



## DONOR MANUAL

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## *Welcome to the PAA Foundation*

The Pennsylvania Automotive Association Foundation serves as the community foundation and philanthropic partner for the new retail car and truck dealers in Pennsylvania. This manual provides you with useful information about charitable tools available through the Foundation. Please feel free to contact us at 1-800-242-3745, should you have any additional questions.

### **Mission & History**

The Pennsylvania Automotive Association Foundation was founded in 2002. The Foundation fulfills its mission to support, enhance and promote the charitable activities and good works of Pennsylvania new car and truck dealers through PAAF Donor Advised Accounts and PAAF Benefactor Clubs. PAAF Donors embody the spirit of dealers who have always “given something back” by contributing generously to support those in need in their communities. Generous grants from PAAF donors touch many lives and help hundreds of charitable organizations throughout the Commonwealth and beyond.

### **Contact Information:**

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## *Donor Advised Funds*

### *What is a donor advised fund?*

The PAA Foundation structure as a public charity allows it to operate as a community foundation and manage donor-advised funds for the community of new car and truck dealers in Pennsylvania. A **donor-advised fund** is a charitable giving vehicle administered by a third party - in this case, the PAA Foundation - and created for the purpose of managing charitable donations on behalf of an individual, family or business.

Many donor advised funds can be packaged together into one community foundation, such as the PAA Foundation, which results in a much lower administrative expense and consolidated tax reporting for all of the funds. In addition, gifts to a donor advised fund are considered to be gifts to a public charity, and therefore are not subject to the deductibility limits on gifts to private foundations and the more stringent distribution requirements for family foundations.

### *A donor advised fund gives you an effective, flexible option for charitable giving*

A PAAF donor-advised fund offers those with charitable intent the opportunity to easily establish a low cost, flexible vehicle for charitable giving as an alternative to direct giving or creating a private foundation. A PAAF fund may be established in your name, your family's name or your dealership's name and is the perfect solution to manage your charitable giving and fulfill your philanthropic goals. Donor Advised Funds allow you to make a tax-deductible contribution when it is most convenient for you, and then recommend gifts over time to nonprofit organizations of your choice.

A fund can be easily established within PAAF with no start-up costs. Donors enjoy administrative convenience, cost savings, flexibility and tax advantages by conducting their charitable giving through the fund. PAAF also offers incentives to donors at every level. Incentives must be used as donations to charities of the donor's choice. They will not be added to the principle of the account. The PAA Foundation offers several types of "donor advised funds."

## *Advantages of a PAAF Donor Advised Fund*

- ◆ **Legacy.** Establish a named family fund, giving you the recognition and pride of a private foundation, but with no administrative hassle, lower fees, and greater tax benefits
- ◆ **Tax Advantages.** An immediate tax deduction when you establish your fund and a charitable deduction every time you make a gift to your fund
- ◆ **Many Ways to Give.** Gifts to your fund may consist of cash, stock, or other assets
- ◆ **Family Involvement.** Involve your family as advisors now and arrange for future generations to continue your charitable legacy in lifetimes to come
- ◆ **Ease.** Consolidate all your charitable giving in one fund and let the Foundation manage the administrative services, at a minimal fee, so you are free to focus on making an impact
- ◆ **Impact.** Recommend the grants of your choice, on your schedule and fulfill your philanthropic goals

## *How it Works*

- Donate a minimum of \$25,000 in cash, appreciated stock or other property to PAAF
- Donations may be personal or corporate and you can make additional contributions at any time
- You may receive an immediate tax deduction and eliminate capital gains taxes on contributions of long-term appreciated property
- You recommend grants to your favorite organizations whenever it is convenient. There is no limit to the number of grants you may recommend
- Sign a simple agreement and the PAA Foundation establishes a fund in your name, your family's name or your dealership name
- You receive tax acknowledgements and regular statements of fund activity

