

➤ How can DAFs be used? ➤

Donor advised funds—also called DAFs—are a simple, flexible tool to streamline your charitable giving. Each year, donors with DAFs grant millions of dollars to nonprofits across the country. As with all charitable giving, DAFs do come with some legal restrictions. To help you make the most of your DAF and help prevent any issues with your grantmaking, we’ve put together this guide addressing some frequent questions about how DAFs can and cannot be used at the Foundation.

Cemeteries/Graveyards: If a cemetery or graveyard is owned by a 501(c)(3) organization, such as a place of worship, a grant may be recommended to that organization for the purpose of supporting the cemetery/graveyard. Many cemeteries are incorporated as associations, not 501(c)(3) organizations, and thus are unable to receive grants from DAFs.

Events, Tickets, Auction Items, Sponsorships: Grants cannot be recommended to an organization when the donor, advisor, and/or their family receives more than “incidental benefit” from the grant. Often called bifurcated gifts*, event tickets and sponsorships include both deductible and non-deductible components. DAFs may recommend grants for Fund-A-Need gifts that are 100% tax deductible.

Government: Grants may be recommended to City, County, State, or Federal governmental entities to support projects and services that benefit the welfare of the general population.

Individual People: Grants from DAFs can only be made to 501(c)(3) organizations and cannot benefit specific individuals. Individuals may only be listed in the purpose of the grant if language is also included stating, “This grant is recommended with the understanding that your organization has complete control over the use and administration of the funds.” Examples of grants where individuals may be named in the purpose are charity walks/runs/rides, missionaries, etc.

International Nonprofits: Grants can be made to benefit a nonprofit outside the United States if that nonprofit has a U.S.-based nonprofit to accept the grant on their behalf.

Memberships/Dues: Grants may not be used to pay memberships or dues when the donor, advisor, and/or their family receives “more than incidental” benefit from the grant. Examples of incidental benefits may include key chains, tote bags, coffee mugs, etc. that nonprofits often give to donors as a thank you. Federal regulations also prohibit DAF grants from paying for any or all of a bifurcated gift*, which includes a deductible and non-deductible portion.

Organizations on the Southern Poverty Law Center (SPLC)'s Hate List: While these grants may be legally permitted, the Foundation has made the decision not to issue grants to any organization associated with hate as defined by the SPLC. Donors will be notified if they recommend a grant to an organization on this list.

Pledges: Federal regulations prohibit DAF grants from being used to satisfy a pre-existing pledge. A pledge is considered a personal commitment, yet an individual cannot commit money from a DAF that is legally held by the sponsoring organization to fulfill this commitment. Donors may recommend a multi-year grant to a 501(c)(3) organization, but the purpose of the grant may not include the term "pledge". Philanthropic Advisors can work with donors who intend to recommend non-binding, multi-year grants to ensure they align with these guidelines.

Political Campaigns: Support for lobbying or political campaigns is not considered charitable under Federal law; therefore, a DAF may not make grants for these purposes.

Private Foundations: Federal law prevents DAFs from making grants to private, non-operating foundations. Making a grant from a DAF to a private foundation would allow the donor greater tax benefits than for a gift directly to a private foundation, ultimately skirting IRS rules. Alternatively, grants can be made from a private foundation to a DAF. In fact, many private foundations have been converted into DAFs for ease of management, anonymity, and greater tax benefits.

Support Orgs: A DAF may not make a distribution to (1) a Type III supporting organization that is not functionally integrated, nor (2) any other supporting organization if the fund's donor or donor advisor (and any related parties) directly or indirectly controls a supported organization of the grantee.

Tuition/Scholarships: Grants from DAFs can be made to support tuition/scholarships at educational institutions but cannot be used to support a specific person. Additionally, the grant cannot be made to a scholarship fund where the donor and/or their family have control over choosing the scholarship recipients.

THIS INFORMATION IS FOR INFORMATIONAL PURPOSES ONLY AND DOES NOT CONSTITUTE LEGAL ADVICE. THIS IS NOT A COMPREHENSIVE STATEMENT OF ALL LAWS APPLICABLE TO DAFs. YOU SHOULD CONSULT PROFESSIONAL ADVISORS CONCERNING THE LEGAL, TAX, OR FINANCIAL CONSEQUENCES OF YOUR CHARITABLE ACTIVITIES.

** Federal regulations prohibit DAF grants from paying for any or all of a bifurcated gift because the individual would not have access to the event, auction item, membership, etc. but for the DAF grant that paid for the deductible portion of the gift.*