



## **Operating Procedures for Donor-Advised Philanthropic Funds**

A Philanthropic or Donor Advised Fund is established by a gift to the Jewish Foundation of Memphis. A separate fund bearing the donor's name (or one you specify) is created and that gift is invested fully (usually in common with other philanthropic funds). All income earned is credited to the appropriate fund.

The donor can recommend that distributions of the income and principal be made to qualified charities of their choice. The purposes of the recipient charity must be consistent with the broad charitable purposes of the Foundation. By creating a Donor Advised Fund, a donor can handle his or her current annual giving desires and also "grow" funds for future charitable purposes.

A donor usually establishes a Donor Advised Fund with stock and/or cash at a time most beneficial for their financial and tax planning. These assets are invested through the Foundation's highly flexible investment platform. Of course, the donor can add to the Fund as frequently as financial circumstances permit.

The law expressly recognizes the privilege of donors to make grant recommendations from time to time; it also clearly states that the Board of Directors of the Jewish Foundation of Memphis has the responsibility for exercising final discretion concerning expenditures from these Donor Advised Funds. This is stated in the agreement used to create a Donor Advised Fund.

To create a Donor Advised Fund, a donor determines the name of the Fund and those individuals who will serve as Advisors for the Fund and signs a short standard agreement between the donor and the Foundation. Under the agreement, the Fund's assets are held, invested, and administered by the Foundation. The donor, or persons chosen by the donor, serves in an advisory capacity to the Fund and makes recommendations regarding all distributions of the income and principal for charitable purposes.

The minimum amount necessary to establish a Fund is \$5,000 and must maintain a minimum balance of \$3,000.

Fund advisors may recommend specific grants at any time; however, the Foundation's Board of Directors retains final discretion over the grants made from the Fund. Since the donor receives a tax deduction when he or she gives the money to the Foundation for the benefit of the Fund, the donor cannot retain final control over how it is distributed. Accordingly, a Donor Advised Fund cannot be used either in payment of a legally binding obligation or prior pledge, or to result in any tangible benefit to the donor.

To begin the grant process, you simply complete a grant recommendation form, which are provided to each Fund advisor, and send it to the Foundation's office either by mail, fax or email.

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You may make as many grant recommendations as you desire and as often as you wish. Recommendations received by the 1<sup>st</sup> and 15<sup>th</sup> of each month will be processed during that month. A recommendation should be for at least \$50, unless you are making a grant to one of the Jewish Foundation's ten partner agencies, in which case there is no minimum.

Each proposed grantee is checked to be sure that it is a tax-exempt organization and that its purposes are consistent with the charitable purposes of the Foundation. We may request information from the organization or consult other sources if necessary to verify a charity's status. Once the staff review is complete, the recommendation is presented to the Board of Directors for approval. Only the recommended charities and the amounts of the recommended gift are reviewed. (Donors' names are not shown.)

In order to ensure Jewish Foundation of Memphis grants follow IRS guidelines and are used solely for charitable purposes, the Jewish Foundation of Memphis will disburse grant checks only directly to the named charity.

The Jewish Foundation of Memphis charges Funds an administrative fee of 1 ½% per annum on the first \$500,000 of the Fund balance, 1 ¼% on the next \$500,000 and 1 % on the next \$1 million, .50 % of 1% on balance over \$2 million, calculated quarterly based on the average daily balance. There is a minimum quarterly fee of \$50.

The Jewish Foundation of Memphis Board of Directors has several different investment pools that donors and organizations can recommend for their funds based on several factors: the amounts and frequency of grant recommendations, short and long-term charitable plans, and donor's overall investment style. The investment pools provide a comprehensive and flexible approach to the investment of charitable assets.

Charges by investment managers are deducted from pooled Funds prior to income being allocated to individual funds. Investment charges vary depending upon the type of instruments in which the Fund is invested.

The Foundation oversees the administration of the Donor Advised Funds, which includes record keeping of each separate Fund, providing quarterly reports for donors and distributing charitable gifts. The individual Funds will be pooled for investment purposes according to the policies of the Foundation.