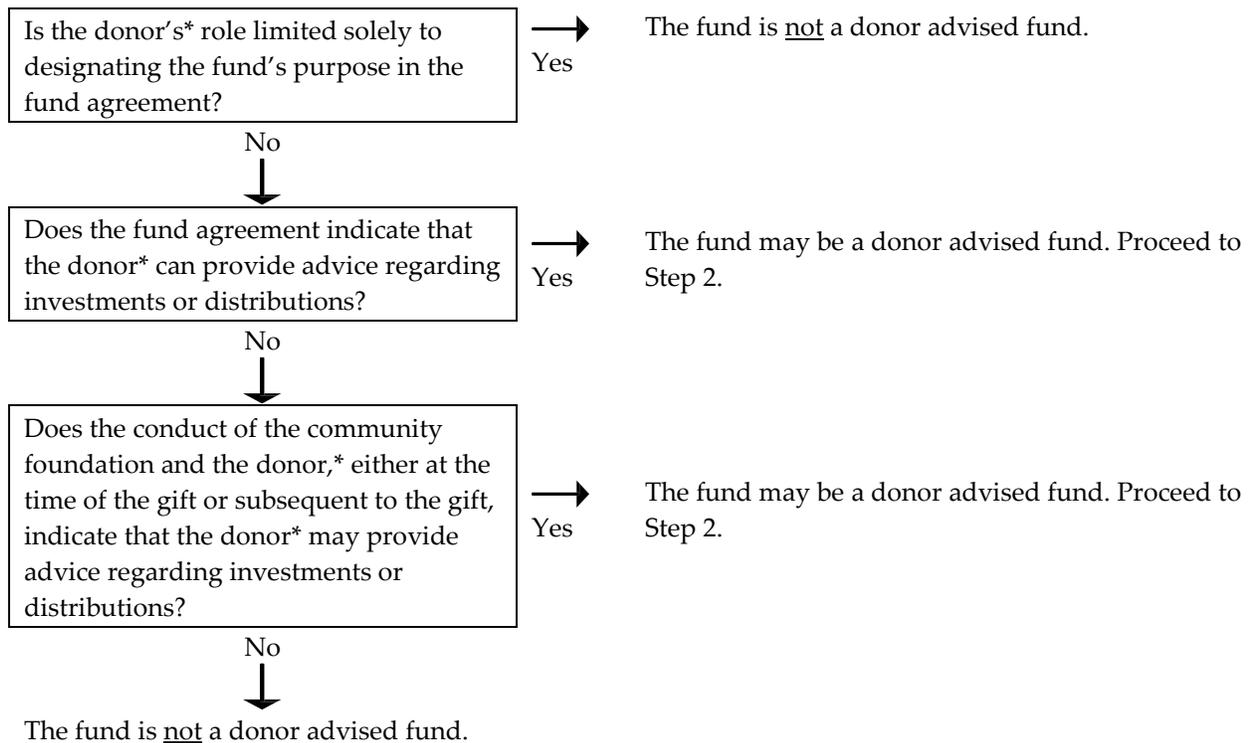


Donor Advised Fund Flowchart

Step 1: Does a donor* have, or reasonably expect to have, advisory privileges with respect to distributions or investments?

*The word Donor is used in this document for brevity, but refers to: (1) donors and (2) persons appointed or designated by the donor.



