

**horizons** foundation

# Donor-Advised Fund Program

GUIDE

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*CONTRIBUTIONS TO THE HORIZONS DONOR-ADVISED FUND PROGRAM ARE  
IRREVOCABLE GIFTS MADE TO HORIZONS FOUNDATION, A PUBLIC CHARITY.  
INDIVIDUALS CONSIDERING A CONTRIBUTION TO THE PROGRAM SHOULD  
CONSULT THEIR LEGAL AND TAX ADVISORS REGARDING DEDUCTIONS,  
BASED ON THEIR PERSONAL CONSIDERATIONS.*

# Introduction

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Thank you for considering Horizons Foundation's Donor-Advised Fund Program. As a community foundation serving the San Francisco Bay Area's lesbian, gay, bisexual, and transgender (LGBT) communities, Horizons Foundation has established this program to support the philanthropic goals of individual donors and to increase the financial resources available to nonprofit organizations working to secure the rights, meet the needs, and celebrate the lives of LGBT people.

This document describes the Horizons Donor-Advised Fund Program and the benefits of opening a fund. In essence, the Horizons Donor-Advised Fund Program offers individuals the opportunity to make tax-deductible charitable gifts and have the flexibility to make grant recommendations now or in the future. Please consult your financial and tax advisor(s) to ensure the best use of this program in your personal tax situation.

Please note that, by law, contributions to the Horizons Donor-Advised Fund Program are irrevocable, and are tax-deductible on the date the gift is made. The Horizons Donor-Advised Fund Program is subject to the terms and conditions of Horizons Foundation's articles of incorporation, bylaws, investment and gift acceptance policies, and this document. Horizons Foundation's Board of Directors reserves the right to modify the Horizons Donor-Advised Fund Program at any time. Horizons Foundation assumes responsibility for investment of the assets in the Horizons Donor-Advised Fund Program, which grow tax-free and ultimately can result in greater gifts to charity.

## Benefits of the Horizons Donor-Advised Fund Program

Donors to the Horizons Donor-Advised Fund Program enjoy the following benefits:

**Flexible Charitable Giving Vehicle:** You make irrevocable charitable contributions of cash or appreciated securities to the Horizons Donor-Advised Fund Program now and recommend grants to charity later.

**Immediate Tax Benefits:** You receive an immediate dollar-for-dollar charitable federal income tax deduction for the full fair market value, up to the maximum allowed by law, for contributions to a donor-advised fund at Horizons Foundation, a tax-exempt public nonprofit, and are not subject to capital gains tax on the appreciated value of securities contributed.

**Grant Recommendations:** While the tax deduction is taken immediately, you may recommend grants to your favorite charitable organizations throughout the life of your fund. This can be done easily through an online, password-protected section on Horizons' website or by filling out a simple form.

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**Specialized Grantmaking Advice:** Horizons Foundation staff can provide important expertise and up-to-date information about LGBT and other social justice organizations in the Bay Area, nationally, and internationally. Horizons can provide a limited amount of research and docket preparation for you upon request, and assist in creating an individual strategic giving plan aligned with your values and interests. Horizons also maintains a searchable database of information about LGBT organizations for donors to use on their own.

**Investment Options:** The Horizons Donor-Advised Fund Program provides you the opportunity to recommend the investment of your charitable contribution. The Fund offers donors several investment strategies to choose from, all monitored and evaluated by the Investment Committee of Horizons Foundation, including numerous socially responsible options.

**Enhanced Giving Power:** Any potential growth in assets within a Horizons Donor-Advised Fund Program fund is tax-free, offering the potential for greater charitable grants in the future.

**LGBT Giving Community:** By opening a fund at Horizons Foundation, you automatically become part of a community of givers who are seriously committed to supporting the LGBT community and other causes. Horizons provides events and other opportunities for donor advisors to share experiences, leverage funding of common giving interests, and learn about work being done in areas of interest.

