



**DONOR ADVISED FUND AGREEMENT**  
Between  
(Name of Donor(s))  
and  
**The Desert Southwest United Methodist Foundation**

This Agreement is effective the (date of agreement) between (Name of Donor(s)) of (address of Donor) and the Desert Southwest United Methodist Foundation, (the Foundation) and establishes the (Formal name of DAF) Donor Advised Fund (the DAF).

**Recitals:**

WHEREAS, the Foundation is duly incorporated as a nonprofit corporation under the laws of the State of Arizona to be operated exclusively for charitable, religious, and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, including but not limited to the management of donor advised funds of individuals, and it is authorized to receive gifts and bequests, to make contracts of investment, sales and dispositions with reference thereto, and

WHEREAS the Donor wishes to make a contribution(s) to the Fund, to be managed by the Foundation, for the Purpose stated below,

NOW, THEREFORE, both parties agree to the following:

**Particulars:**

**I. Establishment of the (Formal name of DAF)**

**A. The Purpose of the Fund is to make grants to:**

- The Desert Southwest United Methodist Annual Conference and/or its churches or related ministries, and
- IRS-recognized non-profit organizations whose mission is acceptable to the Foundation.

- B.** The Donor agrees to make an irrevocable charitable contribution of at least \$10,000 to be invested by the Foundation and held for distribution as proposed by the Donor. Gifts may be made with cash or publicly traded securities.
- C.** The Donor recommends, and the Foundation agrees, to invest the initial contribution in the Balanced fund. The Donor understands that the principal and future earnings of this investment are subject to market fluctuations and could increase or decrease in value.
- D.** Assets used to establish a DAF are the property of the Foundation, and the Foundation's Board has sole legal authority and control over the investment and distribution of the DAF's income or assets.
- E.** The Foundation will provide the Donor with a letter acknowledging the contribution used to establish the DAF, as well as any subsequent contributions by the Donor to the DAF, as required under federal tax laws to substantiate the contribution for federal income tax charitable deduction purposes.
- F.** The Donor will be the initial DAF Advisor. The DAF Advisor has advisory privileges over the income and assets of the DAF. The Donor may also name one or more successor advisors. Successor advisors typically do not extend more than one generation beyond the original donor.
- G.** If the DAF does not retain assets having a value of at least \$5,000, the Foundation will contact the donor or the DAF Advisor to request an additional contribution to the DAF. If the donor or DAF Advisor fails to respond within twelve (12) months, or declines to make an additional contribution, the Foundation may combine the balance of assets in the DAF with its unrestricted assets or with another fund established within the Foundation and having similar purposes as the DAF. The Foundation will make at least three attempts to contact the Donor or DAF Advisor during the twelve-month period and will notify the Donor or DAF Advisor in writing thirty (30) days prior to combining the DAF balance with its unrestricted assets or another fund.

## **II. No Direct Financial Benefit in Exchange for DAF Distribution**

The Donor understands that under federal tax laws that apply to DAFs, donors, DAF Advisors, and related parties must not receive any direct financial or in-kind benefit in return for a distribution from the DAF to a qualifying charity. Prohibited benefits include, but are not limited to, meals, eligibility for tickets or other privileges, and thank you gifts. Distributions will not be made to cover the costs of membership dues or fees for any person to any organization. Additionally, the federal tax laws regarding excess benefit transactions prohibit donors, DAF Advisors, and related parties from receiving grants, loans, compensation, or similar payments from a DAF. A DAF

established with the Foundation shall be administered in a manner so as not to engage in an excess benefit transaction within the meaning of section 4958 of the Internal Revenue Code. Failure to comply with these rules can result in punitive tax penalties under Federal tax laws, which are imposed on both the DAF Advisor and the Foundation.

### **III. No Pledges**

The Donor understands that no distribution from a DAF may be used to discharge or satisfy a legally enforceable pledge or obligation of any person, including the Donor or DAF Advisor. A DAF cannot be used to fulfill personal pledges made by the Donor, DAF Advisors, or related parties. Because the Foundation's Board has ultimate authority and legal control over the assets of a DAF, a DAF Advisor does not have the authority to make a unilateral decision regarding a distribution from the DAF. For the purposes of definition, the Foundation does not perceive that annual gifts to one's local United Methodist Church are a legally enforceable pledge – but are perceived as voluntary intentions to give. Instead of making a pledge to a charity, the DAF Advisor may say, "I intend to request that the Foundation make a distribution of \$XX from my Donor Advised Fund." This same procedure pertains to multi-year gifts from DAFs.

### **IV. Distributions from Donor Advised Funds**

**A.** The Foundation's Board has ultimate legal control over all assets in DAFs owned by the Foundation. The DAF Advisor may, after the establishment of the DAF, request charitable distributions from the DAF which are consistent with the charitable purposes of the Foundation. The Foundation shall consider and evaluate all such recommendations, but such recommendations will be solely advisory, and the Foundation is not bound by such recommendations.