## *PAAF Fund Levels and Gift Incentives*

Donor Levels	Level Thresholds	Gift Incentive %	Maximum Gift
Regency	\$25,000-\$100,000	10%	\$10,000 Cumulative
Founders	\$100,000-\$250,000	10%	\$25,000 Cumulative
Humanitarian	\$250,000-\$500,000	10%	\$50,000 Cumulative
Cornerstone	\$500,000-\$1,000,000	10%	\$100,000 Cumulative
Legacy	\$1,000,000-\$5,000,000	5%	\$300,000 Cumulative
Gold Legacy	\$5,000,000-\$10,000,000	2%	\$400,000 Cumulative
Platinum Legacy	\$10,000,000+	1%	Unlimited

Start-up incentives are calculated on any initial contribution over \$25,000 and on additional contributions to the account. The gift incentives are calculated on a cumulative basis beginning with the first donation and will be applied to the spendable amount of the account. Annual incentives are calculated on the balance of the account on December 31 of each year and will be applied to the spendable amount for the following year. Incentives must be used as donations to charities of the donor's choice and will not be added to the principal of the account.

## *Annual Incentives*

Annual incentives are calculated on the balance of the account on December 31 of each year and will be applied to the spendable amount for the following year. Incentives must be used as donations to charities of the donor's choice and will not be added to the principal of the account.

## *Fees*

Each donor advised account is charged an investment management fee, as well as an administrative fee. PAAF Strives to keep all fees at the lowest possible level in order to maximize the charitable impact that PAAF donors have in their communities.

### Investment Management Fee

The investment management fee applies to all invested funds of the PAAF. The Bryn Mawr Trust Company manages all PAAF funds at an annual cost of **0.45%**, which is passed through to all Regency, Founders and Legacy accounts on a pro rata basis. The PAAF does not charge any additional investment management fees for accounts managed by the Bryn Mawr Trust Company.

If a donor chooses an investment firm other than the Bryn Mawr Trust Company to manage the account, the investment fees and any additional fees charged by that firm will be passed through to the account. PAAF reserves the right to charge additional investment management fees to those accounts

### Account Administration Fee

The schedule of administration fees, applies to all accounts of the PAAF. Fees cover all costs incurred to establish and manage all PAAF funds including all legal and accounting fees. Through economies of scale, PAAF is able to charge reduced fees compared to the cost of establishing and maintaining a private foundation.

The Administrative Fee Schedule for Regency, Founders and Legacy Accounts (minimum balance \$25,000) is to be assessed quarterly based on the account's balance on the last day of each calendar quarter and charged on a pro rata basis in the following calendar quarter as follows:

Minimum of \$200; or  
**0.9%** of assets of \$25,000 up to \$100,000  
**0.8%** of assets of \$100,000 up to \$500,000  
**0.7%** of assets of \$500,000 up to \$999,999  
**0.5%** of assets of \$1M up to \$3M  
**0.4%** of assets \$3M and over

Investment management fees and administrative fees appear as separate line items on donor fund quarterly financial statements.

## *Online Account Management*

All PAA Foundation donor advised fund holders have access to account management tools through the PAAF website, paa-foundation.org. Every donor receives a username, password and PIN when an account is established. The site provides account information including the fund balance, which is updated daily to reflect any activity. You can print quarterly statements and track the grants you award to various charitable organizations. You will also have the ability to request grants and make donations on line through the "Donate Now" application.

PAAF staff will contact you soon after opening an account to explain the features of the system and help you become comfortable with it.

## *Nurture the Community*

### *Making Grants*

The generosity of PAAF donors has touched many lives and helped hundreds of charitable organizations throughout the Commonwealth. As a community foundation for the new retail car and truck dealers in Pennsylvania the PAA Foundation strives to support and maximize that generosity through PAAF Donor Advised Accounts and PAAF Benefactor Clubs

### *Advisory Committee*

Once the donor advised fund is established the donor designates an “advisory committee” which may be comprised of the donor alone, the donor and his or her spouse, possibly children, company employees or others. The advisory committee selects the charitable organizations the fund wishes to support. The committee’s recommendation for the distribution of gifts is sent to the board of the PAA Foundation for final approval.