**Philanthropic Legacy:** You may perpetuate the value of giving to your community and establish a charitable legacy by recommending grants to be made from your donor-advised fund at the time of your death. You may add to or change these recommendations at any time without amending your estate plan. You may also choose to name successor(s) as advisors to the fund, which may allow you to include your partner, family members, or friends in building a philanthropic plan for giving before and after your death.

**Simplicity:** Donors enjoy simple, comprehensive administration of their philanthropic planning. A single contribution to the Horizons Donor-Advised Fund Program can benefit multiple nonprofits while requiring only one tax substantiation letter and no check-writing on your part.

**We Charge No Fees:** If you chose to become a member of Horizons Foundation's Leadership Circle (\$1000+ gift to Horizons) and that gift is greater than 1% of your fund balance, we will waive our charitable administration fee.

# Establishing a Fund

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## Fund Opening

A fund can be opened by individuals or groups by completing a Donor Agreement. The donor agreement can be downloaded from [www.horizonsfoundation.org/daf](http://www.horizonsfoundation.org/daf). Please return the signed fund application to Horizons Foundation by mail or fax to 415.398.4733.

### FUND OPENING FACTS:

**Initial Contribution:** The initial contribution must be at least \$5,000.

**Additions to the Fund:** Additional contributions may be made at any time. Each subsequent contribution must be at least \$500.

**Irrevocable Gifts:** Contributions to the Horizons Donor-Advised Fund Program are irrevocable and are not refundable.

**Types of Gifts:** Donors may contribute cash, stocks, bonds, mutual funds, real estate, and certain other assets. Donors should contact Horizons directly about gifts of real estate or other assets.

**Naming the Fund:** Donors will be asked to name their fund for use in correspondence and for publications. Donors may want the name to reflect the charitable goals or values of their fund; for example, the Janice Smith LGBT Educational Fund or the Charles Jones Save the Planet Fund. Donors often keep it simple by naming the fund after themselves (e.g., The Janice Smith Philanthropic Fund). Some donors create names that are meaningful to them or name them in honor of an inspiring person, a choice which can also serve a donor who wishes to remain anonymous. Some donors use the fund name to ensure their contributions have an LGBT “stamp” on them (e.g., The Gay Values Fund) which can have additional impact in their giving to non-LGBT organizations. We are happy to have a strategic naming discussion with you if you are interested in thinking through this decision together. With each grant recommendation, you may elect to have the accompanying letter acknowledge your personalized fund name (e.g., The Jones Family Fund), or indicate an anonymous donor.

**Deferred Gifts:** Donors may also choose to create a fund or add to an existing fund through deferred gifts, such as a charitable remainder trust, from a will or a living trust, or as the beneficiary of life insurance or retirement plans.

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## Contributing to a Fund

A Donor-Advised Fund may be funded in the following ways:

**Cash:** Cash can be wired or mailed using the forms available online.

**Publicly Traded Stock:** Stocks can be transferred to the fund. Forms and instructions are available online.

**Other Gifts:** If the gift involves mutual funds, bonds, restricted stock, other non-publicly traded securities, real estate, or another type of asset, the donor should contact Horizons Foundation for instructions.

Horizons Foundation will review and approve all gifts in accordance with the foundation's Gift Acceptance Policy. If for any reason a gift is not accepted, it will be returned to the donor's fund of origin. Donors will receive confirmation after each gift has been accepted, specifying the value of the gift. For gifts of appreciated publicly traded securities, the value will be based on the mean value of the high and low price on the date the contribution is made.

## Deferred Gifts

Donors wishing to create a fund with the Horizons Donor-Advised Fund Program may name their fund at Horizons Foundation as the beneficiary of a bequest of cash, securities, or other assets. Individual Retirement Fund (IRA) assets or life insurance policies can be an excellent way to add to or create a fund. A Horizons Donor-Advised Fund Program fund can also be the beneficiary of a charitable remainder trust or charitable lead trust, as a deferred gift. The donor should complete the Donor Agreement, name the fund, and choose successors. Donors should consult their tax and legal advisors when setting up any deferred gift or trust.

