates the details of the gift and donor, and you get the credit and a clear record of your giving.

### ■ **Accountability & Stewardship**

The responsibility for all due diligence, administration and record keeping is transferred to the Foundation, freeing donors to focus on philanthropy. The Foundation is overseen by a public Board of Directors which reflects the Ocean Reef Community and carries directors and officers insurance. Funds are overseen by the Foundation's Investment Committee and skilled professional advisors. The Foundation files the required IRS Form 990, undergoes an annual audit, and makes all key information available to the public.

### ■ **Expertise on Local Charities & Philanthropy**

DAF donors gain access to the Foundation's knowledge of and relationships with a wide range of local charitable organizations and professionals. Local expertise is an especially relevant benefit for a second home community where members may not have the connections and familiarity with off Reef charities they might enjoy in a "hometown." Through events, newsletters, Charity Tours and site visits, donors can learn about effective charities and programs they might not otherwise discover. The Foundation also offers co-investment and match grant opportunities to support local giving efforts and increase impact with the peace of mind that the charities have been vetted by a Grants Committee of your peers.

### ■ **Help with Establishing Florida Residency**

Knowledge of the local philanthropic landscape is particularly useful as many Ocean Reef members establish DAFs as they spend more time and become more focused on Ocean Reef as a primary home. Charitable involvement and setting up local accounts are both commonly recommended ways to demonstrate you have established key relationships in your new home state.

### ■ **Recognition of the Ocean Reef Community**

Donations given in the name of the community through a DAF at the Ocean Reef Community Foundation help our neighboring

communities to understand they were given by Ocean Reef residents specifically (not readily apparent when given from a Key Largo or northern address) and to better appreciate the greater impact of the community's collective giving and Ocean Reef's contribution to the region's overall quality of life.

## **Ocean Reef Funds a Great Complement to Private Foundations & 'Hometown' Funds**

Members frequently come to Ocean Reef already well established in terms of their philanthropic giving, many with their own private foundation or DAF at a "hometown" community foundation.

While an appropriate alternative for many, disadvantages of private foundations include higher costs, administration, complicated annual tax filings and lesser tax benefits. These have driven a nationwide trend to convert private foundation assets to DAFs (ask about our quick read DAF vs. Private Foundation Comparison for more information).

Among Ocean Reef donors, the trend has been to establish a DAF to complement an ongoing private foundation. Donating funds into a DAF when not ready to meet the annual distribution requirement at year end enables one to meet the requirement and then take additional time needed to make informed granting decisions. Also, while private foundations must file a public tax record of assets and grants, some donors appreciate that DAF size and grants are private.

With existing private foundations and community foundations usually based in and focused on a member's "hometown" community, many members establish an ORCF DAF simply to take advantage of the Foundation's expertise on local issues and organizations as they begin spending more of the year at Ocean Reef. The Foundation offers many services to help connect you to causes aligned with your individual giving priorities, and will suggest local charities based on your primary community gifting history on request. Many also find it convenient to organize their giving by location and consolidate their South Florida giving with the local Foundation.

# Establishing an ORCF Donor Advised Fund & Legacy

## Basic Process & Requirements

For most, opening your own Donor Advised Fund at the Ocean Reef Community Foundation takes just a few minutes and is as simple as completing a basic one-page Fund Agreement (with the donor names, name of the fund and signatures) and providing the initial donation.

It is recommended that DAFs be opened with a minimum donation of \$10,000 and maintain a minimum account balance of \$1,000. Funding is accepted by check, wire transfer and stock transfer (please contact the office for wire and stock transfer instructions). More complex gifts will be considered on a case by case basis. Contributions to a DAF qualify for a tax deduction in the year given, and the timing for recommending outgoing gifts to IRS qualified charities is then at your discretion.

Those Ocean Reef residents listed in the Ocean Reef Community Association Directory can use the basic Fund Agreement form; non-ORCA members will be asked to complete a slightly longer form which requires contact information.

The following schedules for additional options can then be completed and/or changed at your discretion:

- Add additional current advisors
- Add one generation of successor advisors (additional generations will be considered on a case by case basis)
- Invest your fund. Funds opened with \$100,000 or more which will maintain a minimum balance of \$50,000 are eligible to invest in

a choice of three options with varying risk levels (details available on request). Funds opened with \$1 million or more are eligible for a custom portfolio (subject to approval of the Investment Committee). Invested Funds are managed by Eaton Vance WaterOak Advisors and overseen by the Foundation's Investment Committee. Invested Funds are managed at cost based on the balance on the whole of the Foundation's investments (currently a maximum of 20 basis points.)



## Lifetime Use & Legacy

Once your fund is established, you can make contributions and recommend charitable gifts at your discretion and you will receive detailed statements of the fund activity for your records going forward.

Donors often choose to engage other family members in the use of their fund as a family pursuit and means to pass on philanthropic values. Donors can also work with the Foundation to predetermine the use of the fund beyond their lifetime to leave a lasting legacy.

Please note that any DAF balance remaining beyond the last advisor's lifetime will be transferred to the ORCF Community Grants Fund for the purpose of enhancing quality of life in the Greater Ocean Reef Community.

