



# DONOR-ADVISED --- FUND PROGRAM GUIDE

*Building a world full of pride, dignity, justice, & joy*

# SECURING OUR FUTURE NOW AND FOREVER

Horizons' Now and Forever campaign seeks to identify \$100 million in legacy gifts before Horizons' 40th Anniversary year in 2020.

Horizons believes that we can and must build on our movement's progress and that we have the collective power to create a world in which young people can thrive in safe and supportive homes, that our elders can age with dignity and in community, and that the gains we fought so hard to win will be expanded and protected.

Secure \$100 Million in future legacy commitments by the year 2020

Mobilize increased, dependable, long-term support for organizations serving and advocating for LGBTQ people

Create permanent resources for our community through the LGBTQ Community Endowment Fund

Ensure a strong, enduring philanthropic institution dedicated to the LGBTQ community – forever

## WON'T YOU JOIN US?

*"We want to have a lasting impact, but it's hard to know what will be needed into the future. We look to Horizons to help us know the important issues facing our community."*

— Dipti Ghosh and Meggy Gotuaco



Have you already included Horizons in your estate plans? Let us know. Contact Candace Lopez, Chief Philanthropy Officer for more information at 818.943.1711 or [clopez@horizonsfoundation.org](mailto:clopez@horizonsfoundation.org).

# TABLE OF CONTENTS

<b>Introduction</b> .....	2
Benefits of the Horizons Donor-Advised Fund Program.....	2
<b>Establishing a Fund</b> .....	4
Opening Your Fund.....	4
Contributing to a Fund.....	5
Testamentary or Deferred Gifts .....	5
<b>Tax Deductions</b> .....	6
Charitable Deductions.....	6
Deduction Limitations.....	6
<b>Fund Valuation</b> .....	7
<b>Investment Options</b> .....	8
Fixed Income and Bond Options.....	8
Equity Options .....	9
Model Portfolios.....	10
<b>Grantmaking</b> .....	13
Grant Distribution.....	13
Accepted Nonprofits.....	14
Restrictions .....	14
<b>Fees and Expenses</b> .....	15
Charitable Administration Fee .....	15
No Fees for Leadership Circle Donors.....	15
Investment Expenses.....	15
<b>Successor Advisors and Charitable Beneficiaries</b> .....	16
<b>Reporting and Receipts</b> .....	16
<b>Other Information</b> .....	16

# INTRODUCTION

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, transgender, and queer (LGBTQ) 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 LGBTQ 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. Your DAF is also a terrific legacy planning vehicle. Please consult your financial and tax advisors to ensure the best use of this program in your personal tax situation.

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 now or 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 page on Horizons' website or by filling out a simple form.

## Benefits of the Horizons Donor-Advised Fund Program, *continued*

- ✓ **Specialized Grantmaking Advice:** Horizons Foundation staff can provide important expertise and up-to-date information about LGBTQ and other types of 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.
- ✓ **Investment Options:** The Horizons Donor-Advised Fund Program provides you the opportunity to recommend how your contribution is invested. The program offers donors several investment strategies to choose from, including numerous socially responsible options. Investments and investment strategies are all monitored and evaluated by the Investment Committee of Horizons Foundation.
- ✓ **Enhanced Giving Power:** Any potential growth in assets within a donor-advised 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 LGBTQ community and other causes. Horizons sponsors events and provides other opportunities for donor advisors to share experiences, leverage funding, and learn about work being done in specific areas of interest.
- ✓ **Legacy Giving:** You may share 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 advisors to the fund, which allows you to include your partner, family members, or friends in building a philanthropic plan for giving, both 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 choose to become a member of Horizons Foundation's Leadership Circle (\$1,000+ annual gift to Horizons) and that gift is greater than 1% of your fund balance, we will waive our charitable administration fee.

## ESTABLISHING A FUND

### Opening Your Fund

You can open a fund by completing a donor agreement which you can download 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.

