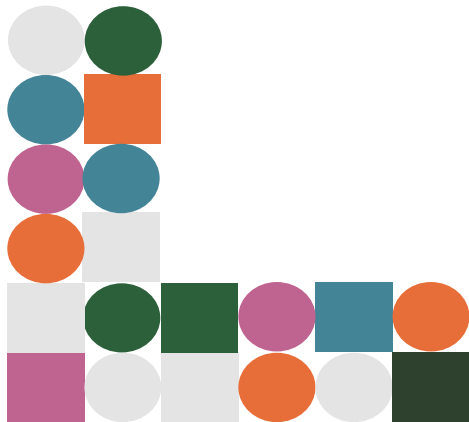


DAFs and the Charitable Giving Landscape



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Agenda



Impact of 2024 election



Trends in Charitable Giving



How to choose the best sponsoring organization for your clients' DAF(s)?



Exciting opportunities for DAFs: complex assets, generational differences & social impact investing



Impact of 2024 election

What do the recent election results mean for the charitable sector? While Trump did not declare concrete intentions, based on historical information it is likely that:

- ❖ Extension of Tax Cuts and Jobs Act 2017 (TCJA)
 - ❖ Could mean a reduction in charitable giving, especially among smaller donors as incentive(s) to give are removed....
- ❖ Revenue raisers to be able to afford TCJA, examples of ideas that have been floated
 - ❖ Mandatory payout for DAFs
 - ❖ Corporate tax rate to 30%
 - ❖ Eliminate sports leagues tax exemption
 - ❖ Tax on non-profit endowments over \$10B
- ❖ As we learned recently from Alexander Campbell and Alexander Reid, it seems like the government may try to make non-profit and for-profit sectors more symmetrical – but will that work?



Impact of 2024 Election

Race-based Philanthropy

Brief history of Fearless Fund and the award for black female entrepreneurs at the center of the Supreme Court case

Outcome of the case

- ❖ Any awards framed as contracts that explicitly include race, likely to be deemed unconstitutional under the courts' current reading of the Civil Rights Act of 1866
- ❖ In essence, flipping the Civil Rights Act on its head
- ❖ Fearless Fund decided to suspend the grant program indefinitely

Going forward

- ❖ Where will challenges come from? AAER said 3 unnamed members were harmed and the 11th Circuit Court ruled AAER still had standing to sue
- ❖ What will happen to race-based grant making?
- ❖ Affirmative action for admissions was deemed unconstitutional by Supreme Court in June 2023



Trends in Charitable Giving

DAFs continue to be one of the most flexible tools for donors.

Interestingly, continuing through 2024, there are fewer donors making large gifts. However, there still are mega gifts from UHNW donors, many of which are to DAFs, but not always publicized.

There is an increased interest in incorporating impact investing into a DAF strategy.

The incorporation of family and integrating a more robust family giving strategy appears to be increasing.

There is an estimated \$72 trillion still expected to pass between generations over the next 25 years – and most of that wealth is held in non-cash assets like securities, art, real estate and other tangibles.



Trends in Charitable Giving, Tech

Artificial Intelligence (“AI”)

AI is poised to help non-profits improve efficiencies and increase giving with predictive analytics. This should help improve personalized donor interactions, creating more ties to an organization, and a higher likelihood of giving overall.

Digital Fundraising

Text-to-give: while many non-profits have gone back to hosting events, you've probably seen text-to-give used in symbolic ways, ie \$50 provides x meals at a food bank. This efficient way to give continues to grow in popularity with non-profits needing a good web provider and the donor needing internet access.

Peer-to-peer: how many of you have had friends send you a link to their personal fundraising page as they raise funds for a non-profit close to their hearts? Think: Selfless Elf 5K for Akron-Canton Regional Food Bank, Cleveland Clinic's VeloSano, American Lung Association stair climbs, and the ALS ice bucket challenge!



Donor Advised Funds

- What is it?
 - A fund set up by an individual or entity in an IRS Section 501(c)(3) public charity (“sponsoring organization”)
 - Irrevocable gift to the public charity
 - Donor or donor’s appointed representative(s) retain advisory privileges with respect to timing, amounts and organizations to receive distributions
- Who can use them?
 - Individuals
 - Companies
 - Non-profits
 - Private Foundations



Choosing the best sponsoring organization for a DAF

All sponsoring organizations have a lot to offer your clients, but getting clear on your clients' goals will help select the best choice for them. Here are some questions to get the conversation started:

- ❖ Strong relationship with financial service provider that has its own DAF sponsoring organization?
- ❖ Platform that is independent to financial service providers? ie: advisor agnostic
- ❖ Place-based thought partner needed?
- ❖ Committed to certain themes or organizations and unlikely to want to change?
- ❖ Interested in developing a LT strategy for grant recommendations?
- ❖ Incorporating family and multiple generations?
- ❖ Comfort gained knowing sponsoring organization will deploy dollars thoughtfully after their lifetime?
- ❖ Interested in donor events and activities where like-minded donors can interact?