# Using Your Donor Advised Fund

## Recommending Gifts from Your Fund

“Why do we see the word ‘recommend’ when discussing making a donation to charity from a DAF?” is perhaps the most frequently asked question when learning about Donor Advised Funds.

When you make a donation to establish or add to your fund, you receive a tax deduction and your gift becomes the property of the Foundation as required by federal law. The Internal Revenue Code does not allow you to make a charitable donation and retain control of the asset. The Foundation’s Board has the authority and responsibility to exercise oversight and discretion when approving donation payments. This ensures that gifts from your fund will best fulfill their intended purpose and that your tax deduction will be protected.

You may recommend gifts locally, regionally and nationally to IRS qualified:

- Nonprofit charities
- Schools
- Government-based programs
- Faith-based organizations
- International charities with a U.S. recipient entity

## Prohibited Gifts

Federal regulations do not allow certain types of gifting from a Donor Advised Fund. Gift recommendations for the following must be rejected:

- Gifts that provide a benefit to the donor advisor. Examples include:
  - Membership dues
  - Charitable Auction purchases (such as those made at All Charities Auction Weekend)
  - Tickets to charitable functions (please note, not even the “tax deductible” portion of a benefit ticket can be paid from a DAF)
  - Priority seating at cultural or sporting events
  - Gifts that fulfill personal pledges or obligations. Once a gift has been pledged to a charity, any payment from a DAF to that charity then constitutes a benefit in terms of the fulfillment of your personal obligation and can be penalized as a taxable expenditure.
- Gifts to individuals
- Gifts to private foundations

## Donor Advised Gift Form

Gift recommendations can be made using the Donor Advised Gift Form (available from the office and to print on the Giving page of our website at [www.oceanreefcommunityfoundation.org](http://www.oceanreefcommunityfoundation.org)) which allows you to:

- Recommend minimum gifts of \$250
- Choose to give the gift in the fund name or anonymously
- Designate a specific allocation/purpose for the gift to be communicated in the transmittal letter

Once your fund and contact information are established, requests in writing via e-mail to [foundation@oceanreef.com](mailto:foundation@oceanreef.com) will also be accepted when travel or other issues prevent you from accessing the form. If you are unable to make your request in writing, please call the office directly.

On receipt of your gift request, the Foundation will:

- Confirm the intended recipient is a qualified nonprofit organization in sound standing through staff research of tax-exempt status documentation
- Prepare donation award letters and checks that include your fund's name (unless given anonymously), purpose of your gift and instructions for acknowledging your generosity
- Provide you with a letter confirming your donation was distributed

## Contributing to Your Fund

Funding is accepted by check, wire transfer and stock transfer (please contact the office for wire and stock transfer instructions). More complex gifts will be considered on a case by case basis. Contributions to a DAF qualify for a tax deduction in the year given. Please note that year-end donations must be received in hand or postmarked by December 31st to be accounted for in that year. You will receive a Donation Receipt for each contribution made to your fund.

Please be advised that the Council on Foundations recommends any gift from a private foundation which is made for the purpose of satisfying the private foundation's five percent payout rule of IRC 4942 be recommended for distribution to charity within the following tax year.

## Statements

In addition to receiving a letter confirming distribution of each gift and a donation receipt for each contribution, all DAFs receive Mid-Year and Annual Statement mailings with a complete record of interest, gifts and contributions. Invested Funds also receive statements after the first and third quarters. Statements are mailed at the end of the month following the last month of a quarter. Should you have questions about your balance or fund activity between statements, please feel free to contact the office.

## Foundation Support

Many of our donors have abundant knowledge of community needs and are entirely self-directed in their giving. However, for many others, Ocean Reef is a second home where they may not enjoy the same familiarity with the charities and philanthropic community in our surrounding areas. Through our Community Grants program and other efforts beyond the gate we have extensive knowledge of local charities, emerging needs and resources. Donors often rely on us to apprise them of projects and organizations that align with their interests and for information on a broad range of philanthropic issues. Feel free to contact us to:

- Learn about community priorities and emerging needs
- Take advantage of our match grant and co-investment opportunities designed to meet identified needs and to maximize the impact of Ocean Reef giving
- Research specific areas of interest and nonprofit organizations
- Take part in our Charity Tours in surrounding communities and arrange site visits to learn more about local nonprofits (see page 13)
- Help you partner with other Ocean Reef donors on common goals, interests and projects
- Seek advice on grantmaking strategies
- Connect you with additional philanthropic resources
- Involve your family in your giving traditions
- Explore a variety of options to leave a lasting legacy

# Contact Information

The Ocean Reef Community Foundation office is located at:

Ocean Reef Business Center  
35 Ocean Reef Drive, Suite 148  
Key Largo, FL 33037

Email: [foundation@oceanreef.com](mailto:foundation@oceanreef.com)

Telephone: 305-367-4707

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



*The Ocean Reef community is invited to join the Foundation Grants Committee on a least three tours of Homestead, Florida City and Upper Keys charities which benefit from and/or have applied to our Community Grants Program each season.*

*Please contact us for dates and to reserve a seat on the motor coach for regularly scheduled tours.*

*We are also pleased to arrange site visits for specific charities of interest and tours to charities custom selected to align with personal giving priorities for our Advised Fund Donors on request.*







**OCEAN REEF**  
COMMUNITY FOUNDATION

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