



**CORNERSTONE
FOUNDATION**

*Empowering Credit Unions to Make
a Difference in Their Communities*

Donor Advised Handbook

A Donor Advised Fund is a Great Alternative to Starting a Private/Public Credit Union Foundation

A Cornerstone Foundation donor advised fund offers many of the advantages of a private/public foundation without the initial set-up costs, ongoing excise taxes, and administrative expenses. By working with the Cornerstone Foundation, your credit union will avoid the continued compliance and reporting requirements as well as a separate accounting system to track your nonprofit's financials. With a donor advised fund you can simplify and improve your credit union's charitable giving because contributors to the fund (including both individuals and organizations) can leverage the tax deductibility of donations.

Comparison of Key Features

Cornerstone Foundation Donor Advised Fund	Private/Public Foundation
No set-up fees	Substantial set-up costs (legal, accounting, filing fees)
No specific annual distribution requirement	5% annual distribution requirement
No excise taxes	Excise taxes, typically 2% of annual income
Shared operating cost	Responsible for all operating costs
No need to acquire 501(c)(3) status	Requires 501(c)(3) status, which must be maintained with the IRS
Aggregated annual reporting and licensing	CU responsible for annual reporting and licensing

A Charitable Fund that Benefits the Community and Your Credit Union

If your credit union is considering its own foundation, a donor advised fund offers significant benefits and is an excellent way to carry out your charitable wishes. A Cornerstone Foundation donor advised fund gives your credit union the flexibility of its own foundation without the task of starting and managing a private/public foundation.

Benefits of a Donor Advised Fund

- Continued involvement of donors because the recipient and amount of each charitable grant is disbursed following your credit union's recommendation
- Ability to name your credit union's donor advised fund and market your fund to the organizations of your choosing
- Potential increase in fundraising from members and partner organizations because donations are tax deductible
- No capital gains taxes on gifts of real estate or limited partnership interests
- Federal tax deduction up to 30% for gifts of appreciated, long-term securities
- An opportunity to support favorite local charities, as well as any other 501(c)(3) charities in the United States
- Professional staff to assist you at any time
- No reporting requirements, administrative burdens, or start-up costs – we handle the paperwork
- The advised fund is owned and controlled by the Cornerstone Foundation. However, the advised fund is separately identified with reference to the contributions of the donor.

Establishing a Donor Advised Fund with the Cornerstone Foundation is Simple

Review your charitable giving plans with your board of directors, financial, and legal advisors. Together with the Cornerstone Foundation, can assist you in determining the best type of gifts and the most appropriate assets to start your donor advised fund.

Steps to Establishing a Donor Advised Fund

1. Name your fund. You can choose the name of the fund as well as brand it as the credit union's very own charitable fund.
2. Complete the fund agreement form.
3. Transfer your assets. A minimum opening deposit of \$10,000 is required. Appreciated securities can be transferred electronically from your financial institution to the Foundation's financial custodian, or you may write a check to the Cornerstone Foundation.
4. Develop your strategic plan. The Cornerstone Foundation will help you establish a decision-making board or committee, as well as application, approval, funding, and reporting processes. These steps ensure that you optimize the use of your fund.

Frequently Asked Questions

Who is considered the Donor?

The credit union or credit union organization acts as the Donor of its donor advised fund and will always be referred to as such.

Who is responsible for fundraising for the fund?

Donors are responsible for raising funds to support their fund. Cornerstone Foundation may help provide fundraising ideas, but the Donor is responsible for implementation.

How do I recommend a grant?

Grants must be for charitable purposes. Donors may recommend grants to any organization described in section 501(c)(3) and 170(b)(A) of the Internal Revenue Code except that the Foundation does not make grants to private foundations. You may also recommend grants to most units of government (e.g., public schools, colleges and universities, town and municipal governments, police departments, etc.). Under IRS regulations, the Cornerstone Foundation is considered the legal entity making the grant. Grant recommendations will be made online through the Cornerstone Foundation's grants portal.

Are there any restrictions?

