

Donor-Advised Funds (DAFs): An Overview



Donor-Advised Funds offer a flexible mechanism and incentive for individuals and organizations to contribute to Colorado charitable causes. Particularly when managed by community foundations with a local focus, DAFs play a significant role in supporting and strengthening communities.

WHAT IS A DONOR-ADVISED FUND (DAF)?

A Donor-Advised Fund (DAF) is a charitable giving account managed by a sponsoring organization. Donors contribute assets like cash, stocks and property, receive an immediate tax deduction, and retain advisory privileges to recommend grants. The sponsoring organization holds legal control, ensuring funds are used only for charitable purposes.

WHY DO COMMUNITY FOUNDATIONS MANAGE DAFs?

Community Foundations manage DAFs as an essential tool to activate local donors and expand support for local needs. They leverage their regional expertise to deploy funds more effectively and quickly than commercial DAF-holders.

With high transparency and donor protections, they offer personalized services and foster donor collaborations.

HOW DO DAFs SUPPORT LOCAL CHARITIES?

The National Philanthropic Trust reports 2024 DAF payout rate (the percentage of assets granted to charities annually) is 24%, so DAF funds go to work immediately in the local community.

HOW DO DAFs BENEFIT COLORADO?

- **Local Sustainability:** Community Foundation DAFs are a locally-controlled source of grant dollars, ensuring that contributions address immediate community needs. Some community foundation DAFs are established as a legacy to provide permanent grant support for local nonprofits.
- **Increased Philanthropy:** DAFs often serve as a gateway to lifelong philanthropy as new donors see the results of their grantmaking and become more engaged in their community.
- **Donor Education:** Community Foundations build donor knowledge and empathy around community needs by educating on local issues and helping donors identify the most worthy recipients among Colorado's 20,000+ nonprofits.
- **Nonprofit Capacity Building:** Fees from DAFs are reinvested by community foundations to strengthen local nonprofits and their services.
- **Collaborative Opportunities:** Community foundations often facilitate partnerships among donors, nonprofits, and other stakeholders, fostering collaborative solutions to local challenges.

Donor-Advised Funds at community foundations serve as a link between local giving and local impact for communities across Colorado.