



# Where Should We Keep Our Money? Donor-Advised Funds & Fiscal Sponsors

## Donor Advised Funds

➤ Giving circles whose members wish to receive charitable tax deductions for their contributions often set up a donor-advised fund, or DAF, at a public charity. DAFs allow donors to receive an immediate tax benefit at the time they donate to the DAF, and then to recommend grants from the fund at any time to qualified tax-exempt organizations. The organization offering the DAF provides the tax receipts to donors, manages the account funds, and completes basic due diligence on grant recipients.

At many organizations offering DAFs, the DAF funds are invested; any income earned through the investments is also available for grant distribution, while investment losses are deducted from the account. Fundholders can often choose how their account funds are invested from a list of investment options. Account owners pay administrative fees on the funds in the account and/or on each transaction. Many organizations provide online donor portals for contributions, grant disbursements, and up-to-date access to account information.

Donors can contribute to most DAFs by check or credit card, or make a gift of appreciated securities (which are deductible at their full fair market value; donors pay no capital gains tax on the appreciation and the full amount of the appreciated value is available for charity).

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Some DAFs offer Collective Giving Funds, which enable multiple donors to contribute into one account, often with lower administrative fees, minimum account balances, and minimum grant amounts.

Importantly, an account holder at a DAF does not have the final word on whether funds are distributed to the organizations it chooses. Technically, the donor is “advising” the fund to make the grant (hence the name “donor-advised fund”). While in almost all instances, the DAF will make the grant that the donor requests, there may be technical reasons why it cannot make some grants.

## Examples of Non-Profit DAFs

NAME	WEBSITE	CONTACT	COLLECTIVE GIVING/DAF ACCT MINIMUM	MINIMUM GRANT AMOUNT	FEES
FJC	fjc.org	Nikki Carpenter carpetner@fjc.org	None	\$100	2% on all contributions; 1% avg daily balance, assessed quarterly
Jewish Communal Fund	jcfny.org	Beth Wohlgelernter beth@jcfny.org	\$5,000 or \$1,800 for under 30	\$36 or \$100, depending on whether grantee is in JCF database	.75% annually on assets or a minimum \$150 annually assessed monthly

## Fiscal Sponsorship

➤ Fiscal sponsorship is when a tax-exempt organization formally agrees to act as the fiduciary agent of a project that does not have tax-exempt status. Having a fiscal sponsor obviates the legal and administrative work involved with creating a new tax-exempt organization, while enabling all contributions to be tax-deductible. There are two types of fiscal sponsorship relationships that giving circles might pursue:

### Type 1: HOST

A local Federation, Jewish community foundation, community foundation, and even a local family foundation or non-profit institution might be willing to serve as the financial and legal home of a giving circle, acting either formally or informally as a fiscal sponsor.

In this case, members make their contributions to the fiscal sponsor and receive a receipt for tax deductibility purposes from the fiscal sponsor; the giving circle then tells the fiscal sponsor which organizations it wants to support with its grants, and the fiscal sponsor writes the grant checks to the grant recipients. If your circle wants to explore such a relationship with an organization, make sure to talk through the following questions and ensure that both sides are aligned on their preferences:

- ➔ Would you want our giving circle to pay a fee to you for serving as our fiscal sponsor? If yes, what would it be?
- ➔ What kind of restrictions (if any) would you put on the organizations our circle wants to make grants to?
  - *Must they be registered 501(c)3s?*
  - *Do they have to be located in a particular geographic region (city, state, country)?*
  - *Do they have to focus on particular issue areas? Are there certain issue areas or organizations that are beyond the pale for you—where even if we decided to support them with our grants, you would not be willing to write the grant checks?*
- ➔ Does your organization intend to have any role in the operations of our giving circle? What type of connections do you want to our members?
- ➔ Does your organization want us to publicize—or keep anonymous—the role you are playing in our giving circle? (Some organizations might want public recognition; others might want to avoid advertising too broadly that they are doing your circle this favor.)
- ➔ How often will we be able to check in with your organization about our account balance? Will our money be held in a separate, dedicated account?

### Type 2: FISCAL SPONSOR

Few giving circles are elaborate enough to need this option, but in some cases, giving circles themselves resemble nonprofit organizations: they have substantial administrative expenses (e.g., for staff, operations, events, vendors, consultants) and members want tax deductions for their contributions to support those administrative expenses. In these cases, the giving circle can apply for fiscal sponsorship through an approved nonprofit fiscal sponsor, which will likely charge a fee for this service. (Giving circles might also apply for fiscal sponsorship if they plan to fundraise from foundations, which can often only make contributions to tax-exempt organizations.)

As with a DAF, fundholders usually pay an administrative fee to the fiscal sponsor, can (often) select how their funds are invested, and can (often) view up-to-date account balances through online account systems.

Both FJC and the Jewish Communal Fund (see above) are willing to serve as fiscal sponsors for giving circles. Many local Federations, community foundations, and major nonprofit organizations might be willing to serve as fiscal sponsors as well—again, with differing levels of publicity and involvement in the circle itself.

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*For much more information about the relationship between giving circles and their hosts—and the advantages and challenges of this relationship—see the Forum of Regional Association of Grantmakers' [Handbook for Giving Circle Hosts](#).*

*For more information on Fiscal Sponsorship, visit the [Knowledge Base at GrantSpace](#). See also the searchable directory of US fiscal sponsors available [here](#).*

*Amplifier is happy to help brainstorm DAF, fiscal sponsorship, and hosting options. Reach out to [hello@AmplifierGiving.org](mailto:hello@AmplifierGiving.org).*