Questions to ask a Sponsoring Organization

- What kinds of assets will they accept?
- How much is needed to open a fund?
- What are the minimum dollars that can be granted out? How easy is the process?
- Are there grantmaking restrictions?
- What is the investment strategy?
- How can a donor access fund information?
- What are the fees?



What constitutes a complex (non-cash) asset?

A complex asset is one that doesn't have a readily ascertainable cash value:

- Privately held stock (business interests, LLC shares/units)
- Privately held alternative investment (LP shares/units, REITs)
- Art & other collectibles
- Jewelry
- Wine
- Farm equipment
- Pianos & other valuable instruments
- Bitcoin and other cryptocurrencies



Complex assets & charitable giving

Advantages of charitable giving with complex assets:

- ❖ Tax savings – income tax charitable deduction AND capital gains reduction
- ❖ Help to rebalance a portfolio
- ❖ Funding a DAF with a complex asset, or the proceeds of a complex asset, can provide additional planning benefits such as:
 - ❖ (1) facilitating donations to multiple non-profits, many of which may not be able to directly accept a complex asset; and
 - ❖ (2) legacy giving as many complex assets gifts are quite large.

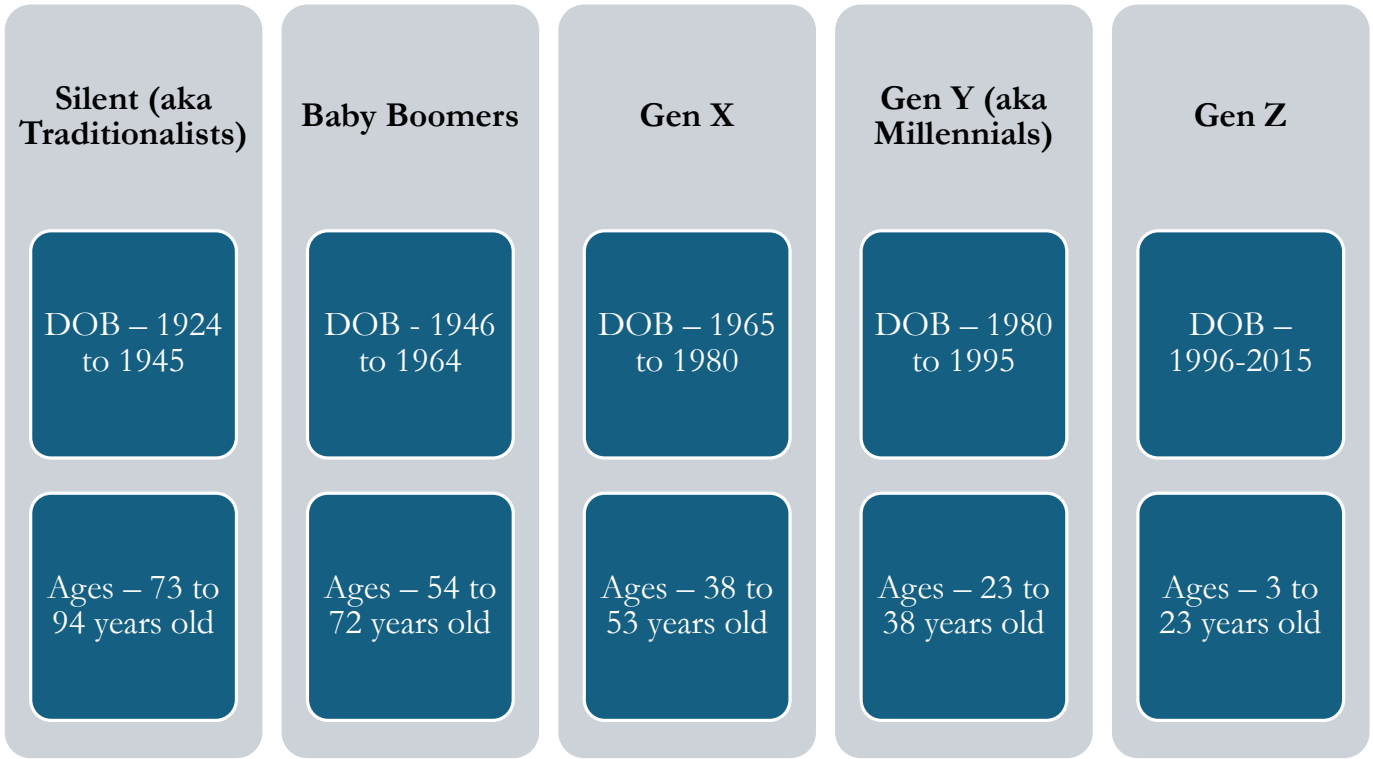


Primary considerations for gifting complex assets

- ❖ Can the non-profit receive a complex asset as a gift?
- ❖ Can the non-profit be a shareholder of a certain type of private stock?
- ❖ Timing of when gift must/should occur, following IRS rules
- ❖ Is there a binding or non-binding LOI?
- ❖ Tax Savings, capital gains savings
- ❖ Can/should the sponsoring organization hold the complex asset for a period of time before it is liquidated?
- ❖ Liquidity requirements for the sponsoring organization (especially if a complex asset is being gifted into a DAF)
- ❖ Timing of liquidity/redemption event of the complex asset
- ❖ IRS rules for appraisals
- ❖ Who is the right partner to accept gifts of complex assets
 - ❖ Cleveland Foundation would welcome the chance to be part of these conversations with you and your clients



Landscape in Charitable Giving – Generational Impact



Silent Generation Factors and Characteristics



- Born during WW II and Great Depression
- Came of age during postwar happiness
- Stay at home moms
- Life-long loyalty to a job
- Children worked hard and kept quiet
- Patriotism, loyalty and faith in communities and institutions
- Saved for a rainy day

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Baby Boomers Factors and Characteristics

- Experienced the economic boom
