



COMMUNITY
FOUNDATION
of Northwest Mississippi

**A Guide to Your
Donor-Advised Fund**

Introduction

Thank you for your interest in establishing a donor-advised fund (DAF) with the Community Foundation of Northwest Mississippi (CFNM.) CFNM is a tax-exempt public charity under sections 501(c)(3) and 509 (a)(1) of the Internal Revenue Code.

This donor guide is intended to provide an overview of CFNM's DAF program and policies. The guide also includes important details regarding creating and maintaining your DAF. All DAF activities are subject to the terms and conditions outlined in this donor guide, as well as CFNM's articles of incorporation and bylaws. CFNM reserves the right to modify the DAF program and this donor guide at any time.

About the Community Foundation of Northwest MS

The Community Foundation connects people who care with causes that matter. It assists donors as well as nonprofit organizations and charitable causes make a difference in people's lives. While donors designate their charitable contributions, the foundation has set its priorities as education, health and children in order to make the greatest impact on its community.

The Foundation is the link – the connecting point – between people who care and the causes that matter to Northwest Mississippi residents' quality of life. As the head of one regional nonprofit organization said, "You don't give to the Community Foundation; you give through it."

Our staff can share their vast knowledge of the nonprofit community in northwest Mississippi and offer you technical grant making assistance. CFNM provides philanthropic service support for charitable gifting and granting. This support includes:

- Online access to monitor all donor-advised fund activities, research charities and recommend grants.
- Assistance with charitable research, and help managing complex contractual grantee relationships.
- A well organized, information-rich website with news, articles and resources on philanthropy.

For any questions regarding how CFNM can support your philanthropic goals, please visit our website, www.cfnm.org, or contact us at 662-449-5002.

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Creating a Donor-Advised Fund at CFNM

Individuals, families, companies, trusts, estates, private foundations and nonprofits are all eligible to open a donor-advised fund at CFNM. The individual or entity that opens a DAF is considered the Primary Donor.

You can open a DAF by completing a Donor Application and making an irrevocable contribution of \$5,000 or more. You or your advisor may download and complete an application on CFNM's website. You may return the application via mail or fax. You may also request an application by calling us at 66-449-5002.

Contributions

You may contribute both liquid and illiquid assets to your DAF. CFNM reviews each proposed contribution on a case-by-case basis.

Contribution Process

Depending on the type of asset, CFNM's review and acceptance procedures vary. If CFNM cannot accept a contribution for any reason, you will be notified as soon as possible. Commonly contributed assets and their respective delivery instructions include:

- **Cash Contributions:** You may deliver cash by check or wire. Checks should be made payable to the Community Foundation of Northwest Mississippi.
- **Publicly Traded Stock:** You may transfer stocks ("in kind") via wire to CFNM's brokerage account. For information on this process, contact our office.
- **Other Property:** Such contributions can include non-publicly traded assets (such as shares of a privately-held company), real estate, art, collectibles, mineral rights, etc. Delivery of these illiquid assets varies. CFNM manages all aspects of liquidating the asset with the goal of maximizing its value. You are responsible for securing a qualified appraisal to substantiate your charitable tax deduction.



Contributions are Irrevocable

Once NPT approves and accepts your contribution, it is irrevocable. NPT retains exclusive legal control over the contributed asset and you may not impose any material restriction or condition on the gift.

Testamentary Gifts/Gifts from Trusts

Contributions to a DAF can be a part of your estate planning. A DAF at CFNM can be the beneficiary of your bequest or other testamentary vehicle. It can also be the beneficiary of:

- A retirement plan such as an Individual Retirement Account (IRA), or 401(k) plan.
- A Charitable Remainder Trust, and certain Charitable Lead Trusts.
- A life insurance policy.
- A brokerage account or other accounts that allow you to designate beneficiaries.