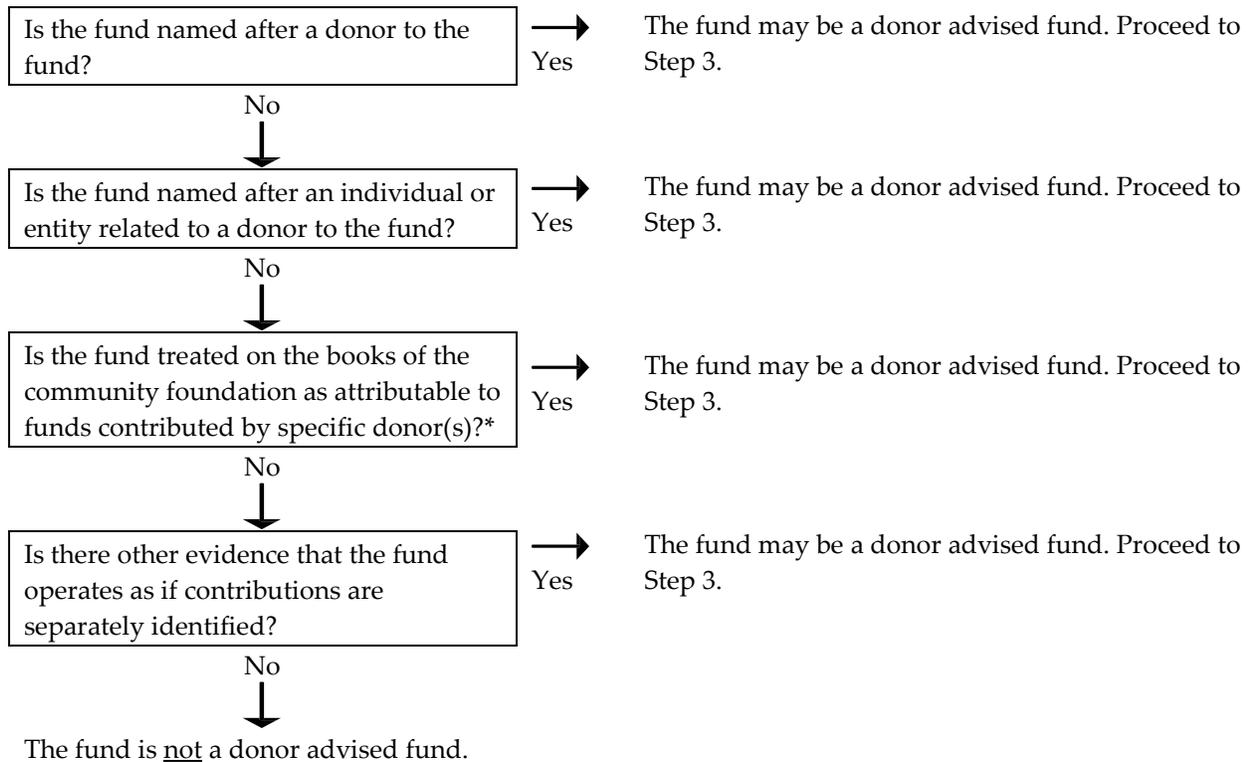
Frequently Asked Question: Are these donor advised funds?

A company established a fund but does not contribute to the fund. The fund is named for the company and advised by a top company official.

A family established a fund to honor a deceased child but the family is not a donor to the fund. All contributions are raised through fundraising activities but the family makes grant recommendations.

Neither the Act nor the legislative history provide a clear answer to the question of whether these are examples of donor advised funds. Without clear guidance, the conservative approach is to treat these funds as donor advised until additional guidance is provided. Community foundations should work with their professional advisors to determine the best approach for handling the classification of these funds.

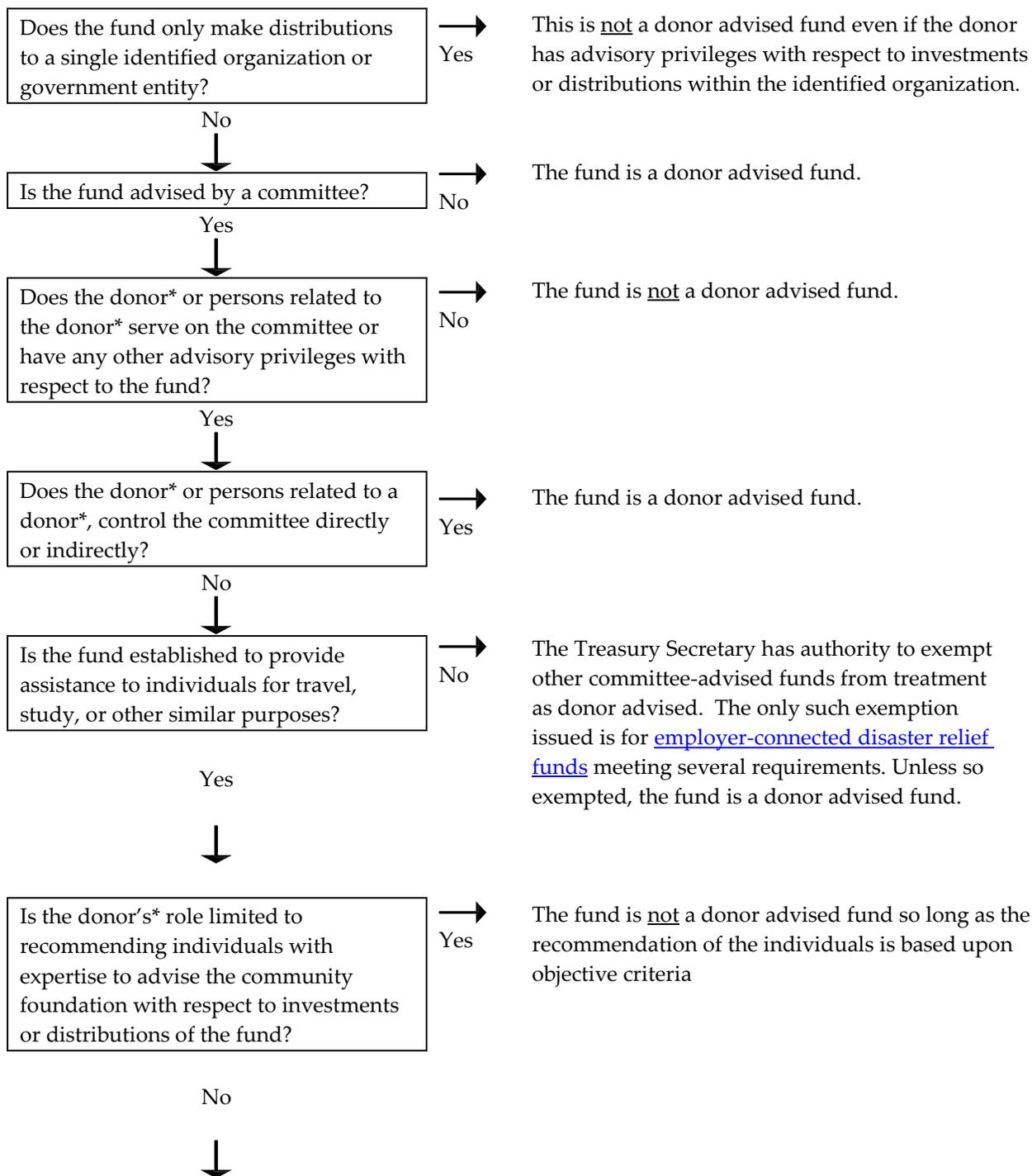
Step 2: Is the fund separately identified by reference to contributions of donor(s)?