Yes. The Internal Revenue Code prohibits grants to individuals from donor advised funds. Also prohibited are grants for political contributions or to support political campaigns. Grants may not result in benefits, goods or services to the donor, the fund advisor, members of their families, and businesses they control. Benefits include the payment of pledges, event tickets, meals, sponsorships, registration fees, discounted merchandise, preferred parking and/or seating, and memberships unless the membership confers nothing of value. Expense reimbursements, loans, compensation, and other similar payments are not permitted from a donor advised fund.

The Cornerstone Foundation does not make grants from donor advised funds, even for charitable purposes, to other types of nonprofit organizations (non-charities) or to businesses. Examples of organizations to which the Cornerstone Foundation will not grant include social welfare organizations 501(c)(4); veterans' organizations; cemeteries; Chambers of Commerce and similar business associations; fraternities and sororities; social clubs; and fraternal organizations such as Elks and Moose.

Houses of worship and faith formation organizations are ineligible (i.e., church), but 501(c)(3) organizations with a foundation in religion, such as Habitat for Humanity and the YMCA, are eligible. Organizations that discriminate based on race, color, creed, religion, national origin, sex, sexual orientation, gender identity, age, disability, military veteran status, or ethnicity or other category as defined by applicable, state, federal, and local law are not eligible to receive donations from the Advised Fund, nor those that may compromise the Cornerstone Foundation's integrity and values or that the Cornerstone Foundation deems inappropriate.

Grants from a donor advised fund can support organizations that/who carry out their work in the US and other countries. Donor advised funds cannot support non-US organizations or governmental entities.

What if a charitable organization asks for a pledge?

In accordance with IRS regulations, grants from donor advised funds may not be used to satisfy an irrevocable personal pledge or obligation of the donor, and no goods or services may be given to the donor by the recipient organization in consideration of a grant. While distributions from donor advised funds may not legally fulfill pledges, you may offer a grant to a charitable organization requesting a pledge.

What kind of organization may I recommend for grants?

You may recommend nonprofit public charities, schools, religious organizations (see above restrictions), and government programs. They must be exempt under Section 510(c)(3) and 170(b) (A) of the Internal Revenue Code.

May I recommend a grant to an individual?

No. According to IRS regulations, the Cornerstone Foundation may make distributions only to qualifying entities as stated above.

How are recommendations processed?

Once the grant recommendation is received by the donor and submitted for approval, the Cornerstone Foundation will review to ensure it meets appropriate guidelines and IRS regulations. One of the benefits of having a donor advised fund with the Foundation is the assurance that your grant will always be given to qualified entities. If any information is uncovered that might lead the Foundation to question a grant recommendation, it will immediately be brought to your attention.

After review, the Cornerstone Foundation issues a check to the charitable organization with an accompanying letter. You may also request to receive the check directly for your own distribution. Unless other arrangements have been made (e.g. anonymity requested), the grant letter will indicate that the contribution is from “[NAMED FUND]” and that it has been given upon the recommendation of the named donor. The recipient organization is encouraged to acknowledge the gift to the donor and also to the Cornerstone Foundation. Additional language confirms that no benefits have been offered or provided to the Foundation or the donor in exchange for the accompanying grant. If the recipient organization publishes a news release or a list of donors, it is asked to indicate the contribution as a grant from “[NAMED FUND].”

How often and when may I make distributions from the fund?

You may make recommendations at any time. Requests are processed as requested.

How will you keep me informed of the fund’s activity?

You will receive a quarterly statement detailing contributions, grant making activity, investment performance, administrative expenses, disbursement fees, and the fund balance.

How do I make an additional contribution to the fund?

Contributions to an advised fund may be made in any amount and at any time. Contributions of cash, appreciated securities (both publicly traded and privately held), and gifts of real estate and certain other assets such as partnership shares, are eligible as contributions to your fund. Contributions should be clearly designated by fund name. Gifts to an advised fund are irrevocable.

What happens to the income made on the fund investment?

The Foundation has the sole responsibility and authority for investment of the assets of each donor advised fund. Donor advised funds are customarily invested and commingled with assets of other funds of the Foundation. Donors will have the opportunity to designate how dividends are allocated:

- Donate 100% of the dividends to the Cornerstone Foundation's Development Fund on behalf of the credit union.
- Donate 50% of the dividends to the Cornerstone Foundation's Development Fund on behalf of the credit union.
- 100% of the dividends shall remain in the Advised Fund.