The donor or advisory committee of a donor advised fund is encouraged to determine the amount of money the fund is to distribute every year by establishing a “spending policy.” Although the IRS does not impose any particular distribution requirements on a donor advised fund at this time, PAAF encourages donor advised accounts to establish an annual spending policy of 5 percent of the total amount of the fund. Some donor advised accounts make distributions in accordance with their spending plan every year. Other donors allow the principal to accumulate for several years before making gifts.

### *Grant Requests*

You may make grant recommendations to the charities of your choice at any time. Recommendations concerning distributions from a donor advised fund can be provided by the donor directly or by the committee. Grants may be made to verified 501(C) (3) or other charitable organizations such as schools, churches or hospitals.

The simplest way to submit a Grant Request is through the Donor Advised management system on the PAAF website, [paa-foundation.org](http://paa-foundation.org). You may also email or fax a request to the Foundation.

Upon receipt of a grant request, the PAAF staff reviews the request and verifies that the organization is a charity recognized by the IRS. Due diligence by staff through the use of Guidestar and other research resources, ensures that all organizations receiving grants from PAAF donors satisfy all IRS requirements.

Checks for all grants you award will have the name of your fund in the heading. A letter to the charitable organization which explains that the grant is from your fund and provides any other applicable information about the grant will accompany each check. You may choose to have the check and letter sent directly to the recipient organization. If you prefer to present it personally the packet can be mailed to you. A grant request is generally processed within twenty four hours if there is no problem with the verification process.

## *Grant Restrictions*

The IRS imposes some restrictions as to what types of gifts might be made from a donor advised fund, as follows:

- Not to Individuals. There is a prohibition against grants or the distributions to individuals from a donor advised fund.
- Must be for a Charitable Purpose. A gift from a donor advised fund must be made for some kind of charitable, educational or religious purpose.
- Not to a Private Foundation. A gift from a donor advised fund cannot be made to a private foundation, except under very limited circumstances.
- Foreign Grant. Gifts to foreign organizations can only be made under very limited circumstances.
- Must be Approved by Sponsoring Charity. Gifts from a donor advised fund are subject to the approval of the sponsoring charity, which is the PAA Foundation in this case.
- Cannot Satisfy Donor Pledges. Gifts from a donor advised fund cannot satisfy legally binding charitable pledges previously made by the donor.
- No Donor Benefit. Gifts from a donor advised fund cannot have the effect of benefiting the donor personally such as creating preferred seating rights at a sporting event.

## *Grow a Legacy*

### *Building the Fund*

Donor advised and benefactor club accounts are excellent tools for estate planning and charitable giving that offer dealers and their families a means to support their favorite charities and organizations and satisfy the philanthropic goals of their families. They also help dealers establish a lasting charitable legacy that their families can grow and perpetuate. They should also be considered when reviewing your tax liability with your accounting professionals because donations are tax deductible up to the maximum allowed in each individual situation.

The PAAF Investment Committee establishes investment policy and guidelines and reviews investment results. The PAAF Investment Committee and the PAAF staff work closely with portfolio managers at Bryn Mawr Trust Company to monitor and evaluate the investment results on PAAF assets and ensure that the managers are in compliance with the PAAF investment policies. They also make recommendations for changes when deemed necessary. It is the responsibility of the PAAF Investment Committee to ensure that the Foundation receives the highest quality advisory and fiduciary services available.

You may add a gift of any amount to your fund at any time after the fund is opened. Donations may be personal or corporate and may be in many forms including:

- Cash
- Appreciated securities
- Retirement plans and IRAs
- Savings bonds
- Tangible personal property

Financial statements will be available to you either online anytime and on a quarterly basis by mail. Investment returns and any other account activity is posted to every account on a daily basis.