



## SAN ANGELO AREA FOUNDATION

*...LEADING A LEGACY  
OF PHILANTHROPY  
FOR WEST TEXAS*

### HANDBOOK FOR DONOR ADVISORS

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## Welcome

Welcome to the San Angelo Area Foundation! This handbook is intended to help you make full use of our services, resources, and expertise in charitable giving.

The San Angelo Area Foundation was established in 2002 by a group of visionary people from the San Angelo Health Foundation. They wanted to complement the great works of the San Angelo Health Foundation by creating a community based organization that could help those in need and create a legacy of caring for future growth. The Foundation received its initial funding from the Health Foundation, creating an unrestricted fund for broad grant making purposes. The first gift the Foundation received was created through a donor advised fund. This type of fund can be established by any donor to benefit certain fields of interest such as health care, youth, fine arts, education, as well as social and community development needs. Others ask that we use the funds to alleviate our region's most pressing needs. Still others, like the one you have established or are considering establishing, are created by donors who wish to stay involved in philanthropy by making specific suggestions for grant awards. These funds we call "donor advised."

Tax laws expressly recognize the privilege of living donors to make grant suggestions from time to time. However, the IRS code is clear that in order for the donor to have made a "completed gift," the Board of Directors must exercise final discretion concerning the expenditure of those funds.

Donor advised funds are designed to allow donors to help select charitable institutions and programs to receive grants. This type of fund is the perfect vehicle for donors who wish to participate actively in the grant award process and retain philanthropic flexibility.

At the San Angelo Area Foundation, all of the Donor Advised Funds we operate are invested like an endowed fund, yet the Donor has the ability to recommend grants from the total fund balance, which includes both investment income and principal as well. The investments of the Fund are described in greater detail, with in this handbook.

## **By Creating a Donor Advised Fund**

You receive a charitable deduction for the full amount of the gift establishing the fund in the year of the contribution, and for all subsequent gifts to your fund. In addition, you can participate in the grant making process for many years to come.

You are acting in partnership with the San Angelo Area Foundation which allows you to centralize and streamline your philanthropy by recommending grants to the organization(s) best qualified to use funds effectively.

You experience the opportunity to learn about philanthropy from other grant makers. The San Angelo Area Foundation staff is available to review requests and to make recommendations for a specific area of concern to the donor. The staff provides an accessible reserve of information and expertise about the nonprofit sector.

The responsibility for the paperwork associated with charitable giving, like tax filing and annual reports, is left to the Foundation. If you desire, you may award your gifts anonymously.

You can also observe first hand how the San Angelo Area Foundation operates, deciding whether to make a more substantial contribution or provide a bequest to the Foundation as part of an estate plan.



## Working Together

### Establishing a Donor Advised Fund

A donor advised fund is created by a signed agreement – a simple document which conveys your gift to the San Angelo Area Foundation. You may name yourself as an advisor, either to act alone or with another living individual(s), or you may create a committee process and name a committee leader, which would communicate your recommended grants on behalf of the committee. This process is common for a corporation, family limited partnership, or giving circle.

A donor may establish a fund with a variety of assets; cash and publicly traded securities are the most common. (A copy of the Foundation’s gift acceptance policy is available, if needed) You will receive immediate tax benefits for the current market value of the gift. You may add to your fund at any time and receive the same benefits. Other persons may also make additions to your fund (unless specified otherwise) for purposes consistent with the original gift agreement.

Gifts should be made payable to the San Angelo Area Foundation. Procedures for gifts of publicly traded securities may be

obtained by contacting the Foundation President or Controller.

In the case of restricted or closely-held stock, real estate, or other unusual assets, the proposed gift is considered on a case-by-case basis and may require additional review by our Investment Committee.

### How Does the Advisory Relationship Work?

The donor(s), designated advisors, committee leader, which may include related parties, specified by the donor at the inception of the fund, are all considered advisors for the purposes of a donor advised fund, these guidelines apply to the underlying gift agreement between the donor and the Foundation. The advisory capacity of the Fund may terminate upon the death of the survivor of the donor, or spouse if applicable. Thereafter, the fund continues as a named field of interest or discretionary permanent fund. These funds are then put to use meeting the ever changing needs of our community. However, donors may also choose to request naming of successor advisor(s), or a committee representative of the Donor, subject to the approval of the Board of Directors.

Distributions from quasi-endowed donor advised funds will normally be made according to the Foundation’s Distribution (spending) Guideline as a percentage of the total market value of the fund. This guideline can change from year to year, depending on the performance of the investments of the fund. Historically, it has been 5% of the average fund balance, over the past three years. This allows any excess earnings be retained for inflation and growth of the fund, as well as protection during market

declines. This is also known as use of the “Total Return” of the Fund, which allows the use of investment gains, dividends and interest. It is the goal of the San Angelo Area Foundation to help preserve the contributed assets of each quasi-endowed fund so that distributions can be made over the lifetime of the donor and into perpetuity. Obviously, if the advisors recommend grants from the principal of the Fund, the Fund may not exist into perpetuity.