**B. Limitations.** The following limitations apply to all distributions from a DAF:

- Although many DAF advisors direct the majority of their grants to charities serving the churches, ministries and related entities of the Desert Southwest Annual Conference of the United Methodist Church, DAF advisors are welcome to direct their grants to charities that are located outside of the Foundation's service area and/or that fulfil their mission in other geographic areas. However, **at least 50% of the annual distributions from the DAF shall be given to United Methodist related charitable causes.**
- There is currently no minimum or maximum annual distribution requirement from a DAF under federal tax laws or Foundation policies. If it is desired that the DAF be managed like an endowment, the Foundation currently recommends distributions of 3% - 4% of the DAF's assets annually. The Foundation may require up to forty-five (45) days to fulfil recommended distributions of \$200,000 or more.

- The minimum amount of any one distribution from a DAF shall be \$500, although the Board may from time to time increase or decrease that amount.
- A DAF may not make a distribution to an individual, private foundation, certain supporting organizations, an organization that is not recognized as a 501(c)(3) in good standing with the Internal Revenue Service, or for any non-charitable purpose. The Foundation will promptly notify the DAF Advisor of any problems or issues with a proposed recipient charity's IRS registration.
- A DAF may not pay any expenses, including direct fundraising expenses of a political organization. Additionally, it may not be used to pay for gifts, galas, dinners, raffle tickets, auction tickets, memberships, event or season tickets or the opportunity to purchase such tickets.

### **C. Timelines.**

- Grant recommendations submitted by the 10<sup>th</sup> of a month will be disbursed at the end of that month. Otherwise, they will be disbursed during the following month. The Donor is reminded that he/she/they are not entitled to an income tax deduction for any distribution from the DAF. Therefore, making a DAF distribution at year-end does not provide the Donor with any additional tax benefit.

### **D. DAF Advisors**

- The Donor will be the initial DAF Advisor.
- Should the Donor become incapacitated, unable or unwilling to fulfill the duties of DAF Advisor, \_\_\_\_\_ (name of advisor) \_\_\_\_\_ of (city and state) is appointed to serve in that capacity. If he/she is unwilling to serve in this capacity, or upon the death of the advisor, (select one):

\_\_\_\_ Any remaining funds shall revert to the Desert Southwest United Methodist Foundation as an unrestricted asset for the ministry and mission of the Foundation,

***OR***

\_\_\_\_ Any remaining funds shall be held in trust by the Foundation with annual distributions going to the following charitable beneficiary/beneficiaries:

***OR***

\_\_\_\_ Any remaining funds shall be distributed to the following charitable beneficiary/beneficiaries:

---

*OR*

\_\_\_\_ The fund shall continue with the following individuals having successive advisory status on charitable distributions: (Advisors are listed below in a successive order beginning with the first advisor listed and may not exceed 2 individuals or 20 years)

1. \_\_\_\_\_
2. \_\_\_\_\_

- Following completion of the distributions and/or terms above, the Foundation assumes responsibility of the assets.

**E.** All grant distributions will be sent to grant recipients by the Foundation office accompanied by the Foundation's standard cover letter signed by the Foundation's Executive Director and a postage-paid return envelope for return of the grant recipient's acknowledgement of receipt of the grant. (Grant distributions may be sent anonymously if requested by donor.) Although the grant recipient may acknowledge the grant on its letterhead, it must also return the Foundation's required acknowledgement signed by the appropriate officer or staff member.

## **V. Custody and Reporting**

- A.** All DAF assets are invested in one of the Foundation's main investment pools (funds) at the discretion of the Foundation's Investment Committee.
- B.** Donors will receive monthly statements reconciling beginning and ending market values and showing all receipts, disbursements, and fees. These reports will be sent within 10 business days of the end of the month.

## **VI. Fees**

The Foundation will charge a monthly administrative fee for managing the DAF as set annually by policy of the Foundation Board of Directors. Currently, that **monthly fee is 1/12 of 1%.** Fees are subject to periodic review and modification by the Foundation's Board.

## VII. Staff Contact Information

Foundation staff members are available to assist DAF Advisors in making requests from DAFs. The Foundation offers extensive knowledge about local nonprofit organizations and community needs. Upon request, staff will research community needs that may be of interest to a DAF Advisor.

Main telephone line: 602-798-8202

Email: [foundation@dsumf.org](mailto:foundation@dsumf.org)

Anne Green Email: [agreen@dsumf.org](mailto:agreen@dsumf.org)

Website: [www.dsumf.org](http://www.dsumf.org)

Address: 1300 S. Litchfield Road, Suite 220-O, Goodyear, AZ, 85338

IN WITNESS WHEREOF, the parties hereto have executed this agreement in duplicate originals on the day and year above written.

DONOR:

DESERT SOUTHWEST  
UNITED METHODIST  
FOUNDATION:

---

Date

---

Date

---

Date