

DSUMF DONOR ADVISED FUNDS

What are DSUMF Donor Advised Funds?

DSUMF Donor Advised Funds are charitable-giving vehicles that provide simple, flexible, efficient ways to manage your charitable giving. You and your family can enjoy immediate and maximum tax advantages, make grants on a flexible time table, build your charitable legacy, and increase your philanthropic funds for future grant-making activities.

Contributions: DSUMF can accept and hold a wide array of assets including cash, stocks, bonds, mutual funds, real estate, etc.

Investments: Depending on the dollar amount of the initial funding of a Donor Advised Fund, DSUMF's unique Investment Management Services can provide flexibility in investment options.

National: So long as United Methodist-related institutions make up the majority (51%) of the total distributions from your Donor Advised Fund, you can expand your grant recommendations beyond your local church, or community. You can also recommend distributions to help qualified organizations throughout the country.

DSUMF acts as a neutral platform for donors and their professional advisors to design and conduct their charitable activities as effectively and efficiently as possible via our Donor Advised Fund Program.

Our Commitment to You

Capabilities—we offer uniquely flexible ways to design and manage your philanthropic activities.

Commitment—established in 1985, we have experience in helping donors, families, and professional advisors sort through the issues. You work directly with DSUMF's Executive Director and Controller.

Creativity—we listen to you in order to create robust, yet flexible solutions that will meet all your charitable goals.

Character—Fiduciary responsibility is the heart of DSUMF. We are committed to the highest ethical standards, and the best investment management process possible.

Questions? Need Help? Call us at 602.266.6956 or e-mail DSUMF at foundation@dsumf.org.

Donor Benefits

The DSUMF Donor Advised Fund program was designed to enhance your charitable giving options. Benefits include:

Immediate and Maximum Tax Benefits

Because DSUMF is a 501 (c) (3), qualified, non-profit organization, contributions to a properly established Donor Advised Fund immediately qualify for maximum tax benefits subject to donation ceilings as determined by the Internal Revenue Code. After you establish your DSUMF Donor Advised Fund, you can then recommend grants to your local church or to charities across the nation on your own flexible timetable.

Tax Free Growth (which means more dollars for charitable purposes)

Investments in your DSUMF Donor Advised Fund will grow in a tax-free environment due to our non-profit status. Such status may support more giving in the future. The DSUMF Donor Advised Fund lets you structure your giving over time, enabling you to leverage the impact of your grants to worthwhile causes.

Privacy

Charitable giving can be quite personal. You may want to place a buffer between yourself and grant-seekers. Upon distribution of approved grants, DSUMF permits you to select recognition or anonymity as desired.

Simple and Effective Fund Management

With a DSUMF Donor Advised Fund, you can eliminate the year end pressures, such as scrambling for a place to make a tax-deductible donation or hunting through files for charitable donation receipts. You can recommend grants from your DSUMF Donor Advised Fund via e-mail or fax, but you will need to follow your digital recommendation with an actual, physical form with signature required. Our accounting process will track not only your giving over time, but also the results of our investment service as it relates to market gains (losses) in your Donor Advised Account. Whether your funding of a Donor Advised Fund is a one-time occurrence or a continuing activity, we will always provide you with all the proper documentation needed to substantiate your tax reporting.

Creation of a Lasting Legacy of Giving

You can start small and build over time or maximize your initial contribution. Donors typically establish a Donor Advised Fund to act as a multigenerational family fund for their current and future charitable giving activities. For example: you can personalize the account with a family name (e.g., "The Smith Family Fund"), involve family members in recommending grants, and even name successor advisors who will have the authority to initiate grant-making recommendations in the future, after you've passed away.

Multiple Ways to Work with Us

You and/or your professional advisors will work directly with DSUMF principals via e-mail, by phone, in person, by mail, or by fax. Nothing will be done with your Donor Advised Fund until all parties are in agreement.

Tax Benefits

Save Taxes in Four Ways

1. Contributions are tax deductible in the year they are made. Because DSUMF is a qualified organization, contributions to DSUMF qualify for immediate and maximum tax benefits.
 - Deduction for cash: Up to 50% of adjusted gross income (AGI).
 - Deduction for securities and other appreciated assets: Up to 30% of AGI.
 - Five year carry forward of unused deductions.
2. Avoid capital gains on gifts of appreciated property.
3. Possibly avoid estate taxes because gifts to a Donor Advised Fund are irrevocable gifts and permanently removed from your estate and total net worth.
4. Investments in a Donor Advised Fund will grow in a tax-free environment.