### **Using Our Grant making Staff**

Many donors know a lot about some causes and organizations. We hope to broaden your knowledge of the whole field of philanthropy. You may wish to learn more about issues and organizations that have stimulated your interest. Please feel free to contact the Foundation’s staff for more information.

The Foundation can serve you by identifying priority needs in the community. Donors ask us to design targeted grant programs, identify worthy agencies in a given field, locate information about out-of-town groups and in numerous other ways extend their philanthropic interests. And if you wish, we can protect your anonymity while making these inquiries.

From time to time a list of potential grants under consideration is mailed to interested donor advisors. Many donor advisors appreciate knowing about the most pressing current needs in the charitable community. Should you wish to use your donor advised fund to award a full or partial grant from this listing, please let us know.

### **Your Long-Term Charitable Goals**

By creating a fund with the Foundation during your lifetime, you have already made it possible to leave a permanent legacy to charity.

Once your fund has been established, it is simple to add to it by bequests; just name your fund as one of the recipients of your will or trust. Or you may create new funds named for your family or in honor of a relative or friend to serve as memorials to them.

While we encourage you to leave your funds as unrestricted as possible, you certainly may suggest future charitable recipients or areas of interest to benefit from your bequest.



## How to Recommend a Grant

Advisors may often recommend specific grants. We use the term “recommend” because the governing body of the San Angelo Area Foundation must retain final discretion over the grants made from each fund. There is a logical basis for this in the law: since you received a full tax deduction for giving the money away, you cannot later retain control over how it is distributed.

Instead, the law expects that all funds will be spent in accordance with the broad objectives of the San Angelo Area Foundation. Grants are generally made to organizations recognized as tax-exempt 501(c)(3) charities anywhere in the United States or to Universities or Colleges as well as governmental entities whereby the grant is for public good and lessens the burden of government. For grants of this type the donor will need to provide the Foundation with the name and address of the agency contact person.

Advisors may suggest a grant for general support or for a specific program or activity by delivering a formal request to the Foundation, or by using the Foundation’s website to recommend said grants, on-line. Any other information, such as the name of the individual responsible for the project, may be included. The Foundation staff is

available to assist donors with grant suggestions as desired.

There is no minimum grant amount, but the Foundation suggests a \$500 lower limit.

### **Types of Grants which are prohibited**

Grants from a donor advised or corporate advised fund cannot be used to satisfy an irrevocable personal or corporate pledge or obligation of the donor, an advisor, a related party, or to pay memberships or dues. Recommendations for grants to specific organizations may always be made on an annual basis or recommended for payment over a multiple year period. However, It is important that you or anyone acting on your behalf as an advisor, not sign a pledge card.

The U.S. tax law does not permit the use of charitable dollars for benefits to be received by you, any advisor or related parties. One example is the purchase of “memberships” in museums or public broadcasting stations, which allow you admission to events or discounts on purchases of merchandise. Another is the purchase of tickets to benefit dinners or galas. We are happy to award grants to charities “in lieu of tickets.” That way, the dollars you have entrusted to us go directly to the purposes of the charity and are not expended on food or entertainment.

Grants from donor advised funds may not inure any benefit to or be used to reimburse any expenses incurred by a donor, an advisor, a related party or a specified individual, even if the expenses are for charitable purposes. This prohibition extends to a ban on any loans, compensation, or similar payments to a donor, advisor, and specified individual or related party as well. This includes grants made directly to an individual or through

an entity for the benefit of a specified individual. Grants from donor advised funds must comply with current federal law, specifically the Pension Protection Act of 2006, which prohibits the making of grants from donor advised funds to individuals, including grants to organizations (such as a university) for the benefit of a specified individual, like a scholarship. This provision will remain in effect, unless future law amends said administration of donor advised funds.

### **How are Suggestions Processed?**

To start the grant process, simply complete the Foundation's "Recommendation for Charitable Distributions" form. (A sample is included with this handbook.) Advisors can also easily process their request on-line through the Foundation's on-line secure portal, at [www.saafound.org](http://www.saafound.org).

When we receive your grant suggestions, we will perform due diligence by verifying the recommended grantee is recognized by the Internal Revenue Service as a 501(c)(3) charitable organization, or is a church or governmental unit, and that the purpose of the grant is consistent with the Foundation's charitable purposes. We might request current financial statements from agencies with which we are unfamiliar. In addition, information files are maintained on agencies that have received any San Angelo Area Foundation grants. The Foundation utilizes the Council on Foundation's "Evidence of Expenditure Responsibility Tree" to determine if further documentation is needed in order to recommend approval of a grant. It is the policy of the Foundation to only allow grants to Section 501c3 organizations that are public charities or a governmental agency that do not require additional expenditure responsibility.