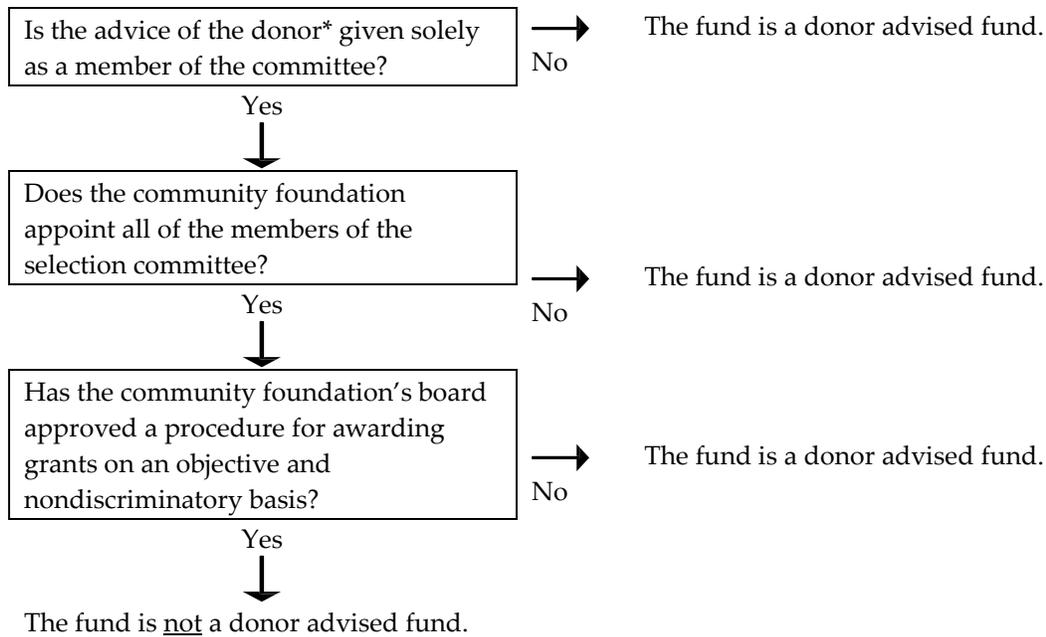


Frequently Asked Question: Who are “related parties”?

While the Act and its legislative history provide no definition, immediate family members (i.e. spouse, children) would likely be considered related parties. Businesses controlled by donors* also are likely to be considered related.

Step 3: Does the fund fall within an exception established by the Act?





The information provided here is based on our continuing analysis of the Act. Every effort has been made to ensure accuracy of this information. However, due to the complexity of the Act and the fact that many of these provisions introduce issues that are new to the Internal Revenue Code, please understand that this information is subject to change. The information is not a substitute for expert legal, tax or other professional advice and we strongly encourage grantmakers and donors to work with their counsel to determine the impact of this legislation on their particular situations. This information may not be relied upon for the purposes of avoiding any penalties that may be imposed under the Internal Revenue Code.