

UK Community Foundations

# Donor Advised Funds

A donor's guide

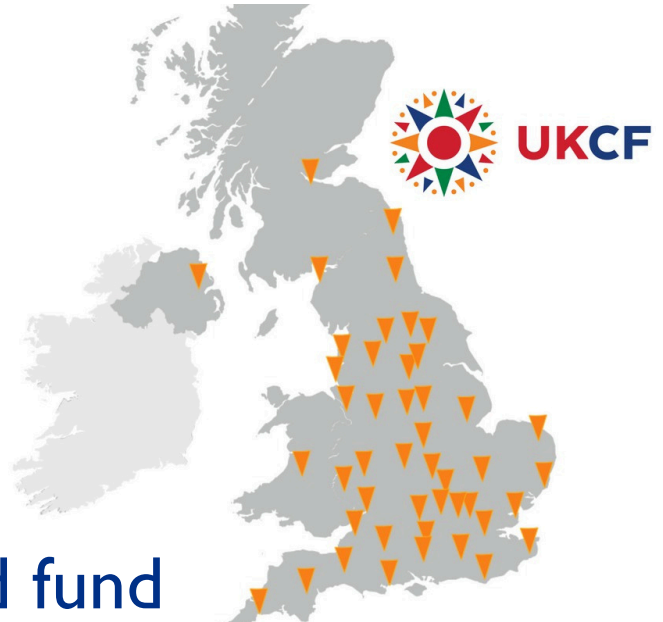


## About UK Community Foundations

UK Community Foundations (UKCF) is the membership body for 47 accredited community foundations throughout the UK and three international members in Ireland, Jersey and Bermuda.

Community foundations inspire place-based philanthropy, transforming private wealth into community resources for both now and the long term.

Collectively, the national network of community foundations holds over £800 million in endowed funds and distributes over £170 million each year in small to medium-sized grants to local groups and organisations that are tackling the biggest issues facing communities.



## Setting up a donor advised fund

A donor-advised fund (DAF) is a philanthropic giving vehicle where individuals, families or businesses can contribute assets to a fund, receive immediate tax benefits and recommend grants to charities of their choice over time. It provides a flexible, cost-effective alternative to the hassle of establishing a private foundation while simplifying the management of charitable giving.

Setting up a fund with your local community foundation begins with a conversation on what you care about and what impact you would like to achieve through your fund. While each community foundation works independently and some DAF requirements may vary, below is a guide to the general practice you might expect:

**Minimum to open:** Each community foundation has its own threshold for setting up a DAF but this is typically in the range of between £5,000 and £25,000.

**Minimum top-up contribution:** None

**Minimum grant size:** £50

**Investment options provided:** Yes Cross-border giving: N/A



# Grants criteria

As place-based funders, community foundations have developed their own grant making and eligibility criteria in response to the specific needs of their areas. Grants are normally made to registered charities or community organisations with a charitable purpose, and many community foundations also make grants available to individuals. Grants can be as small as £50 and as large as £50,000 or more, depending on the donor's wishes. Community foundations are individually responsible for carrying out strict due diligence on the applicants they fund.

Our network of community foundations covers the whole of the UK and Ireland, and individual community foundations often collaborate with each other to distribute grant funding for particular donors across multiple regions or nations. For example, Community Foundation Northern Ireland and Community Foundation Ireland provide cross-border support through their All-Island Fund.

National programmes, centrally managed by UKCF, can include some or all of the UK nations depending on the size and objectives for the fund.

## Types of community investment

Building a long-term, permanent resource for the benefit of local communities is at the heart of what community foundations do. Community foundations can receive donations in the form of shares, capital, property or land, on which there can be tax relief available to the donor.

### Endowment funds

Many community foundations have built up sizeable, professionally managed long-term endowment funds comprising individual donor funds which are pooled for sustainable investment purposes. This income is available year after year to communities, and many donor funds have now made grants totalling more than the original donations, whilst protecting the real term value of the funds into the future for longer-term impact.

Each community foundation has its own investment policy, but they all share many years' experience of managing endowment funds on behalf of a wide range of donors. Increasingly, donors are involving their children in grant giving, and many community foundations have succession planning arrangements in place for the inter-generational transfer of the funds.

### Flow-through revenue funds

Community foundations also offer a flow-through revenue fund option, where the donation is available for immediate use and can be topped up at any time. This is a good way of supporting urgent needs in a community, such as food poverty or environmental emergencies. Many also offer a hybrid fund option, which allows donors to respond to immediate grant-making priorities whilst still building an endowment fund for the long term.



## Revitalising dormant or inactive trusts

In addition to setting up new donor advised funds, community foundations work with charitable trusts and other charities with dormant or inactive assets to revitalise them into active funds through transferring the assets to the community foundation. They liaise with the Charity Commission to provide the trustees of these trusts with support and advice throughout the transfer.

## Legacy giving

In addition to donor advised funds, community foundations often receive legacy gifts, working with family members, friends and/or professional advisers to ensure the wishes of those they have lost are met.

During your lifetime, you might wish to set up your own legacy fund to remove pressure on family and friends regarding legal and fiscal responsibilities, while ensuring the causes that matter most to you will be supported in the

long term. Donors have the option of setting up a named fund that family and friends might want to fundraise for over time, or allocate a legacy gift to existing funds.

## Community foundation fees

Community foundations offer a high-quality, individually tailored philanthropy advice service and fees vary depending on the level of service each donor requires. For example, you might wish to be involved in all funding decisions and visit funded projects throughout the year, or you might simply wish to receive news of your fund each year with a personalised impact report.

Individual community foundations have their own fee structures, but typically an endowment fund might attract an annual contribution to the community foundation's costs of between 1% and 3% of the capital value of the fund. A flow-through fund service might cost a one-off 10% of the value of the donation.

## Providing exceptional support

Community foundations have extensive knowledge of their local communities, needs and aspirations and can provide donors (and financial advisers) with all the support they need to make the most of their charitable giving. This bespoke service includes professional investment management, charity due diligence, grants administration, project visits and other educational opportunities, research reports, events and networking opportunities.

Community foundations also work closely with professional advisers in their area to enhance the quality of the philanthropic advice available to their clients.



# Measuring local impact

The UKCF network has a profound impact across the UK. Each community foundation collects impact information on the grants it makes and reports publicly on its impact each year. Many community foundations also publish data through the online data tool, 360Giving, to enhance transparent learning on grant making nationally.

The UKCF network is committed to transparent reporting and to developing our understanding of the impact we have; UKCF itself has signed IVAR's eight commitments of Open and Trusting Grant Making. Excitingly, our network is in the process of a large digital transformation project that will enable us to report in more transparent detail of our collective impact as a network.

Community foundations have been locally embedded in UK communities since the 1970s. Our grant making is based on a sophisticated understanding of local need, deep collaboration with local networks and local authorities, and the knowledge of how funding can be utilised for greatest impact.

Your nearest community foundation produces regular social needs reports that help identify grant-making priorities and influences other bodies, supporting a shared agenda for action and investment.

## Start your giving journey

You can [find your nearest community foundation here](#).

If you would like to speak with UKCF about setting up a national fund or supporting our members in other ways, please email [Partnerships@ukcommunityfoundations.org](mailto:Partnerships@ukcommunityfoundations.org).

