What Is a Donor-Advised Fund?
A donor-advised fund, sometimes referred to as a “DAF,” is a charitable giving vehicle sponsored by a public charity, like the Greater Kansas City Community Foundation. In this role, the Community Foundation is considered a “sponsoring organization” or “DAF sponsor.” Donors contribute to a donor-advised fund at a sponsoring organization, are eligible for a tax deduction, and then recommend grants to IRS-qualified 501(c)(3) public charities. Donors can separate the timing of their contributions from their grants, so in the interim, donors choose how their contributions are invested, and the growth is tax-free.

Why Would a Donor Use a Donor-Advised Fund?
- Donor-advised funds provide centralized, simplified record keeping for all donations.
- A donor may wish to donate a hard-to-value asset, like a privately held business, real estate or bitcoin to multiple nonprofit organizations. Some nonprofit organizations may not have the ability to accept complex assets.
- Assets in donor-advised funds are invested, so donors’ charitable assets can grow, ultimately increasing the amount they can give over time to nonprofit organizations.
- Sponsoring organizations like the Community Foundation can provide strategic counsel to donors and can help develop custom charitable giving plans to help donors address community challenges.
- Donor-advised funds support legacy planning and can engage multiple generations of family members in charitable giving.

Who Can Open a Donor-Advised Fund?
Individuals, families, companies, foundations and other entities can open donor-advised funds.

How Should Nonprofits Acknowledge Donor-Advised Fund Grants?
Grants from donor-advised funds are not tax deductible, because the donor received a tax deduction when they made the original contribution to the donor-advised fund. Nonprofits should not send a tax receipt to the sponsoring organization or the donor, but they can send a thank you message directly to the donor.

Who Can Receive Grants from Donor-Advised Funds?
A donor can enjoy supporting any 501(c)(3) public charity in the United States, including governmental, educational and religious institutions through a donor-advised fund. The sponsoring organization will exercise due diligence to make sure grants from donor-advised funds are given to organizations that have met 501(c)(3) IRS requirements. In some cases, the sponsoring organization may need to contact the grant recipient (nonprofit) for additional information before approving the grant.
CAN A DONOR USE A DONOR-ADVISED FUND TO PAY FOR A MEMBERSHIP?
Grants from donor-advised funds may cover the cost of memberships if the nonprofit confirms that the full cost is 100% tax deductible. If the cost is not 100% tax deductible, the donor must waive the more than incidental benefits related to the membership. Here are examples of incidental membership benefits that are permissible in exchange for donor-advised fund grants:

- Free admission to all exhibits
- Discounted or free parking
- Discounts at the gift shop
- Preferred access to special ticketed events where you pay for tickets separately
- Invitations to members-only exhibits
- Low-cost items, such as a newsletter, calendar, key chain or coffee mug

CAN A DONOR USE A DONOR-ADVISED FUND TO COVER EVENT COSTS?
Grants from donor-advised funds may support nonprofit organization’s events, but here are a few things to keep in mind:

Tickets, Tables and Sponsorships
The lowest ticket price (both the tax-deductible and non-tax-deductible portion) must be paid from a donor’s personal bank account. Remaining sponsorship costs may be by a grant from a donor-advised fund, as long as the donor does not receive more than an incidental benefit in return. Logo or name recognition in event materials is not considered more than an incidental benefit.

Here is an example of what can be paid from a donor-advised fund for an event:
A $5,000 event sponsorship includes a table for 10 with the donor’s name or logo in event materials. If the lowest ticket price to attend the event is $100, then the donor must pay $1,000 for the table from the donor’s personal bank account ($100 × 10 seats at the table) and a grant from a donor-advised fund can cover the remaining $4,000. NOTE: If a donor chooses not to accept any benefits associated with a sponsorship, the entire amount may be paid by a grant from a donor-advised fund.

Raffles and Auctions
Donor-advised fund grants may support fund-a-need calls for outright donations at charitable events. However, raffle tickets or auction items cannot be paid by grants from donor-advised funds, because the donor cannot receive any personal benefits.

CAN A DONOR USE A DONOR-ADVISED FUND TO PAY FOR A PLEDGE?
A grant from a donor-advised fund may fulfill a commitment to a 501(c)(3) public charity. However, Treasury and the IRS prohibit using the term “pledge” on grant checks or related correspondence. Instead, the donor should reference a “donation” or “gift.”