

Cornerstone Foundation

Donor Advised Funds



**CORNERSTONE
LEAGUE**



**CORNERSTONE
FOUNDATION**



**CORNERSTONE
RESOURCES**

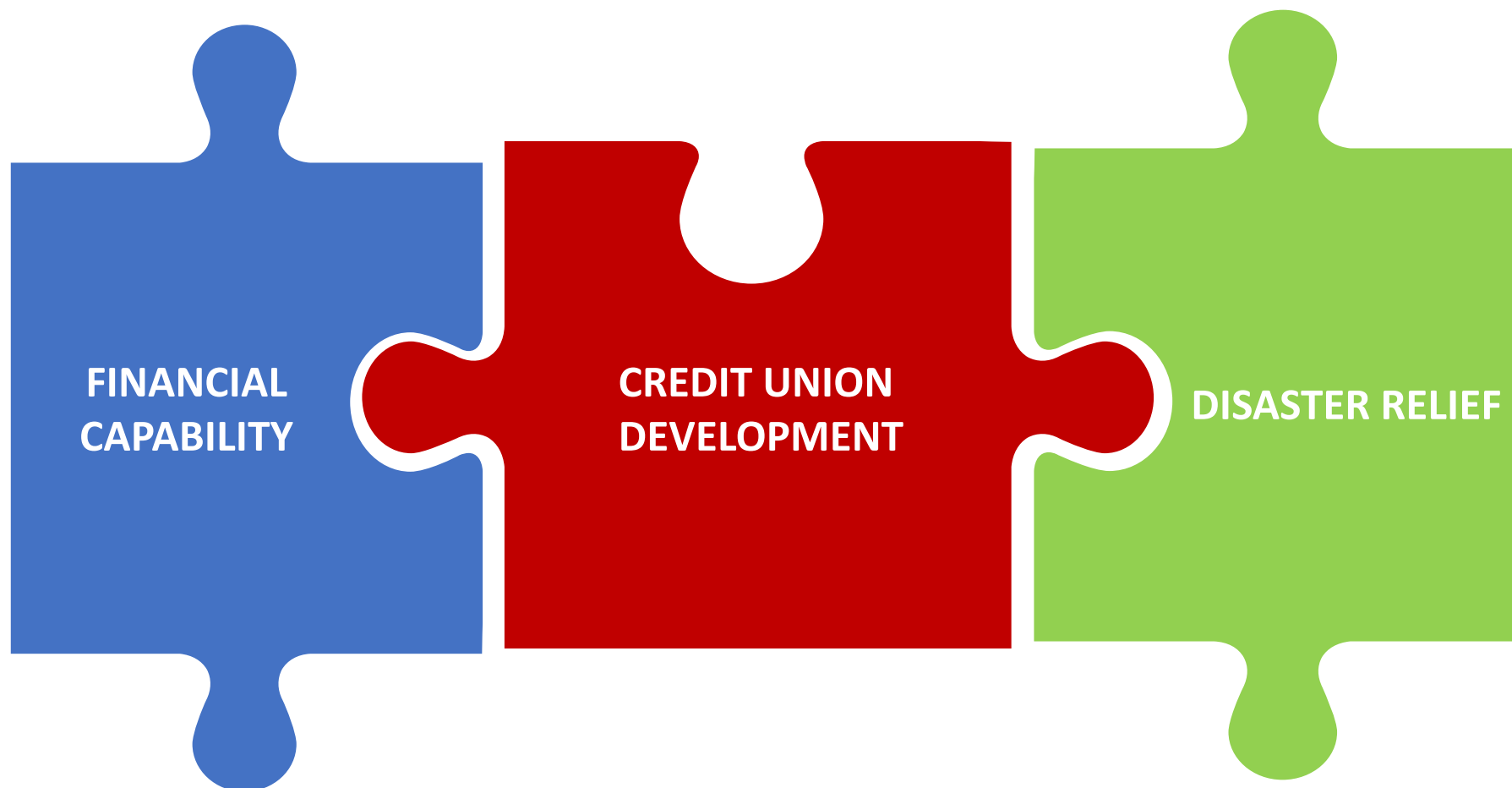


**Empowering People
to Improve Their
Financial Well-Being**

**The Premier
Resource For
Building A Better
Financial Future**



Initiatives



Benefits of a Donor Advised Fund

- o Ability to name your credit union's DAF and market your fund to the organizations of your choosing
- o An opportunity to support favorite local charities, as well as any other 501(c)(3) charities in the United States
- o Potential increase in fundraising from members and partner organizations because donations are tax deductible
- o No capital gains taxes on gifts of real estate or limited partnership interests
- o Federal tax deduction up to 30% for gifts of appreciated, long-term securities
- o Professional staff to assist you at any time
- o No reporting requirements or administrative burdens
- o 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.