Other Tax Considerations

When contributing the following asset types to DSUMF, donors can deduct the full market value of the asset subject to the AGI limitations mentioned above. Funds contributed to private foundations would likely be limited to the donor's cost basis and would likely not qualify for full fair market value deductions.

- Closely held stock (C-corp., or S-corp.).
- Real estate.

Note: *The information provided herein is for informational purposes only and should not be interpreted to constitute legal and/or tax advice. Donors should consult their legal and tax advisors regarding their specific situations.*

Why Should You Use a DSUMF Donor Advised Fund, Rather Than Give Directly to Your Church/Charity?

Donate Now; Decide Later

A contribution to DSUMF separates the tax event from the grant-making event by time. You recommend grants to churches/charities on your own timetable thus reducing year-end pressures to select one or more charities to support.

Facilitate Special Asset Considerations

Not all churches or church-related organizations accept or have the knowledge or capacity to accept gifts of stock and other property like bonds, mutual funds, real estate, personal property, etc. Your Donor Advised Fund with DSUMF provides you the maximum deduction allowed by law. DSUMF has the expertise to accept the widest array of assets and will provide you with all the proper IRS required documentation.

Make The Most of Your Charitable Dollars

Within reason, and with proper documentation, you or your advisor can recommend the investment strategy for your contributions to your Donor Advised Fund. This eliminates the concern about how churches manage or mismanage their investments. Any growth in assets is tax-free, which can provide the potential for greater charitable giving in the future.

Reduce Recordkeeping Frustrations

A Donor Advised Fund account provides professional consolidated reporting and record keeping. You can make grants to multiple charities and you will need only one tax substantiation letter (for each contribution to the account). You can also review your history of grant-making before making future gifts.

Leave a Lasting Legacy

Your Donor Advised Fund can establish an enduring family legacy for philanthropy. Your family can continue involvement in grant-making activities and investments by naming successor advisors to your account.

Provide for Accountability

It is important to match the size of the contribution to the capacity of the church or charity. Capacity is a term that encompasses size, administrative capability, investment sophistication, stability, accountability, and integrity of the grant-receiving organization. DSUMF is not "huge" in size, but specializes in providing donor services including gift administration, investment, accountability, and integrity.

Large grants can be like a heavy rock dropped into the bottom of a small boat. Many small charities have been divided over large contributions due to the lack of a clear strategic plan for receiving such gifts, the lack of clear policies, and the lack of investment experience. Conversely, some larger churches view large contributions as "free money" and use them to pay for operational and administrative expenses, which is typically not what the donor intended.

Giving through an independent intermediary such as DSUMF is a flexible way to provide long-term support for your favorite United Methodist-related causes. DSUMF, as the independent intermediary can donate capital and/or income to the worthy charities at your recommendation. That way the capital is well managed by a responsible entity and the work of the operating charities is supported.

How a Donor Advised Fund Works

The procedure is designed to be easy. If you have questions, the experienced staff of DSUMF is available to guide you through every step of the process. To establish a Donor Advised Fund at DSUMF:

- 1.** Contact us to have a DSUMF Donor Advised Fund Packet mailed to you.
- 2.** Complete the simple Application enclosed in the Donor Advised Fund Packet.
- 3.** Contribute assets to your Fund. DSUMF will accept as little as \$25,000 as an initial contribution. When we receive your completed application, we will contact you or your professional advisor to arrange transfer of the assets you intend to give and to arrange the Fund's investment program.

4. When we accept your contribution, we send you a letter acknowledging your gift, and you receive a supply of grant recommendation forms.

You retain the right to advise DSUMF in administering the affairs of your Fund. Your role is that of an advisor (hence the name donor advised fund). The concept of “advice” is the key to your Fund’s superior tax treatment by the IRS. Consider the following:

1. Contributions, once received and accepted by DSUMF, are irrevocable.
2. All recommendations from you are advisory. IRS regulations common to all donor advised funds requires that the sponsoring charity (in this case, DSUMF) must have final say on all recommendations.
3. The Donor Advised Fund must be operated exclusively for charitable purposes.
4. DSUMF can only consider grants to US-based, tax-exempt, public charities or to qualified governmental organizations.

DSUMF will contact you immediately regarding grant recommendations that do not comply with tax regulations.

Fees

DSUMF incurs expenses while managing your Donor Advised Fund. Some of these expenses include phone support, mailed notices, monthly accounting statements, investment activities, and grant distribution activities. DSUMF needs to cover the costs associated with these services. Typical Donor Advised Fund fees range from 0.25% for gifts over \$2,500,000, to 2.0% for gifts under \$100,000. The fee charged by DSUMF will be determined in consultation with the donor, and will be dependent on the manner in which the donor would like to see the funds invested.

