

What is a Donor-advised Fund?

Donor-advised funds (DAFs) are a tax effective way to consolidate donations and grant to nonprofit organizations. In addition, they provide a way for donors to give more to charity by investing charitable assets and letting them grow tax-free, helping donors give more the charities they love.”

DAFs are a separately identified fund or account that is maintained and operated by a 501(c)(3) organization, which is called a Sponsoring Organization. Each account represents contributions made by individual donors. Once the donation is made, the sponsoring organization has legal control over the funds, but the donor retains advisory privileges with respect to the distribution of the funds and the investment of the assets in the account.

Who decides which non-profits receive grants from a DAF and what role DAF sponsors like Vanguard Charitable have in determining who receives grants?

Grants are initiated by the Account Advisor, who is almost always the donor who has contributed assets to the DAF. The DAF provider (e.g. Vanguard Charitable) conducts due diligence on and approves the grant, but does not typically play a role in determining grant recipients. As a national and cause-neutral organization, Vanguard Charitable issues grants to an outstanding variety of charities working in all 50 states and nearly every country.

Under what circumstances would Vanguard deny a grant request?

Vanguard Charitable must validate that the organization is a legitimate non-profit, which is done by reviewing information such as an organization’s 990 form. If Vanguard Charitable has questions or needs additional information, they may contact the non-profit. A grant request could be denied if they are unable to validate the organization is non-profit or if the purpose of the gift does not meet the rules for grants (see next question).

What organizations are eligible to receive grants from a DAF?

Public charities in good standing with the IRS as 501c3 exempt nonprofit status are eligible to receive grants from a DAF. Grants may also be distributed to private operating foundations, community foundation, and other DAFs.

What restrictions are there on grants from a DAF?

Grants can only be made to an eligible public non-profit. Since the donor received a tax deduction when they made the gift to the DAF, the grant must meet the same type of rules for full tax deductibility. For instance, the donor cannot receive any benefit from the donation, such as event tickets, merchandise, etc. Since a pledge is considered a prior commitment of the donor, the grant cannot be used to fulfill a legally-binding donor pledge.

Vanguard Charitable does use “intent to recommend” cards, which are a great way for donors to contribute to charity with their philanthropic account. While this document is not a legally binding pledge, it can increase giving, help your development team plan, and support existing and new donor relationships.

What is the difference between a DAF and a Community Foundation?

Community Foundations are philanthropic institutions serving a geographically defined territory such as a city or region, where the purpose is to support non-profit institutions within the designated geography. Community Foundations often offer DAF programs, where donors designate the non-profits to receive grants, but they may also have a community fund of assets where the donations were made to the community foundation without restriction. Unlike donor-directed DAFs, grants from such a community fund are made via a more traditional foundation grant application process.

If your non-profit's mission is focused on a particular community or geographic area, it is a good idea to identify and connect with community foundations in your area.

How should non-profits approach and communicate with Donor-advised Fund organizations like Vanguard Charitable?

Vanguard Charitable encourages their donors to get to know their organization before granting, and they will often use GuideStar.org as a resource. Ensuring nonprofit information is up-to-date and available on this platform may provide further support to a DAF donor researching an organization prior to granting. Since Vanguard Charitable is not making donation decisions, there is no value in sending them newsletters and other donor communications or solicitations. You should, of course, respond promptly to any requests they make for information about your non-profit as this will help facilitate grants being issued to your organization.

Are there lists of DAF account holders? If not, how can a non-profit identify donors that have Donor-advised funds?

No. Information about DAF account holders is confidential, but the name of the DAF account or Account Advisor is normally included when Vanguard Charitable sends a grant to a non-profit, unless the donor has requested that the grant be made anonymously. So one simple way to identify DAF account holders is to make sure that you record that the gift came from a DAF in your fundraising system, like [DonorPerfect](#).

Another way to identify your donors that have a DAF is to simply ask them. You can do this in the same ways you might ask them if their company has a matching gift program. You may also be able to identify DAF donors while doing prospect research using tools like [DonorSearch](#). If a gift recognition has the word Fund (e.g. The Smith Family Fund) it is very likely being made via a DAF.