# Tax Deductions

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## Charitable Deductions

Donors can deduct their contribution to the Horizons Donor-Advised Fund Program on their federal income tax return in the year of the contribution. For appreciated securities, the date of the gift is the date the charitable contribution leaves the fund of origin. The deduction depends on the type of asset that is contributed. Donors should always consult their legal or tax advisor about the personal circumstances regarding their estate and income taxes.

**Cash:** A donor's federal income tax deduction is the amount of his or her cash contribution.

**Stocks and Bonds:** For publicly traded securities that are held for more than one year, the deduction is calculated by establishing the mean value taking the high and low prices on the date of the gift.

**Short-term Securities:** For securities held for one year or less, the deduction is the lesser of the donor's cost basis or fair market value.

**Estate Taxes:** All contributions to the Donor-Advised Fund leave the donor's estate and therefore are not subject to either estate tax or probate.

**Capital Gains:** No capital gains taxes are applicable for appreciated securities contributed to the fund as long as the securities are transferred to Horizons and liquidated by Horizons after the contribution.

## Deduction Limitations

**Cash:** A donor may generally deduct up to 50% of adjusted gross income ("AGI") in the tax year in which the contribution is made.

**Appreciated Securities and Real Estate:** A donor may generally deduct up to 30% of AGI for gifts of appreciated securities held more than a year.

**Carry Forward Deductions:** Any excess tax deduction may be carried forward and deducted for five additional years after the year of the original contribution. A donor's itemized tax deductions may be subject to certain other limitations and a tax advisor should be consulted to determine tax deductibility limitations.

**Fund Income:** Income from investment growth, dividends, or capital gains in the fund is not tax-deductible by the donor.

# Fund Valuation

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**Cash Gifts:** The Horizons Donor-Advised Fund Program fund will be credited with the value of the donor's cash contribution.

**Non-Cash Gifts:** The fund will be credited with the net proceeds, after liquidation costs, from the sale of the securities, real estate, or other non-cash gifts contributed by the donor.

**Liquidation:** The fund will seek to liquidate securities contributed by the donor promptly, which is usually on the next trading day.

**Fund Value and Income:** At any point, fund value will be computed as the sum of the initial net gifts plus interest, dividends and other investment income including capital gains distributions from underlying investment vehicles, less grant distributions and other operating expenses. The value of the fund will also fluctuate with market movements.

# Investment Options

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Horizons Foundation offers a variety of investment options to meet the varied needs and interests of donors. We are especially proud of the options we offer in socially responsible funds, including those that support the LGBT community in areas such as employment non-discrimination.

You may recommend any mix of investment options provided and may recommend changes to those allocations quarterly. If you choose not to recommend an allocation, funds in your DAF will be held in the Vanguard Prime Money Market Fund.

For donors desiring guidance on allocating funds among the Investment Options with a significant element of social responsibility, Horizons Foundation has prepared the Model Portfolios outlined below. These Model Portfolios strive to maximize the social and community impact of investments by emphasizing socially responsive and community investment options that, at a minimum, ensure attention to LGBT equality issues and non-discriminatory practices. The three Model Portfolios propose differing allocations among asset classes and risk-reward tradeoffs to support donors' grant making timeframes.

## Fixed Income and Bond Options

**Vanguard Prime Money Market Fund** invests in a combination of commercial paper, certificates of deposit, bankers' acceptances, and U.S. government securities. This fund typically offers the highest yield of Vanguard's money market funds. (VMMXX; annual fee: 30 basis points)

**PIMCO Total Return Fund, Class D** is an actively managed, intermediate-term bond fund that invests in fixed income instruments issued by the U.S. government and corporations with investment-grade credit ratings. The fund seeks return from both income and capital appreciation. (PTTDX; 75 bp)

**Horizons Foundation Community Investment Fund, administered by Calvert Foundation** is a groundbreaking investment program that channels critically needed investment capital to communities throughout the world. The Fund finances opportunity and development among socially responsive enterprises by funding microcredit, affordable housing, small business, community facilities and other socially responsive enterprises, including LGBT nonprofits. Accounts earn a fixed rate and the return of principal. (No symbol; no fee)

