

Donor-Advised Funds

FAQs

1. What is the Church of the Nazarene Foundation?

The Church of the Nazarene Foundation exists to help donors fund all the ministries of the Church of the Nazarene by

- connecting the vision of donors with ministry opportunities,
- partnering in the management of complex gifts,
- raising awareness and knowledge concerning planned giving options,
- utilizing effective giving tools, and
- providing excellent service

2. What is a donor-advised fund?

A donor-advised fund created by a donor within the Church of the Nazarene Foundation is comparable to a private foundation. The donor has the opportunity to name the donor-advised fund and generally retains the privilege of suggesting grants be made to particular organizations. The donor does not have to bear the administrative burden of a foundation, including the excise taxes or limitations on investments imposed on private foundations. The ability to only advise, and not direct, grants is the key difference between a donor-advised fund and a private foundation. Donor-advised funds are named for their donors, for their purposes, or as memorials. Some donor-advised funds operate as perpetual endowments, distributing only their net income; some allow for distribution of principal. Donors generally retain the privilege of suggesting grants when they wish to offer support to particular organizations.

One special appeal of a donor-advised fund is its ability to respond quickly, effectively and flexibly to both the donor's and various charities' interests, now and in the future. An additional attraction is the maximum tax advantage afforded to its donor. A donor can use a donor-advised fund to achieve virtually any charitable objective.

3. How do the donor-advised funds work?

Establishing a donor-advised fund can satisfy a number of your financial and estate planning concerns. Once you create a donor-advised fund, you can make additional contributions at any time. You can establish a donor-advised fund at any point during your lifetime and enjoy watching your good intentions turn into steady support for your favorite charitable organizations. Contributions to a donor-advised fund established with Church of the Nazarene Foundation during your lifetime receive the maximum, immediate income tax deduction allowed by law, and can yield significant income and estate tax savings. Alternatively, you can establish a donor-advised fund through a bequest in your Will, which will also generate estate tax savings. Of course, you should always consult your tax advisor to fully evaluate these tax savings.

CHURCH OF THE NAZARENE FOUNDATION

4. Why do people give through donor-advised funds?

Sometimes donors prefer giving through donor-advised funds instead of through direct charitable contributions because donor-advised funds allow more flexibility in giving and provide many of the long-term benefits of a private foundation without the cost or administrative drawbacks. Also, donors believe donor-advised funds give them a way to ensure the fulfillment of their charitable intentions even after the charitable gift is made.

5. How large a contribution is required to establish a named donor-advised fund?

You can start a donor-advised fund with a charitable donation of \$10,000.00 or more.

6. Is creating a donor-advised fund difficult?

No. The entire process can be completed quickly with only a few short forms. We recommend you talk with your lawyer, accountant or financial advisor before establishing your donor-advised fund. During this process, we can explain the operating procedures of your donor-advised fund and provide sample wording, along with information about how to determine the appropriate type of donor-advised fund and the timing of your charitable gift.

7. How will I be involved in ongoing investment decisions?

The Church of the Nazarene Foundation offers six investment pools, designed to appeal to donors, regardless of their risk tolerance or investment experience. An individual donor-advised fund may be placed in one or in a combination of pools. Donors may also recommend changes in investments throughout the course of the life of the donor-advised fund.

8. Will I receive information about the performance and balance of my donor-advised fund?

You will receive detailed quarterly accounting statements.

9. May I involve family members in my donor-advised fund?

Yes. You may name children, grandchildren or others to advise the donor-advised fund after your death. Thus, your donor-advised fund can continue your charitable giving beyond your lifetime and make your descendants the heirs of a tradition of giving.

10. How will Church of the Nazarene Foundation allocate my contribution?

A donor-advised fund is wholly owned and controlled by the Foundation; however, the Directors of the Foundation will keep the your donor-advised fund segregated for accounting purposes and will consider your recommendations in making grants from the donor-advised fund. The Foundation requires that 60% of the donor-advised fund be distributed to ministries of the Church of the Nazarene.

11. Why shouldn't I just give my gift directly to other non-profit organizations?

Of course, you may always donate assets to a non-profit organization of your choice. By donating to the Foundation, however, you have the option of making a current gift and taking a current income tax deduction and delaying your decision concerning the recommended grantee until a later time. Making your recommendation at a later time allows you to consider the changing needs of the community or specific organizations.

CHURCH OF THE NAZARENE FOUNDATION

This delay also allows time for the assets in your account to appreciate in value, thereby increasing the amount of gifts that can be made from your original contribution. In addition, the Foundation must research recommended non-profit organizations to determine whether they are operating in accordance with their stated charitable purposes and whether they are operating in a financially sound manner. This due diligence by the Foundation can save you time you would otherwise spend investigating each potential grantee.