Great Alternative to Starting a Private/Public Foundation

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

Establishing a Donor Advised Fund is Simple

- o Name your fund - brand it as the credit union's own charitable fund.
- o Complete the fund agreement form.
- o Transfer your assets. A minimum opening deposit of \$10,000 is required.
- o 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.

FAQs

◌ Who is considered the Donor?

The credit union or credit union organization acts as the Donor of its 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 and tools, but the Donor is responsible for implementation.

- Text-to-give
- Square site
- CDA (Charitable Donation Account)

FAQs

◌ 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.

FAQs

◌ Are there any IRS restrictions?

Yes. The **IRS** prohibits the following:

- Grants to individuals
- 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
 - What if a charitable organization asks for a pledge? Grants may not be used to satisfy an irrevocable personal pledge or obligation of the donor. While distributions from donor advised funds may not legally fulfill pledges, you may offer a grant to a charitable organization requesting a pledge.
- Grants to other types of nonprofit organizations (non-charities) or to businesses even for charitable purposes. Examples 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.

FAQs

◊ Are there any Cornerstone restrictions?

Yes. **Cornerstone Foundation** prohibits the following:

- Houses of worship and faith formation organizations are ineligible (i.e., church),
 - 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
- Organizations that may compromise the Cornerstone Foundation's integrity and values or that the Cornerstone Foundation deems inappropriate
- Organizations that/who carry out their work in the US and other countries. Donor advised funds cannot support non-US organizations or governmental entities.

FAQs

How are recommendations processed?

Cornerstone Foundation will review grant requests to ensure it meets appropriate guidelines and IRS regulations. Your grant will always be given to qualified entities.

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.

A grant letter will indicate that the contribution is from “[NAMED FUND]” and that it has been given upon the recommendation of the named donor.

FAQs

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 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.

FAQs

◌ 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.

FAQs

◌ 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%

WELCOME TO TODAY'S WEBINAR

A Guide to CDAs



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There's a Reason Trust is Our Middle Name™

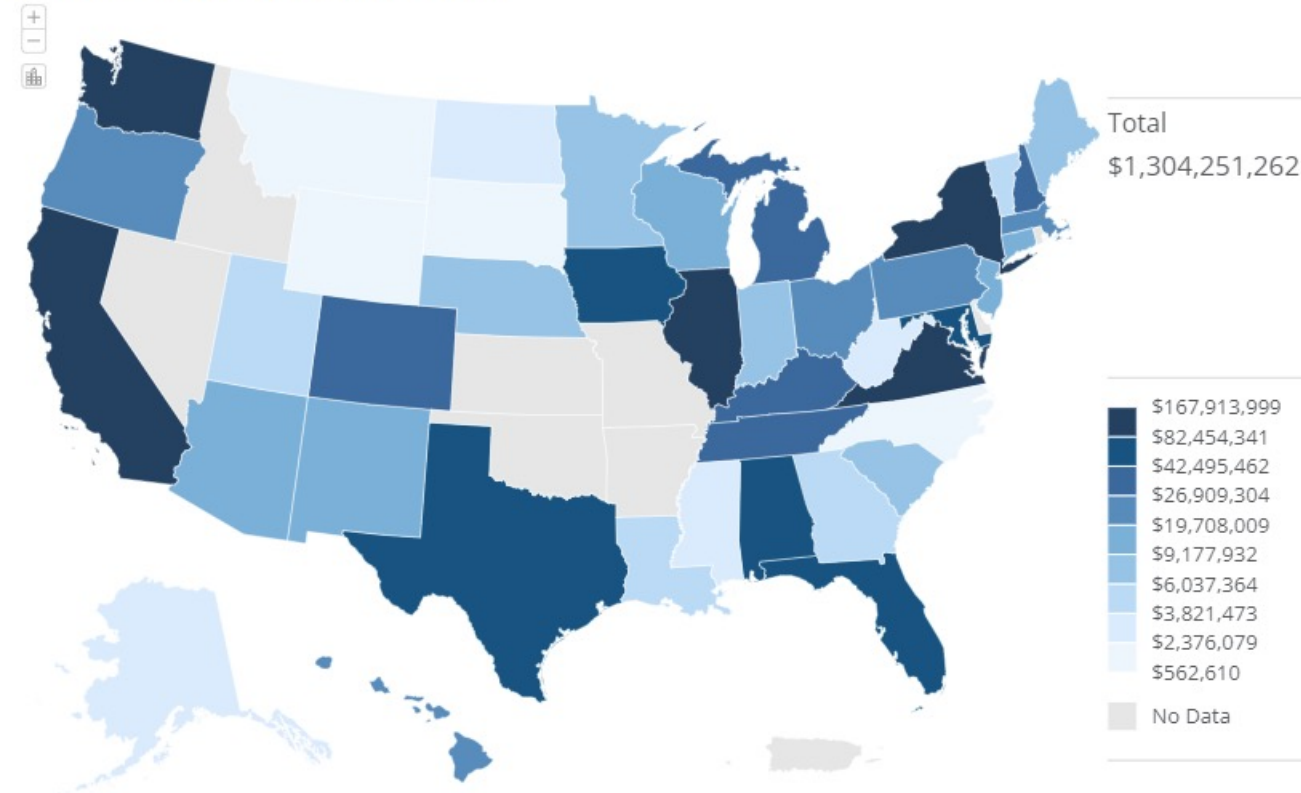
- Founded in 1987 by America's Credit Unions
- \$4.4B in AUM, over \$1.4B in capital investments for credit unions
 - \$400M in Charitable Donation Accounts
 - \$1B in Employee Benefit Funding Trusts
- Main Street values & Wall Street expertise...without the ego or exorbitant fees
- Industry recognized innovators and subject matter experts in trust and investment solutions, big and small