What types of assets can be contributed to a DAF?

The most common assets for DAF donations are cash and public company securities, but many sponsors do allow donation of real estate, art, private company securities, etc. Those types of assets, known as complex assets, do present some additional challenges in terms of valuation and liquidation, so you should encourage donors to speak with their DAF provider for more information on making those types of donations.

Is there a process for a non-profit to get listed or registered with a DAF provider?

There is no process or application to be “pre-approved” by a DAF. At Vanguard Charitable, organizations that have previously received a grant from a DAF are automatically listed for a donor to select, but if a non-profit is not on their list, they can search for the non-profit via the [Guidestar](#) database. If no match is found, the donor can easily enter basic information about the non-profit to initiate a grant request.

What is the minimum donation to create a DAF and are there minimums for grants?

The minimums will vary by provider, but for Vanguard Charitable the minimum to establish a DAF is currently \$25,000, and the minimum grant is \$500. Unlike private foundations, DAF providers like Vanguard Charitable do not impose a minimum annual distribution for DAF advisors. Vanguard Charitable does require that accounts recommend at least one grant every five years.

Why would a donor choose to set-up a DAF instead of a private foundation?

Costs to establish and maintain a private foundation are typically much higher than a DAF. A DAF can also provide greater flexibility in terms of the timing of grants, since a private foundation must distribute 5% of assets each year.

How should gifts for a DAF be recognized?

Although the grant payment comes from the provider, you should really think of the donor as being the account advisor. That means that your gift acknowledgment should be sent to the donor, not the provider. Since the donor already received a tax deduction when they made the donation to the provider, the purpose of your acknowledgement is just to thank the donor, not provide a tax receipt. You can do this with a letter (or call) thanking them for initiating the grant through their Donor-advised Fund.

What should a nonprofit do when they don't receive any information regarding who recommended the DAF grant, or the gift indicates that they should not contact or acknowledge the donor directly?

That can be a tough situation, since you certainly want to follow the wishes of the donor or sponsor. DAF providers are committed to following their donor-advisors wishes in the event of anonymity and will not be able to provide any identifying or contact information to a nonprofit. If you believe or know that the donor is someone who has a strong connection to the organization, such as a board member or long-time supporter, you could consider contacting the donor to confirm that the donation was initiated by them. If so, you could then ask if they intended the gift to be anonymous or if this was just the policy of the DAF provider. Obviously, some donors do wish to make their gifts anonymously to avoid publicity / public recognition, or being asked to donate by other non-profits, but that doesn't always mean they don't want the non-profit to know that they have made a gift.

Donor-Advised Funds Frequently Asked Questions



How should gifts for a DAF be recorded?

The best way to record a gift from a DAF may differ depending on how your organization has setup your donation tracking and/or the functionality of your fundraising software, but here are two approaches:

1. Create a donor record for the specific donor's DAF (e.g. The Smith Family Fund – Vanguard Charitable). If the donor also gives directly, you would have a separate record to track direct gifts. This technique requires very little change in how you record gifts, which makes reporting easier, but it is harder to see all the donations that you've received from Vanguard Charitable, or a full view of the donor's support of your organization.
2. Create a donor record for the provider (e.g. Vanguard Charitable). Enter the gift as part of the organizational record, but also record a soft credit to associate the gift with the appropriate donor record. This can be a bit more effort, unless you already use soft credits and understand how to generate the appropriate reporting.

How should a non-profit approach DAF donors?

In general, you should think of DAF donors as you would any potential major donor. Usually that means trying to build a relationship, learn why they've chosen to support your organization, and what motivates them. The fact that they have a DAF provides an interesting potential topic, since you can ask about how they use it and how it fits into their overall philanthropic goals.

Ultimately, every dollar in their DAF will be given away. In some cases, donors may be accumulating dollars for a specific purpose, but in many cases donors are just waiting for a cause that inspires them to give. Sharing your dream of how your non-profit can solve a problem that they care about is the best way to motivate a large gift.



For more information about
Donor-Advised Funds,
check out
***9 Facts Every Nonprofit Should
Know About
Donor-Advised Funds***

at www.donorperfect.com/DAF-Ebook.