- ✓ **Initial Contribution:** The initial contribution must be at least \$5,000.
- ✓ **Additions to the Fund:** You can make additional contributions 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:** You may contribute cash, stocks, bonds, mutual funds, real estate, and certain other assets. Contact Horizons directly about gifts of real estate or other assets.
- ✓ **Naming the Fund:** You will be asked to name your fund for use in correspondence and for publications. You may want the name to reflect the charitable goals or values of your fund, such as the Janice Smith LGBT Educational Fund or the Charles Jones Save the Planet Fund. Some donors name the fund after themselves (e.g., The Janice Smith Philanthropic Fund). Other donors create names that are meaningful to them or in honor of an inspiring person, a choice which also serves donors who wish to remain anonymous. Some donors use the fund name to ensure their contributions have an LGBTQ “stamp” on them (e.g., The Gay Values Fund), which can have additional impact in their giving to non-LGBTQ 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 name and your personalized fund, just your fund name (e.g., The Gay Values Fund), or may have the gift made anonymously.

## Contributing to a Fund

You can fund a donor-advised fund in the following ways:

- ✓ **Cash:** You can wire or mail cash using the forms available online.
- ✓ **Publicly Traded Stock:** You can transfer stocks 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, 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. For gifts of appreciated publicly traded securities, the confirmation will include the date of receipt, type of stock, and number of shares.

## Testamentary or Deferred Gifts

You can make a fund the beneficiary of a bequest of cash, securities, or other assets. Retirement funds or life insurance policies can be an excellent way to add to or create a fund. A fund can also be the beneficiary of a charitable remainder trust or charitable lead trust, as a deferred gift. You should complete the Donor Agreement, name the fund, and choose successors. Be sure to consult your tax and legal advisors when setting up any deferred gift or trust.

## TAX DEDUCTIONS

### Charitable Deductions

You can deduct your contribution to the Horizons Donor-Advised Fund Program on your 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 contributed. You should always consult your legal or tax advisors about your personal circumstances regarding estate and income taxes.

- ✓ **Estate Taxes:** All contributions to your fund are excluded from your 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:** You may generally deduct up to 50% of your adjusted gross income (“AGI”) in the tax year in which you make the contribution.
- ✓ **Appreciated Securities and Real Estate:** You may generally deduct up to 30% of your AGI for gifts of appreciated securities held more than a year.
- ✓ **Carryforward Deductions:** You can carry any excess tax deduction forward and deduct it for up to five additional years after the year of the original contribution. Your itemized tax deductions may be subject to certain other limitations; consult a tax advisor 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, but accrues to the fund.



## FUND VALUATION

- ✓ **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 you contributed. Horizons will seek to liquidate securities contributed by the donor promptly, which usually begins on the next trading day.
- ✓ **Fund Value and Income:** At any point, the 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

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 LGBTQ community in areas such as employment non-discrimination.

You may recommend any mix of the investment options provided and recommend changes to those allocations quarterly. If you choose not to recommend an allocation, your fund will be invested 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 LGBTQ equality issues and non-discriminatory practices. The three model portfolios propose differing allocations among asset classes and risk-reward tradeoffs to support donors' grantmaking timeframes.

You may change your investment portfolio option on a quarterly basis (i.e. at the end of each calendar quarter) to take effect in the subsequent quarter. At this time, your portfolio will be re-balanced to align with the recommended asset allocation percentages.

### Fixed Income and Bond Options\*

- ✓ **Vanguard Federal 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. (VMFXX, annual fee: 11 bp)
- ✓ **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 by corporations with investment-grade credit ratings. The fund seeks return from both income and capital appreciation. (PTTAX; 104 bp)
- ✓ **Calvert Community Investment Fund**, 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 LGBTQ nonprofits. Accounts earn a fixed rate and the return of principal. (No symbol; no fee)