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## Equity Options

**Neuberger Berman Socially Responsive Fund** is an actively managed large-cap stock fund that seeks growth of capital primarily by investing in securities of US and foreign companies that meet both financial criteria and social policy. The managers initially screen companies using value investing criteria, then look for companies that show leadership in major areas of social impact such as the environment, workplace diversity, and progressive employment practices, including LGBT anti-discrimination policies and practices. (NBSRX; 106 bp)

**Dodge & Cox International Stock Fund** employs active management and invests primarily in equity securities issued by non-U.S. companies from a minimum of three different foreign countries, including emerging markets. The fund invests in medium to large well-established firms that are temporarily undervalued but have long-term growth prospects. It is a simple, low-cost way to hold a diversified portfolio of international stocks. (DODFX; 77 bp)

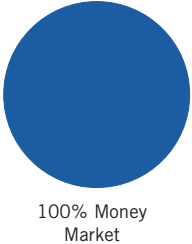
**Vanguard Total Market Index Fund** employs a “passive management”—or indexing—investment approach designed to track the performance of the MSCI® US Broad Market Index, which consists of nearly all regularly traded U.S. common stocks. The fund typically invests substantially all of its assets in a representative sample of the stocks that make up the index, and it operates at very low cost. (VTSMX; 19 bp)

**Vanguard Calvert Social Index Fund** employs a passive management strategy designed to track the performance of the Calvert Social Index, which is composed of large- and mid-cap stocks that have been screened for favorable performance on certain criteria—environmental policies, workplace issues, product safety and impact, international operations and human rights, and weapons contracting. Calvert screens out companies having significant involvement in tobacco, alcohol, gambling, weapons manufacturing, nuclear power, or unfair labor practices. Calvert supports shareholder resolutions requesting sexual orientation be added to corporate non-discrimination policies. (VCSIX; 25 bp)

## Model Portfolios

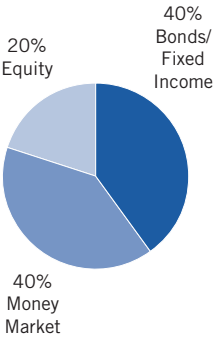
Horizons Foundation’s Donor-Advised Fund Model Portfolios provide a range of choices to ensure the appropriate level of preservation, diversification, and growth of your charitable dollars based on your grantmaking horizon, your funding plans, and your desire for socially responsible investments.

**PORTFOLIO 1: The Annual Philanthropist**



If you plan to replenish your fund on an annual basis or at periodic intervals, and expect to recommend grants that spend down most funds within a 1 to 2 year timeframe, we recommend that 100% of your funds remain liquid in the Vanguard Prime Money Market Fund. This alternative protects against short-term market shifts, minimizes expenses, and helps ensure that funds will be available for grants you may recommend. Please note that money market funds may lose purchasing power during periods of inflation. The current annual expense ratio is 30 basis points\* for this fund.

**PORTFOLIO 2: The Growing Philanthropist**

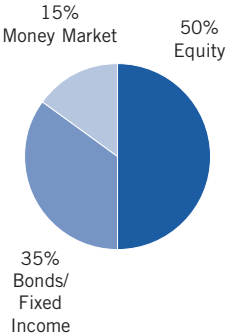


If you are planning to slowly grow your fund over the next 3+ years, while still making regular grant recommendations throughout the years, then we suggest Model Portfolio 2, with the following allocation:

- 40% Vanguard Prime Money Market Fund
- 20% Horizons Foundation Community Investment Fund
- 20% PIMCO Total Return Fund
- 5% Dodge and Cox International Stock Fund
- 15% Vanguard Total Market Index or Vanguard Calvert Social Index Fund.

This option will balance the opportunities to grow the value of your fund with cash availability for annual grant making. Please note that allocations to stock and bond funds will have price volatility and money market funds may lose purchasing power during periods of inflation. The current expense ratio for this portfolio is 35 basis points.

