



Nonprofit News

Donor-Advised Funds: Love Them or Question Them

By Susan Fisher, Certified Financial Planner, Certified Gift Planner

Donor Advised Funds have been around since 1931 but not until 1969 was there much regulation and not until 1981 were they formally recognized as a convenient manner in which to benefit 501 (c)3 charities chosen by the donor. The Pension Protection Act of 2006 surrounded the process with more stipulations. In the recent past the number of Donor Advised Funds (DAFs) have been growing by double digits annually.

There are strong opinions about DAFs. For those who gift often and regularly, they offer exceptional convenience and are a huge time-saver. For those who don't want letters of solicitation flowing into their mailboxes, they are a haven of privacy. For those who want an easy, less complicated way to gift non-cash assets, they offer efficiency. For nonprofits not having a brokerage account, they offer donors an easy way to gift stock thus receiving a charitable deduction for the full fair market value. The nonprofits are thrilled because they receive a simple check!

But some critics holler "unfair"! Private or Family Foundations are typically used to carry on a family passion, giving more involvement and leadership to charitable purposes, often training their children to do so also. These individuals may find that a Private or Family Foundation is the perfect vehicle. However, Private Foundations are laden with onerous rules, forms and regulations and the cry goes up "why do donor advised funds get away scot-free?" Private or Family Foundations must distribute at least 5% of the balance each year; they may have to pay excise taxes, they must take minutes at their meetings, they must research and verify that distributions are used charitably and no family members may benefit personally from participation. Additionally, they must file tax return Form 990-PF annually. Adding up the additional attorney and accountant costs over the years causes many to choose a Donor Advised Fund instead.

Critics say that DAFs are hoarding funds with no requirement to distribute the funds regularly. They say there is very little oversight and that some non-cash contributions are not getting enough scrutiny when being valued. Especially questionable is the fact that some Private Foundations fulfill their requirement to distribute by contributing to their own Donor Advised Fund, thus again delaying the ultimate receipt by the nonprofit.

A major concern of the nonprofit community is that due to privacy and the ability to choose any desired name for their donor advised fund, a nonprofit has no way to find a master list of donor advised funds and no way to contact the decision maker for the account. With no identification or ability to appeal for support the nonprofit can only accept what comes their way and send a letter back to the custodian of the account hoping that sincere thank you gets passed on to the donor.

So what do we see as potential changes in the donor advised world? We could see tighter regulation and oversight of these accounts. Many of them are held at financial institutions that already see SEC, FINRA and OCC oversight. Including DAFs would be quite simple. Other DAFs are held directly at the nonprofit and still others at Community Foundations. Requiring timely or percentage DAF distributions could be in the future. More rigorous examination of non-cash contributions could be in the offing. Barring contributions from Private or Family Foundations might also be suggested so as to distribute funds to the nonprofits sooner. One of the most frequently voiced desires on the part of lawmakers is to see public benefit from the funds kept in charitable accounts. Similar to IRAs that start requiring minimum distributions at a certain time, Congress and the IRS might decide to require that the beneficiary charity finally start receiving those invested funds earlier rather than later in the life of the DAF.

Keep in touch with the Catalyst Center for the latest updates.

"Only time will tell what the future holds for Donor Advised Funds."

**Summer
2018**

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Client of the Quarter

College Settlement



College Settlement & Summer Camps at College Settlement
Respect Ourselves, Others and Our Natural World

College Settlement's mission is to deliver a unique camp experience to young people concentrated in the greater Philadelphia area, without regard to economic circumstances. Their programs foster personal growth and provide a safe, affordable, and nurturing place for young people to enjoy the outdoors while learning about themselves, others, and the environment.

Summer camps at College Settlement provide two camps to choose from. At their day camp, children can be dropped off by car or can get on their buses early in the morning to hit the campground right before breakfast. Two meals are provided throughout the day, and the campers are free to explore and participate in numerous fun activities throughout the remainder of the day.

At their overnight camp, whether for 5 days or 12 days, campers experience a variety of activities including boating, creek crawls, fishing, exploring, hiking, insect study, and a trip to a real farm right on site just to name a few. Sporting activities may include kickball, basketball, soccer, rugby (taught by a member of the international counselor staff) and the ever popular camper favorite-gaga. Other activities include arts & crafts, cooking, dancing, storybook reading, games and many more. Both camps offer swimming in their swimming pools. Campers are always carefully supervised to ensure their safety. ACA accredited, the camp has been running continuously in Horsham, PA since 1922.

College Settlement uses these five core values to ensure a proper and safe environment for campers:

- **Supportive, Safe and Healthy Environment:** Providing a secure living, learning and recreational environment, both physically and emotionally.
- **Sense of Community:** Fostering an environment of belonging and collaboration, where everyone feels that they matter.
- **Respect and Diversity:** Embracing the uniqueness and worth of every individual, they view our collective diversity as a strength.
- **Equity and Affordability:** Providing high quality programs at reasonable price points and financial assistance for young people who otherwise would not be able to afford such an experience.
- **Connection to the Natural Environment:** Providing opportunities for young people to connect with the power, joy and beauty of the natural world.

This program costs College Settlement approximately \$2,400 per camper over a 12 day session. However, College Settlement charges as little as \$100 per camper and at most \$895 for a 12 day session. Donations from individuals are crucial to fill this gap, and are welcome to brighten children's lives throughout the summer. College Settlement also provides private, public and parochial schools throughout the Spring and Fall a unique field trip with team building and environmental activities all on their 234 acre property.