To facilitate timely grant making, the Foundation maintains a regional list of nonprofit and educational organizations whose IRS recognitions are up to date and whose operations meet our requirements, allowing us to issue grant checks quickly, which is usually issued within 10 days. If the potential grantee is unfamiliar to the Foundation, requiring additional research, a longer delay may occur.

### **Communicating with the Grant Recipients**

When the San Angelo Area Foundation makes a grant from a donor advised fund, the charitable organization receiving the grant is informed of the donor advisor who made the grant recommendation. If you prefer anonymity on any, or all, of your grants, please advise us at the time the recommendation is submitted. The grantee organization is supplied with your address so that they may let you know that the gift was received and to thank you for your generosity.

Occasionally, despite the Foundation's instructions, the grantee organization will add an income tax deductibility statement to their thank you note. This does not mean that you can report the gift on your income tax return. Your income tax deduction was earned when you made the contribution(s) to your donor advised fund. Please contact the Foundation President, or your tax planner, if you have a question regarding the tax deductibility issues of your donor advised fund.



## How a Fund is Managed

### Investing a Fund

Our general investment strategy for quasi-endowed funds is to *provide prudent management of invested capital producing a reasonable income for grant making and growth of assets over time.*

Funds of the San Angelo Area Foundation are professionally managed by investment managers under the supervision of the Foundation's Board of Directors and the Investment Committee. This group of individuals is comprised of highly competent business and professional leaders in our community. Every fund of the Foundation receives the same net investment return of the Foundation's investment portfolio. Donor Advised Funds are commingled with the other permanent funds, for investment purposes, in the Foundation's investment portfolio that is designed for long term appreciation and preservation of principal. The investment policy and mix of the portfolio is available for review by the public on-line.

The San Angelo Area Foundation is audited each year by certified public accountants and its report is available to anyone, upon request. A consolidated financial statement is published each year as part of our Annual Report and the Foundation reports all funds in a consolidated form 990, which is also available for public inspection. The public form 990 does not disclose donor names, or individual fund detail, but does report grants and other required annual disclosures.

Donor Advised funds are assessed an administrative fee to cover the operating and administrative costs of fund, as well as reinvesting in the Foundation for its community grant making program to address the needs of our area. The fee lowers as the fund grows:

- 1.5% for the first \$500,000 in the Fund.
- 1.0% for the next \$2,500,000 in the Fund.
- 0.5% for amounts greater than \$3,000,000.

The Foundation also allows a donor to recommend a different investment advisor, broker, or registered agent, to invest the funds, if the donor contributes at least \$1million to the donor's advised fund. The Foundation is not bound by this recommendation, but desires to honor donor intent. If an alternative investment advisor is allowed, this investment advisor must acknowledge and sign an investment agreement with the Foundation, similar to its agreement with its primary investment manager. The key point to remember is the Foundation is bound by law to maintain control over the donor's gift, in order for the donor to receive proper tax treatment of their gift. If you are interest in knowing more about this option, please contact the Foundation President for more information.

### Reporting to You

Each time a grant is awarded from your donor advised fund, you will be notified by letter or email. In addition, you will receive a formal statement of your fund(s) by mail or email. This statement will include the mark-to-market value of the fund as well as all transactions that took place in the previous months. This information is available on-line at the Foundation's website.

Should you ever have any questions about the status of your fund, do not hesitate to contact the Foundation staff.



*Sample "Recommendation for a Charitable Distribution" Letter*

Date \_\_\_\_\_

Board of Directors  
San Angelo Area Foundation  
221 S. Irving St.  
San Angelo, TX 76903

RE: Recommendation for a Charitable Distribution

To the Board of Directors of the San Angelo Area Foundation:

I, \_\_\_\_\_, would like to make a request to grant from the \_\_\_\_\_ Donor Advised Fund of the San Angelo Area Foundation. I would like to recommend that the Board of Directors consider a grant in the amount of \$ \_\_\_\_\_ to \_\_\_\_\_ to be used for \_\_\_\_\_.

If approved, please send the grant to the attention of \_\_\_\_\_, to the address as follows:

Thank you for your favorable consideration of this request.

X \_\_\_\_\_

I acknowledge that I have not received, nor will receive any benefit of value as a result of this grant, nor is this grant to satisfy a pledge and this grant is not a reimbursement for any expenses related to me, nor is it a loan or compensation for my benefit, advisor or any party related to me.



How to Contact us:

San Angelo Area Foundation  
Matt Lewis - President  
221 S. Irving Street  
San Angelo, Texas 76903  
325-947-7071  
fax 325-947-7322  
web site = [www.saafound.org](http://www.saafound.org)  
[mlewis@saafound.org](mailto:mlewis@saafound.org)