State of the Credit Union

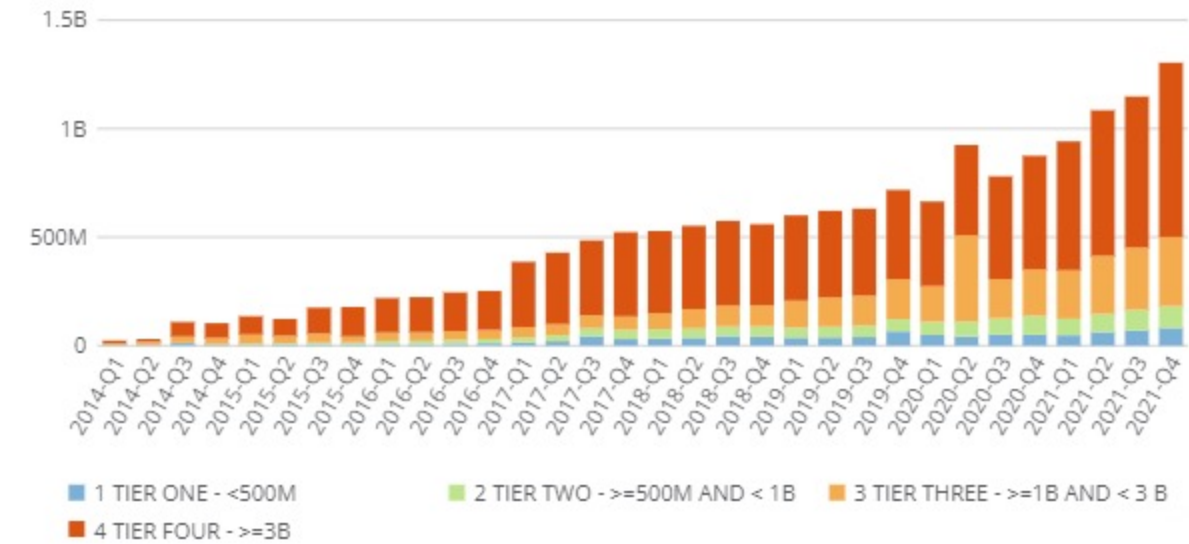
CDA Investments



221 Credit Unions with CDAs



1B CDA Investments



Community Impact

CDA Dollars in Action



**CORNERSTONE
FOUNDATION**

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



**CORNERSTONE
FOUNDATION**



Donor Advised Funds

What is a CDA?

WHAT IS A CHARITABLE DONATION ACCOUNT ("CDA")?

A CDA is a sustainable charitable funding strategy that takes advantage of expanded investment powers to fund a credit union's community support goals through investment returns rather than as a fee to members or an expense to the credit union. In fact, our credit union partners have earned an average of 6x more on their CDA investments than their typical ROA. More income and a greater impact on our communities; CDAs are truly a win-win for credit unions and their member communities.



A credit union investment dedicated to funding charitable contributions.