\*NOTE: Fees are as of October 2017

## Equity Options\*

- ✓ **Dodge & Cox International Stock Fund** employs active management and invests primarily in equity securities issued by non-U.S. companies from at least 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; 63 bp)
- ✓ **Neuberger Berman Socially Responsive Fund** is an actively managed large-cap stock fund that seeks growth of capital primarily by investing in securities of U.S. 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 LGBTQ anti-discrimination policies and practices. (NBSRX; 87 bp)
- ✓ **Vanguard FTSE 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. (VFTAX; 14 bp)
- ✓ **Vanguard Total Stock Market Index Fund/Admiral Shares** employs a “passive management”—or indexing—investment approach designed to track the performance of the MSCI® U.S. 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. (VTSAX; 4 bp)

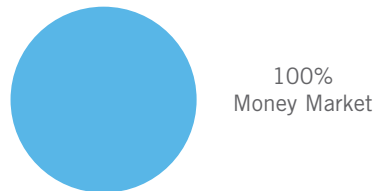
\*NOTE: October 2017

## Model Portfolios

Horizons Foundation's 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 one- to two-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 is 24 bp for this fund (as of 10/2017).

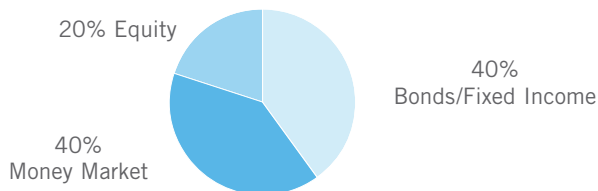


### PORTFOLIO 2: THE GROWING PHILANTHROPIST

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

- 40% Vanguard Federal Money Market Fund
- 20% Calvert Community Investment Fund
- 20% PIMCO Total Return Fund
- 5% Dodge & Cox International Stock Fund
- 15% Vanguard Total Market Index (A) or Vanguard FTSE Social Index Fund (B)\*

This option will balance the opportunities to grow the value of your fund with cash availability for annual grantmaking. 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 annual expense for this portfolio is 30 bp for A and 27 bp for B (as of 10/2017).

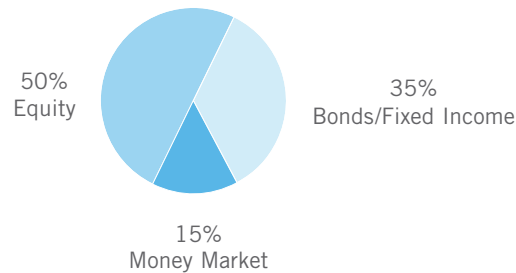


### PORTFOLIO 3: THE PERMANENT PHILANTHROPIST

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

- 15% Vanguard Federal Money Market Fund
- 20% Calvert Community Investment Fund
- 15% PIMCO Total Return Fund
- 50% equity:
  - 20% Neuberger Berman Socially Responsive Fund
  - 10% Dodge & Cox International Stock Fund
  - 20% Vanguard Total Market Index (A) or Vanguard FTSE Social Index Fund (B)\*

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 annual expense for this pool is 45 bp for A and 41 bp for B (as of 10/2017).



\* Donors may choose either the A or B version of these portfolios. All versions are market index funds, but the B version is a socially responsive screened fund.

## Model Investment Options

Recommended asset allocation	Portfolio 1	Portfolio 2*	Portfolio 3*
<b>Vanguard Federal Money Market Fund</b>	100%	40%	15%
<b>Fixed Income/Bonds:</b> PIMCO Total Return Fund Calvert Community Investment Fund	0% 0%	20% 20%	15% 20%
<b>Equity:</b> Neuberger Berman Socially Responsive Fund  A: Vanguard Total Market Index or B: Vanguard FTSE Social Index Fund	0%  0% 0%	0%  15% or 15%	20%  20% or 20%
Dodge & Cox International Stock Fund	0%	5%	10%
<b>Total</b>	100%	100%	100%
<b>Current expense**</b>	24 bp	A: 30 bp or B: 27 bp or	A: 45 bp or B: 41 bp or

\* Donors may choose either the A, B, or C version of these portfolios. All versions are market index funds, but the B version is a socially responsible screened fund.

\*\* Expense ratios may change from time to time.

## PORTFOLIO 4: CUSTOM PLAN

If you have another timeframe in mind or wish to recommend an allocation that differs from the model portfolios, 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.