**PORTFOLIO 3: The Permanent Philanthropist**



If you plan to retain a sizeable balance in your fund for the next 5+ years, while making regular grant recommendations, we suggest Model Portfolio 3, with the following allocation:

- 15% Vanguard Prime Money Market Fund
- 20% Horizons Foundation Community Investment Fund
- 15% PIMCO Total Return Fund
- 50% equity
- 20% Neuberger Berman Socially Responsive Fund
- 10% Dodge & Cox International Stock Fund
- 20% Vanguard Calvert Social Index Fund

This allocation is intended to grow the principal in your fund over a longer time horizon, while maintaining some cash availability for annual grantmaking. Please note that the higher allocation to stock and bond funds of this portfolio makes it more susceptible to price volatility and that money market funds may lose purchasing power during periods of inflation. The current expense ratio for this pool is 50 basis points.

**PORTFOLIO 4: Custom Plan**

If you have another time frame in mind or wish to recommend an allocation that differs from the model portfolio pools, you may select any or all of the existing investment vehicles and recommend percentages among them. For example, you may have unusually high cash income this year, and plan to give it all over a set period of time, or you may not wish to make grants for a period of time while you grow your fund, or you may wish to have 100% of the money in socially responsible investment products. Please feel free to discuss your individual needs and situation with Horizons. We will be happy to consider your custom recommendations for investment of your fund assets.

<b>Horizons Foundation</b>			
<b>Donor-Advised Funds Investment Options</b>			
<b>Recommended asset allocation</b>	<b>Portfolio 1</b>	<b>Portfolio 2</b>	<b>Portfolio 3</b>
<b>Vanguard Prime Money Market Fund</b>	100%	40%	15%
<b>Bonds/Fixed Income:</b> PIMCO Total Return Fund	0%	20%	15%
Horizons Foundation Community Investment Fund	0%	20%	20%
<b>Equity:</b> Neuberger Berman Socially Responsive Fund	0%	0%	20%
Vanguard Total Market Index or Vanguard Calvert Social Index Fund	0%	15%	20%
Dodge and Cox International Stock Fund	0%	5%	10%
<b>Total</b>	100%	100%	100%
<b>Current expense ratio</b>	30 basis points*	35 basis points	50 basis points

\*Expense ratios may change from time to time.

# Grantmaking

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Donors and designated advisors may recommend grants to qualified charitable organizations. Requests for grants can be made by completing a Grant Recommendation form online, or by faxing or emailing the form to Horizons. Upon receipt of a donor's recommendation, Horizons Foundation will verify that the charitable organization is eligible to receive the grant (see accepted nonprofits and restrictions below).

## Grant Distribution

Grants are made by check bearing the name of the Horizons Donor-Advised Fund Program. A letter will accompany the check recognizing the fund name and the donor's name, unless the donor requests anonymity. Quarterly statements will list the donor's grants for the preceding quarter. Grantmaking history is always available to the donor online.

### FACTS ABOUT GRANTS

**Anonymous Giving:** Donors can designate that a grant be anonymous or be given in the name of another individual.

**Allocating Investments after Grants:** Funds will be rebalanced to maintain the current portfolio allocation.

**Minimum Grant Amount:** The minimum grant recommendation is \$250.

**Number of Grants:** Donors may make unlimited grants from a fund (not to exceed the amount in the fund).

## Accepted Nonprofits

Grants can be recommended to qualified nonprofits and nonprofit organizations recognized by the IRS as able to receive tax-deductible contributions.

### Public Nonprofit Organizations

Grants can be recommended to charitable organizations that are tax-exempt under Internal Revenue Code Section 501(c)(3) and are public nonprofit organizations under Internal Revenue Code Section 509(a). Grants can be made to private operating foundations but cannot be made to private non-operating foundations.