Gift Receipts & Tax Forms

Gift Receipts

CFNM provides a contribution confirmation, which serves as your gift receipt. Please keep the receipt for your records.

Tax Forms

If required, CFNM will sign an IRS Form 8283 to acknowledge receipt of your contribution. The Form 8283 also contains a summary of your qualified appraisal of the fair market value of contributed assets.

Tax Considerations

NPT is a public charity, which allows donors to take the most favorable charitable tax deductions. You should consult your tax advisor to determine the appropriate deduction limits.

Tax Eligibility

You are eligible for an itemized income tax deduction on the date that you irrevocably gift your asset to CFNM. Any deduction will depend on the type of asset you contribute and your personal financial circumstances.

Tax Treatment of Donor-Advised Funds

The assets in a DAF at CFNM may accrue income from investment growth, dividends or capital gains. The income accrued is part of the DAF and therefore is not taxed.

Further, any income can not be claimed as an additional charitable tax deduction. Income or loss in your DAF will be reflected in its asset value and shown in your NPT DAF statements. When CFNM makes grants to charities—based on your recommendation—CFNM is granting its own assets. Accordingly, you may not take any additional charitable tax deductions for the DAF grants.

Estate Planning

Contributions are irrevocable and are therefore not part of your personal assets. As such, they are not subject to either estate tax or probate. Consult a legal or tax advisor on how your DAF can maximize your estate plans.

Common Tax Deductions

- **Cash/Check:** Your deduction is the amount of the cash contribution.
- **Publicly-Traded Securities:** Your deduction is the fair market value of the securities for those held longer than one year.
- **Mutual Fund Shares:** Your deduction is the fair market value of the mutual fund shares contributed for those held longer than one year.
- **Securities that are not publicly-traded:** Your deduction is typically the fair market value of securities (that are not publicly-traded, such as closely-held or some restricted securities) that have been held for longer than one year.
- **Short-Term Securities:** The deduction is limited to the cost basis or the current market value (whichever is lower) for securities (both publicly-traded and other securities) or mutual fund shares that have been held one year or less.

Other Tax Deduction Limitations

The Internal Revenue Code rules for charitable contributions impose “percentage limitations” against adjusted gross income (AGI) in the year you make the gift.

- **Cash:** You may deduct the full fair market value of a charitable gift up to 50% of your AGI in the tax year in which the contribution is made.
- **Appreciated Securities:** For securities held longer than one year, you may deduct the full fair market value of a charitable gift up to 30% of your AGI.
- **Carry Forward Deductions:** If you cannot use the full deduction in the year you make a contribution, you may use or “carry forward” any excess tax deduction for five additional years.

DONATIONS FOR 2015 **\$1,562,354**
FROM 1,185 DONORS

\$35,600,586
TOTAL DONATIONS
TO CURRENT FUNDS AND ENDOWMENTS

Naming Advisors

When establishing a DAF, you may assign a Secondary Advisor(s) who serves concurrently with the Primary Advisor and may recommend grants from the DAF. A Secondary Advisor is typically a child, relative or friend. A Secondary Advisor does not automatically become a Successor (see below). However, you can name a Successor(s) to assume responsibility for the DAF after the death of the Primary and Joint Advisors.

You may also name a Financial Advisor to your DAF if your DAF is established with \$100,000 or more. They have authority to recommend investment allocations and grants on the Primary Advisor's behalf. Y

Succession Options

When creating your DAF, you will select a succession plan to guide CFNM on how your DAF will make grants after your death or inability to advise. You may choose one of the following succession plan options. If you do not specify your selection, your DAF will become part of the CFNM Giving Fund. You may request a change in writing to your succession plan at any time.

Succession Highlights

- CFNM donor-advised funds can end in your lifetime or exist in perpetuity.
- CFNM allows you to identify successors, advisors or charitable beneficiaries to carry on your philanthropy.
- CFNM can become the steward of your donor-advised fund account and manage it according to your personal giving history or other instructions.