## GRANTMAKING

Donors may recommend grants to qualified charitable organizations. You may request grants by completing a Grant Recommendation form online, or by faxing or emailing the form to Horizons. Upon receipt of your recommendation, Horizons 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. Grants are approved weekly and grant checks are issued once per week for all Donor-Advised Funds. A letter will accompany the check recognizing the fund name and your name, unless you request anonymity. Quarterly statements will list your grants for the preceding quarter. You may always access your grantmaking history online.

- ✓ **Anonymous and Alternate Name Giving:** You may designate that a grant be given anonymously or in the name of another individual.
- ✓ **Allocating Investments after Grants:** Funds will be rebalanced periodically to maintain the current portfolio allocation.
- ✓ **Minimum Grant Amount:** The minimum grant recommendation is \$250.
- ✓ **Number of Grants:** You may make unlimited grants from a fund (not to exceed the amount in the fund).
- ✓ **Turn-around Time:** Horizons generally sends out grants within five to ten business days of your recommendation, unless additional due diligence is required for a particular nonprofit organization.
- ✓ **Anti-discrimination Policies:** Horizons Foundation verifies that the nonprofit organizations that receive grants do not discriminate on the basis of sexual orientation or gender identity or that they are currently working to establish such policies.

## Accepted Nonprofits

You may recommend grants to qualified charitable and nonprofit organizations recognized by the IRS as able to receive tax-deductible contributions.

- ✓ **Public Nonprofit Organizations:** You can recommend grants 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, as allowable by IRS rules and regulations.

## Restrictions

- ✓ **General Restrictions:** Horizons Foundation will not approve grants to individuals, private non-operating foundations, or 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 you about your charitable giving at your request. Meeting with Horizons staff may help you think through your philanthropic goals and create a giving plan that suits your needs. Horizons can provide important expertise and up-to-date information about LGBTQ and other social justice organizations in the Bay Area, nationally, and internationally. We can also provide research and docket preparation for you upon request.



## FEES AND EXPENSES

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

### Charitable Administration Annual Fee

Each fund is subject to an annual administration fee annually based upon the portfolio balance at the end of the previous calendar year.

Balance at Year-end	Annual Fee
Up to \$1,000,000	1.00%
\$1,000,001 up to \$2,500,000	0.75%
\$2,500,001 up to \$5,000,000	0.55%
Over \$5 million	0.35%

### No Fees for Leadership Circle Donors

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, we request that donor advisors make a meaningful annual contribution to Horizons Foundation for operating purposes.

**Horizons Foundation will waive the above fees if you make an annual Leadership Circle gift to Horizons that exceeds the fee that would have been administered based on the balance of the fund.**

### Investment Expenses

Investment expenses will vary, depending on the investment options you choose. Investment expenses are disclosed and subject to change. Horizons Foundation's Investment Committee monitors fees and works to keep costs as low as possible to maximize the charitable intent of our donors.

## SUCCESSOR ADVISORS AND CHARITABLE BENEFICIARIES

You can name up to two successor advisors or select any number of charitable beneficiaries or areas of interest for the fund after your death. 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 LGBTQ Community Endowment Fund, which will ensure annual grantmaking to meet the most pressing needs of the LGBTQ community into the future.

To name or change successor advisors and/or charitable beneficiaries, please fill out the Advance Advisor Recommendation Form.

## REPORTING AND RECEIPTS

Horizons Foundation will send you quarterly statements showing your fund balance and activity. At any point, you can review your fund balances and activity online through a secure, password-protected section of our website at [www.horizonsfoundation.org/daf](http://www.horizonsfoundation.org/daf).

Horizons Foundation will also provide you with a gift confirmation for each contribution to your fund. For publicly traded securities, the confirmation will include the date of receipt, type of stock, and number of shares. 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

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



**PRIDE  
DIGNITY  
JUSTICE  
& JOY**

550 Montgomery Street, Suite 700, San Francisco, CA 94111 415.398.2333

[horizonsfoundation.org](http://horizonsfoundation.org)