- Donate 51% of total return to 501c3 including Credit Union foundations at least every 5 years
- Limited to 5% of net worth



Non-703 investments are permissible



Active investment management to fund a target expense

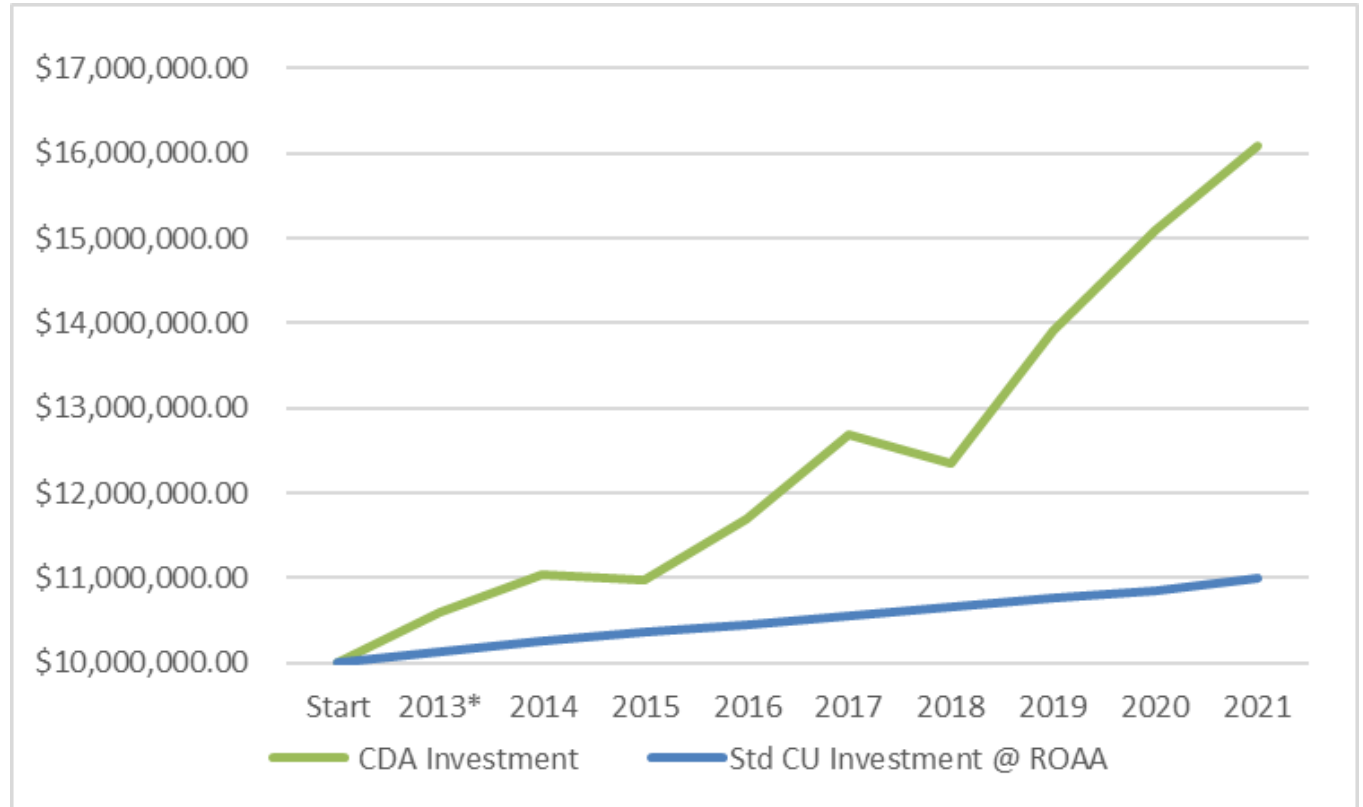
Give More by Making More

Our credit union partners have earned \$90mm on their CDA investments; **that's \$75mm more** than their standard investments.*

* Charitable donation returns as of 12/31/21 for the average credit union partner



CDA vs ROA

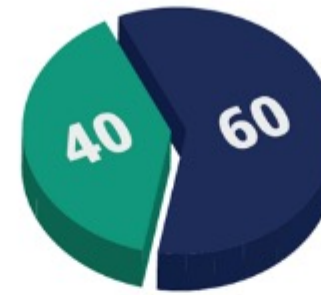


Members Trust Company CDAs helped our credit union partners donate 6x more to their charitable giving focus.

ETF Asset Allocations By Objectives



Income Focus ETF



Conservative ETF



Balanced ETF



Balanced 60/40 ETF



Moderate Growth ETF



Growth ETF

● Equities ● Fixed Income

Meeting CDA Requirements

Turnkey CDA Program



Board policy, Segregated Account, Written Agreement



Initial funding analysis – goals based and limited to 5% of Net Worth



Third party vendor due diligence – RIA or OCC regulated



Pre-purchase & post-purchase investment analysis—investment risk, liquidity risk, compliance risk



Distribute 51% of total return to 501c3 charities including CU Foundations at least every five years



Comply with GAAP

Questions?



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“The Cornerstone Foundation’s Donor Advised Fund opportunity enabled us to establish the ACU Cares Foundation, led by a committee of our employees, several years earlier than we had thought possible and at a fraction of the cost. Thanks to Cornerstone’s partnership for helping us to help our community.”

Amy Downs, CEO, Allegiance CU

Questions?

Emily Moreno, Grants Manager

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