**Religious and Educational Organizations:** Most established religious organizations and educational institutions are not listed as 501(c)(3) nonprofits but are nevertheless tax-exempt charitable organizations. Horizons Foundation will facilitate making grants to such organizations.

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## Restrictions

**General Restrictions:** Horizons Foundation will not approve grants to individuals, to private non-operating foundations, or to political candidates or parties. In accordance with the law governing donor-advised funds, Horizons also will not approve grants to satisfy a pre-existing pledge or for any private benefit to the donor, such as dues, membership fees, benefit tickets, or goods purchased at a charitable auction.

**Philanthropic Advice:** Horizons Foundation staff are available to consult with donors about their charitable giving at the donor's request. Meeting with Horizons staff may help a donor to think through his or her philanthropic goals and create a giving plan that suits his or her needs. Horizons can provide important expertise and up-to-date information about LGBT and other social justice organizations in the Bay Area, nationally, and internationally. Horizons can provide a limited amount of research and docket preparation for donors upon request. Horizons also maintains a searchable database of information about LGBT organizations for donors to use on their own.

# Fees and Expenses

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## Charitable Administration Fee and Investment Expense

Each fund is subject to an administration fee and investment expenses.

## Charitable Administration Annual Fee

Each fund is subject to an annual administration fee depending on the fund balances at the end of each previous year:

Balance at year-end	Annual Fee
Up to \$1,000,000	100 basis points
\$1,000,001 up to \$2,500,000	75 basis points
\$2,500,001 up to \$5,000,000	55 basis points
Over \$5 million	35 basis points

Please note that Horizons Foundation offers this Donor-Advised Fund Program as a service to donors and the community, and that the above fees do not cover the full cost of the program. Therefore, Horizons requests that donor advisors make a meaningful annual contribution to the foundation for operating purposes. **Horizons Foundation will waive the above fees if the advisor makes an annual Leadership Circle gift to Horizons Foundation that exceeds the fee that would have been administered based on the balance of the fund.**

## Investment Expenses

Investment Expenses will vary depending upon the investment options chosen by the donor. Investment expenses are disclosed above and are subject to change. Horizons Foundation Investment Committee monitors fees and works to keep costs as low as possible to maximize the charitable intent of our donors.

# Successor Advisors

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## Successor Advisors and Charitable Beneficiaries

Donors may name up to two successor advisors or select any number of charitable beneficiaries or areas of interest for the fund after the death of the donors who established the fund. A successor advisor gains full responsibility for the fund upon the death of all the original donors, including the ability to make contributions, recommend grants and name advisors, but not to name future successor advisors. If there is no successor advisor or beneficiaries selected, then the remainder of the fund will automatically transfer to Horizons Foundation's LGBT Community Endowment Fund, which will ensure annual grantmaking to meet the most pressing needs of LGBT organizations into the future. In some circumstances donors may be allowed to have more than one generation of successor advisors.

# Reporting and Receipts

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Donors will be provided by mail with quarterly and annual statements showing fund balances and activity. At any point, donors may review their fund balances and activity online through a secure, password-protected section of the Horizons Foundation website at [www.horizonsfoundation.org/daf](http://www.horizonsfoundation.org/daf).

Horizons Foundation will provide donors with a gift confirmation for each contribution showing an estimate of the fair market value of the publicly traded securities contributed. Any fair market value computation is a good faith estimate and donors should consult with a tax advisor to determine applicable deductibility.

Horizons Foundation will provide donors with all other financial reports or information required by law.

# Other Information

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## Conflict of Terms

In the event of an inconsistency between the terms of this document and Horizons Foundation' bylaws and articles of incorporation, Horizons Foundation' articles of in corporation and bylaws will govern the rights and obligations of the Horizons Donor-Advised Fund Program and its donors.

## Organizational and Corporate Giving Programs

Some organizations, corporations, or other business entities have created a donor-advised fund rather than start a foundation or other giving program. While the terms and conditions described in this document generally apply to all donors, organizational and corporate donor-advised funds are subject to different administrative procedures and fund charges. Please contact Horizons Foundation for more information.



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