How is the disbursement fee structured?

The Foundation reserves the right to charge a tiered per-transaction disbursement fee based on the disbursement amount as listed below and an annual storage fee of \$250.

Up to \$9,999 = 4%

\$10,000 to \$49,999 = 3%

\$50,000 to \$99,999 = 2%

Over \$100,000 = 1%

Can the fund ever become inactive?

A fund is deemed inactive if the Cornerstone Foundation does not receive the annual storage fee and the donor does not reply to the Foundation's attempts to contact them. If the fund is determined to be inactive, the assets of the fund will become a part of the Cornerstone's Foundation's Endowment Fund.

Whom do I contact with questions?

If you have a question about your donor advised fund or Foundation services, we invite you to contact us with any questions.

Emily Moreno, Grants Manager
Cornerstone Credit Union Foundation
6801 Parkwood Blvd., Suite 300
Plano, TX 75024
214.334.3397
emoreno@cornerstonefoundation.coop

Cornerstone Credit Union Foundation Donor Advised Fund Agreement

Guidelines to establish the donor advised fund (Advised Fund), a special fund to be administered by the Cornerstone Credit Union Foundation (Cornerstone Foundation), are as follows:

1. Name of Credit Union (Donor): _____

2. Name of Advised Fund: _____

3. Initial Deposit Amount: _____

4. Contact Person's Name: _____

Title: _____

Mailing Address: _____

Direct Work Phone: _____

Cell Phone: _____

Email: _____

The principal shall be administered by the Cornerstone Credit Union Foundation (Cornerstone Foundation), a 501(c)(3) tax-exempt organization, 6801 Parkwood Blvd. Ste. 300, Plano, TX 75024 in accordance with applicable law and the Cornerstone Foundation's charter, bylaws, and policies.

1. All contributions shall clearly identify the Advised Fund by name.
2. The Cornerstone Foundation will provide the Donor a quarterly statement for the Advised Fund.
3. The assets of the Advised Fund shall be invested according to the Cornerstone Foundation's investment strategy and may be amended from time to time.
4. Dividends earned on the Advised Fund balance shall be used for purposes established by the donor. Dividends shall be allocated as follows:

Please donate 100% of the dividends to the Cornerstone Foundation's Development Fund on behalf of the credit union.

Please donate 50% of the dividends to the Cornerstone Foundation's Development Fund on behalf of the credit union.

100% of the dividends shall remain in the Advised Fund.

5. The Foundation reserves the right to charge a tiered per transaction disbursement fee based on the disbursement amount as listed below and an annual storage fee \$250.

- Up to \$9,999 = 4%
- \$10,000 to \$49,999 = 3%
- \$50,000 to \$99,999 = 2%
- Over \$100,000 = 1%

6. This Advised Fund shall be established to carry out charitable giving wishes. Although the Cornerstone Foundation welcomes distribution recommendations, all recommendations are advisory in nature. The Cornerstone Foundation may accept or reject recommendations.

7. Grants may only be made for charitable purposes and may not result in personal benefit to any individual (other than for charitable intent, such as a scholarship). No goods or services are to be provided in exchange for any grants, nor may grants from the Cornerstone Foundation satisfy any legal obligation of any individual.

8. The Donor understands that the Cornerstone Foundation’s Board of Trustees can modify any condition or restriction on the distribution of funds for any specified charitable purpose or to specified organizations, if in its sole judgment (without the approval of any trustee, custodian, or agent) such restriction or condition becomes, in effect, unlawful, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served by the Cornerstone Foundation.

9. The Cornerstone Foundation has the authority to amend and/or change any of its specific fund agreements to remain in compliance with applicable laws and regulation. Other changes in agreements may be made in consultation with the donor.

10. The Cornerstone Foundation retains the right to amend any policies in this document.

11. By signing this document, the Donor agrees they have read the FAQs and understand the roles and responsibilities of both the Donor and the Cornerstone Foundation.

Signature of Credit Union’s Advised Fund Point of Contact:

_____ Date: _____

Printed Name _____

Signature of Credit Union CEO/President:

_____ Date: _____

Printed Name _____

Signature of Cornerstone Foundation Executive Director:

_____ Date: _____

Printed Name _____