An all inclusive annual fee will be assessed directly to the Donor’s Advised Fund, based on the Fund’s investment option. The agreed upon fee will be assessed at 1/12th of the annual fee on the Fund’s end of month balance on a monthly basis. Fees are not charged to the donor.

Getting started

DSUMF lets you structure your giving over time. A Donor Advised Fund can start with a minimum contribution of \$25,000. This allows you to get started at a low threshold, understand how our program works, and then, as appropriate, contribute more.

Privacy

Points to Consider:

Contribution privacy - donors sometimes want a higher degree of privacy in contributing assets.

Grant-making privacy - Charities often hold a particular limited point of view that may not be consistent with the donor’s viewpoint. Grants distributed anonymously from a Donor Advised Fund avoid differing points of view.

- Donors may live in more than one community.
- Donors may want to reduce grant-making pressures or hurt feelings.
- Donors may not want to be "lobbied" for future gifts.
- Donors may be concerned about unsolicited grant requests or they may want to protect a child from special attention.

Privacy on Your Own Terms

IRS regulations allow a Donor Advised Fund a higher level of confidentiality than private foundations. In addition, we consider donor privacy to be a fundamental aspect of our client relationships. We are committed to maintaining the confidentiality, integrity, and security of our current and prospective donor's personal information.

FYI: Private Foundation tax returns are public information. Therefore, charitable giving to Private Foundations affords a donor only limited privacy. With the advent of the Internet, information is more available than ever. Today, anyone with a computer can access Guidestar (www.guidestar.org) to gain information on any private foundation. Since all of the information is pulled from a foundation's 990-PF (or in some instances the actual scanned 990-PF is available), anyone can see the asset balance, the directors, contact information, administrative fees paid, every grant that is made (organization name and amount), and investment management fees (holdings are sometimes included). Private foundations have little confidentiality and no anonymity.

Charitable giving can be quite personal, and you may want a greater degree of privacy in your charitable giving.

Grant-Making

Once your Donor Advised Fund is established, you are ready to begin making charitable grants. The process for recommending grants is simple:

1. Obtain a Grant Recommendation Form in one of the following ways: 1) e-mail, 2) fax, or 3) USPS.
2. Complete the grant recommendation form
3. Send the completed form via e-mail, fax, or USPS, but a "hard copy" of your signature is needed for our permanent records.
4. Please note that grants must be a minimum of \$2,500 per distribution.

Grant Eligibility

DSUMF will consider your recommendations for grants to any United Methodist-related organization or other non-profit organizations that is classified as a qualified institution under Section 501(c) (3) of the Internal Revenue Code.

Consistent with IRS regulations that apply to all Donor Advised Funds, DSUMF will not approve recommendations for grants to the following:

1. Individuals.
2. Private Foundations.
3. Organizations whereby the grant distribution will satisfy a pre-existing charitable pledge.
4. Organizations whereby the grant distribution will result in private benefits for the donor (e.g. school tuition sent to individuals, dues or membership fees, benefit tickets, the donor's time or services, or goods bought at charitable auction).
5. Political organizations or to organizations that provide support to political campaign activities.

DSUMF reviews each grant recommendation to ensure that it complies with IRS requirements. If there is a problem with a recommendation, we will contact you immediately. Upon the DSUMF's Board of Directors' approval of a donor's recommendation, we will arrange to liquidate appropriate Fund investments for the amount needed to make the grant. We then prepare a check and send it to

the charitable organization. Depending on the donor's wishes, the transmittal letter that accompanies the grant check to the charitable organization will acknowledge the donor or will maintain the donor's anonymity. The donor will receive a copy of the letter that accompanies the check.

We will process grants on an ongoing basis. Normally, DSUMF distributes checks on the 15th and the 30th of each month. If there is an emergency, the DSUMF will distribute a check within a few days of receipt of your grant recommendation, but the donor should generally allow 10 business days from receipt of Grant Recommendation Form to grant distribution.

Anonymity

you may want to support a charity without disclosing your identity to the organization. You can choose to do this on all your grants or selectively by individual grant.

For More Information

This statement is intended to provide basic information regarding Donor Advised Funds by DSUMF. If you have additional questions concerning DSUMF's Donor Advised Funds program, please contact the Desert Southwest United Methodist Foundation, 1550 E. Meadowbrook Ave., Phoenix, AZ 85014, foundation@dsumf.org, 602.266.6956 Ext. 202.