12. Can I donate assets other than cash?

You may donate cash or marketable securities to the Foundation. In fact, donors who contribute long-term appreciated securities to the Foundation get a double federal tax benefit. Gifts of appreciated securities to the Foundation are deductible at their full market value if held by you for longer than 12 months prior to the gift. If you sold your stock and gave a cash gift to the Foundation or another non-profit organization, you would owe capital gains taxes on the stock appreciation (the difference between the property's cost basis and its present fair market value). By donating the stock to the Foundation, the capital gains tax on the stock's appreciation is completely avoided.

13. What guarantee do I have the Church of the Nazarene Foundation will make grants from my donor-advised fund to the charity I recommend?

The Foundation has complete ownership of your donor-advised fund from the time you make your contribution to the Foundation. The Board of Directors (or staff operating under the direction of the Directors) must therefore perform due diligence to ensure the organizations you recommend are qualifying charitable organizations. If your recommended charity meets the Foundation's criteria, the Foundation generally will make the grant you have recommended. If, for any reason, the Directors of the Foundation determine a recommended charity is not a qualified grantee, reasonable attempts will be made to contact you to allow you to recommend an alternate organization.

14. Does the Church of the Nazarene Foundation charge any fees or commissions to grant recipients?

No. The Foundation has certain costs of operation; these costs reduce the amount of the grants that can be made from contributions received. If a donor has established a donor-advised fund with the Foundation, a portion of the operation costs will be allocated to the donor-advised fund. In addition, the donor-advised fund will be charged a fee for administration as well as any brokerage or related investment fees resulting from activity within a donor-advised fund.

15. Can the grants from my donor-advised fund remain anonymous?

Yes. You can instruct the Foundation not to provide your name to the non-profits who receive grants from your donor-advised fund.

CHURCH OF THE NAZARENE FOUNDATION

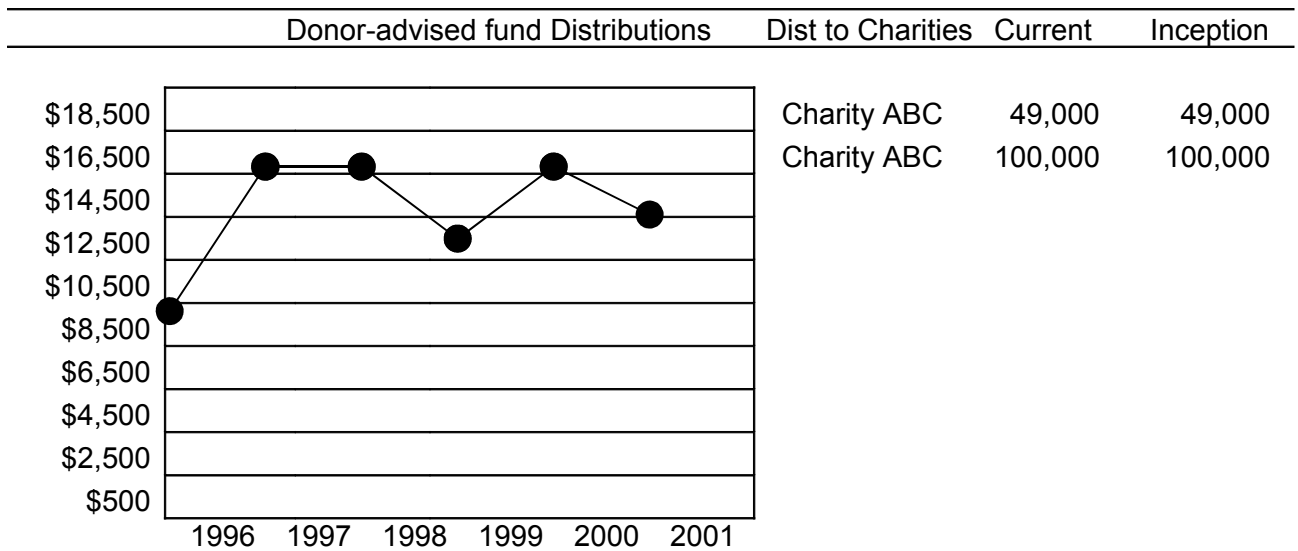
Sample Donor Statement

CHURCH OF THE NAZARENE FOUNDATION

Investment Summary as of 01/31/2001

JOE SMITH Donor-advised fund

Beginning Balance – 01/01/2001	\$2,814,942.93
Contributions	58.68
Interest & Dividend Income	8,160.18
Realized Gains/Losses	30,172.34
Market Appreciation/Depreciation	56,774.25
Distributions	<u>-149,000.00</u>
Ending Balance – 01/31/2001	<u>\$2,761,108.38</u>



Investment Type	Market Value	Percent
Donor-advised fund 1	45,558.29	1.65%
Donor-advised fund 2	945,679.62	34.25%
Donor-advised fund 3	1,769,870.47	64.10%
Market Value	\$2,761,108.38	100.00%