For information on any of our programming, visit College Settlement at www.collegesettlement.org



Board Boot Camp October 16, 2018 5:30-8:30 PM

The Board Boot Camp program has been designed for both new and experienced board members to learn or refresh their skills on being an effective nonprofit board member. This does not happen by accident, but rather by thoughtful attention to the role of board members in your organization. This intensive program focuses on skills effective board members possess.

Freshman Track ~ for individuals who have served for less than two years on a nonprofit board and are interested in learning about the more general duties of board members.

Advanced Track ~ for individuals who have experience serving for many years or on a variety of boards and are looking to gain insight on the tools used by more mature boards.

Location: Bucks County Visitor Center, 3207 Street Rd., Bensalem PA

Cost: \$35 for first individual and \$15 pp for each additional individual from the same organization (Executive Directors welcome to attend with their boards)

Registration: <http://www.catalystnonprofit.com/our-services/training-events/> Liz Vibber 215-343-2727 or lvibber@bbco-cpa.com for more information.

Register at:
www.catalystnonprofit.com/our-services/training-events/

Contact: Liz Vibber
215-343-2727
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What is a Donor-Advised Fund (DAF)?

Source: National Philanthropic Trust

<https://www.nptrust.org/>

Overview

A donor-advised fund, or DAF, is a philanthropic vehicle established at a public charity. It allows donors to make a charitable contribution, receive an immediate [tax benefit](#) and then recommend grants from the fund over time.

An easy way to think about a donor-advised fund is like a charitable savings account: a donor contributes to the fund as frequently as they like and then recommends grants to their favorite charity when they are ready.

How a Donor-Advised Fund Works



1. You make an irrevocable contribution of personal assets.
2. You immediately receive the maximum tax deduction that the IRS allows.
3. You name your donor-advised fund account, advisors, and any successors or charitable beneficiaries.
4. Your contribution is placed into a donor-advised fund account where it can be invested and grow tax free.
5. At any time afterward, you can recommend grants from your account to qualified charities.

History and Trends

The first donor-advised funds were created in the 1930's, although Congress didn't establish the legal structure for them until 1969. In the 1990's, donor-advised funds began to grow in visibility and popularity, and they have become philanthropy's fastest-growing vehicle in recent years. Today, they account for more than 3 percent of all charitable giving in the United States. For a detailed look at donor-advised fund trends, you can visit www.nptrust.org and view the National Philanthropic Trust's most recent Donor-Advised Fund Report.

“Donor-advised funds, or DAFs, are the most popular and fastest growing charitable giving vehicle.”

HOLD THE DATES: Fall Management Training Series

Pennsylvania Biotechnology Center of Bucks County
3805 Old Easton Rd Doylestown, PA

October 24, 2018 9:00 AM-12:00 PM

Measuring Your Mission

Cindy Bergvall, CPA, Bee Bergvall & Co.

Measure how your different projects, initiatives and programs contribute to your organization's goals and make an impact.

November 7, 2018 1:00-4:00 PM

Pump Up the Volume

Sarah Larson, Furia Rubel Communications
Todd Hurley, Penn Community Bank

Harnessing the power of relationship development, in person and online, to amplify your organization's message and become a rock star board member.



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Contact: Liz Vibber 215-343-2727 lvibber@bbco-cpa.com

SPAM FILTERS COST NONPROFITS NEARLY \$30K

8/14/2018 Mark Hrywna, The Nonprofit Times

Spam filters could still be costing nonprofits an average of almost \$30,000 because about one out of four email messages don't make it to their intended inbox.

The [2018 Nonprofit Email Deliverability Study](#) by [EveryAction](#), a CRM firm with offices in Washington, D.C. and Somerville, Mass., analyzed deliverability data for 55 national nonprofits against the latest industry benchmarks to determine the impact that spam and poor deliverability practices have on fundraising outcomes.

A nonprofit with a 100,000-person email list that sends two fundraising asks per month could be losing out on as much as \$29,613.59 per year due to spam filters. A spam rate of just 1 percent equals \$1,225.73 per year in lost revenue, according to [EveryAction](#).

On average, 24.16 percent of email — that's one out of four messages — was delivered to spam folders monthly in 2017. That's [almost 6 percent higher than 2016](#) and [17 percent higher than in 2015](#). The highest spam rate (32.64 percent) last year occurred in April while the lowest (16.35 percent) occurred in October.

Common causes of a high spam rate could include:

- Making unsubscribing difficult;

- Sending irrelevant email;
- Using an out-of-date email list; and,
- High complaints.

Nonprofits sent about 21 fundraising emails per month last year, one more per month than 2016 and about three fewer per month than in 2015. EveryAction employed the [M+R 2017 Benchmarks Study](#) metrics for average open rate (15 percent), click rate (0.42 percent) and page completion (16 percent).

[Giving Tuesday](#) and End Of Year (EOY) saw spam rates tumble slightly, to 20.34 percent and 21.36 percent, respectively. On Giving Tuesday, which raised more than \$300 million online, charities sent an average of 3.29 emails, with a spam rate of about 20.34 percent, down from almost 37 percent in 2016.

Still, based on EveryAction's research and benchmark figures, a nonprofit with a list of 100,000 sending an average 3.29 emails would potentially have lost \$3,116.41 in fundraising on Giving Tuesday due to spam filters. A spam rate of 21.36 percent at EOY would cause the same nonprofit to lose \$3,239.97 in unrealized fundraising potential.

“Despite expanding email programs and list sizes, diminished engagement and soaring spam rates are significantly weighing down nonprofit fundraising potential,” according to data in the 2018 report.

SUMMER 2018

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