Naming Charitable Beneficiaries

You can recommend that one or more public charities receive grants from the DAF upon the death of the last Primary or Joint Advisor. You may recommend that a charitable beneficiary receive either an annual percentage distribution of the DAF balance over time or the final balance of the DAF. These organizations are subject to the same grant approval process as grant recommendations made during the Primary and Joint Advisor's lifetime. If the organization you designate no longer exists, CFNM will make every effort to make a grant to an organization that supports similar purposes.

Allocation of Income and Value of Your Donor-Advised Fund

The value of your DAF will fluctuate with market performance. Income earned by the DAF includes interest, dividends and other investment income, including capital gains distributions from investments in mutual funds, in excess of the operating expenses of the DAF.

If your DAF is invested in a model portfolio—one of the investment pools—each unit in the investment pool will be allocated its daily income in a pro rata share. The income allocated will be reflected in the unit value of that pool. The value of each DAF will be the number of units of each pool attributable to your DAF, multiplied by the unit's current value.

The value of a unit for each pool will include realized and unrealized capital gains or losses on the pool's portfolio investments, as well as undistributed income attributable to the pool.

102
MEMORIAL/HONOR GIFTS

\$13,711
IN TOTAL
MEMORIAL/HONOR GIFTS

Grantmaking

The assets in your DAF are available for grantmaking purposes only. You may recommend grants to qualified charitable organizations at any time, provided your DAF has available funds and liquidity.

Grant Recommendation Process

To begin, you must make a grant recommendation, which can be done by contacting our office or submitting an application that can be found on our website, www.cfnm.org. CFNM carefully reviews all grant recommendations. After receiving a grant recommendation, CFNM will verify that the charitable organization is eligible to receive the grant.

If CFNM denies your grant recommendation, we will explain why it cannot be approved. CFNM will make every effort to suggest alternatives that fulfill your philanthropic intent. You may also elect to submit an alternative grant recommendation.

Eligible Grant Recipients

CFNM can make grants to charitable organizations that are tax-exempt under IRS Code Section 501(c)(3) and are public charities under Code Section 509(a)(1), (2) or (3). NPT can also make grants to private operating foundations described in Section 4942(j)(3) of the Code.

Eligible recipient charities include but are not limited to:

- Religious organizations and places of worship
- Schools and educational institutions
- Environmental organizations
- Hospitals and health care organizations
- Scientific and medical research institutes
- Museums and arts organizations
- Any other organizations or institutions established for charitable purposes

Donor Recognition or Anonymity

CFNM will not release your name or contact information to any recipient charity without your prior consent. When you make a grant from your DAF, you can decide to be recognized in any of the following ways:

- By DAF name only
- By your name and the DAF name
- In honor or memory of someone
- Anonymously

Ineligible Grant Recipients

CFNM will not approve grants to:

- Individuals
- Private foundations (except for private operating foundations, as noted above)
- Non-functionally integrated Type III supporting organizations
- Political campaigns, candidates, or to support lobbying activity
- Fulfill an existing pledge (an existing pledge is one you make before NPT approves the grant)
- Pay for dues, membership fees, tuition, goods from charitable auction, admission to charity events or other goods or services

Number of Grants

You can make an unlimited number of grants from your CFNM DAF provided there are sufficient funds.

Grant Minimum

The minimum grant amount is \$100. If the amount of a grant recommendation exceeds your DAF balance, CFNM will ask you to recommend a grant in a different amount or make an additional contribution to the DAF.

CFNM Giving Fund

If you are no longer able to recommend grants, you may request that the assets in your DAF be transferred to the Endowment for the Future of Northwest Mississippi Giving Fund. CFNM uses this fund to permanent DAF from which our Board of Trustees can recommend grants to support charitable causes. NPT staff conducts research to identify charitable organizations deserving philanthropic support.



2015 Total Giving
for charitable grants and
programs
\$18,325,230

Fees and Expenses

Charitable Administrative Fee

Each DAF is subject to an annual charitable administrative fee, which is paid to NPT to cover DAF operating expenses such as grantmaking, recordkeeping, annual audits, tax filing, quarterly statements, and other legal and fiscal responsibilities. The following blended fee schedule will be applied to your DAF:

Asset Value in DAF	Annual Fee
\$2,000,000	0.85% (85 basis points)
Next \$2,500,000	0.70% (70 basis points)
Next \$500,000	0.60% (60 basis points)
Next \$1.5 million	0.45% (45 basis points)
Next \$2.5 million	0.25% (25 basis points)
Next \$5 million	0.15% (15 basis points)
Above \$10 million	0.10% (10 basis points)

* Additional tiered pricing is available for DAFs over \$10 million.

Rate Examples

DAF Balance	Effective Annual Fee
\$750,000	0.72% (72 basis points)
\$1,500,000	0.61% (61 basis points)
\$3,000,000	0.50% (50 basis points)
\$5,000,000	0.40% (40 basis points)
\$10,000,000	0.27% (27 basis points)

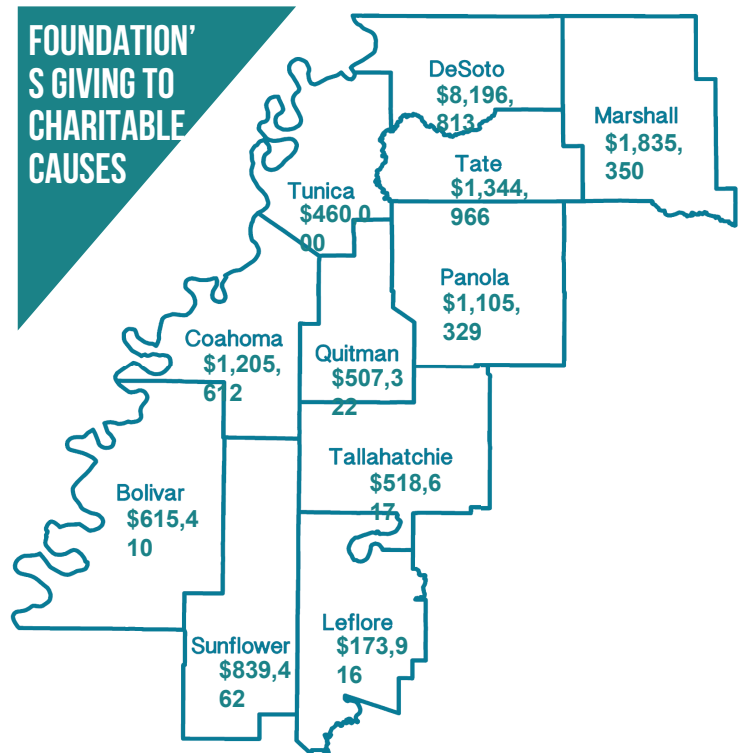
In its 11-county region this year, the Foundation assisted 205 charitable causes and programs. These include educational advancement, teaching critical life skills, out-of-school enrichment programs, the arts, community health assessments, encouraging community volunteering, museums, scholarships for deserving students, capacity building for nonprofit organizations, schools, impoverished families and so much more.

Administrative Support

CFNM's professional staff strive to provide an enriching and engaging donor experience that allows you to focus your energy on giving. This includes:

- Online access to DAF activities, grantmaking tools for researching charities, recommending grants, and more.
- Access to CFNM's vast knowledge of the nonprofit sector.
- Technical assistance with charitable research and the management of complex contractual grantee relationships.
- An informational website with news, articles, and other philanthropy resources.

Please visit our website, www.cfnm.org, or contact us at 662-449-5002.



420
GRANTS AND PROGRAMS

\$1,641,517
TO GRANTS AND PROGRAMS

205
GRANTEES