- Spike in births after soldiers returned from WW II
- TVs in every home
- Civil rights movement and activism
- Draft and Vietnam War
- Rock and Roll
- Two income families
- Optimistic and idealistic



Gen X Factors and Characteristics



- Corporations were downsizing
- Latchkey kids allowing for more independence
- AIDs
- Global awareness about hunger and famine
- Skepticism about marriage as divorce tripled
- Resourceful
- Very independent



Gen Y Factors and Characteristics

- Terrorism shakes country with Oklahoma City, Columbine and 9/11
- Weather and climate changes
- Cells phones
- Internet has arrived and PCs are accessible
- Believe in making an impact with volunteerism
- Diversity is top of mind
- Global citizens



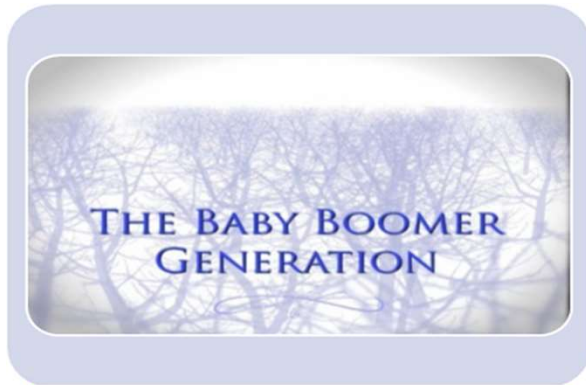
Gen Z Factors and Characteristics



- First black president is elected
- 2008 Recession impacts their families
- Entrepreneurship is top of mind
- Digital Natives with smart phones and touch screens putting the Internet at their fingertips
- Instagram, Snapchat, YouTube, TikTok
- Crowd Sourcing and Crowd Funding
- Pandemic



Multigenerational Differences on the Lighter Side



“When life hands you lemons, make lemonade.”



“When life hands you lemons, create a startup to market lemon juice as a healthy, low carb alternative to lemonade.”



“Hahahaha, as if life would ever just ‘hand you’ lemons.”



Preferred Information Sources by Generation

Where do you find info?	GEN Z	GEN Y	GEN X	BOOMERS	SILENT
Google Search	59%	56%	60%	46%	37%
Social Media	48%	41%	22%	9%	9%
Organization's Website	47%	64%	64%	61%	60%
Charity Review Site	34%	49%	44%	45%	44%
Word-of-Mouth	30%	36%	28%	20%	28%
Information in the News	30%	29%	40%	33%	45%
Annual Report	18%	29%	19%	30%	31%
Financial Statements	18%	13%	11%	15%	11%



Exciting Opportunities for DAFs: Social Impact Investing

Cleveland Foundation defines impact investments as opportunities that align social good with financial return to bring positive social change. Typically, Cleveland Foundation's impact investments focus on green energy, health care, job creation, neighborhood revitalization, social services, technology and workforce development.

In fact, the Cleveland Foundation recently launched its IMPACT CLE pool: an in-house managed pool with a focus on place-based investments in CLE. Investing only in NEO private equity and certain mission related investments ("MRIs").



Cleveland Foundation: social impact investing options

Cleveland Foundation deploys six (6) primary vehicles for donors for social impact investing:

- ❖ Recoverable Grants – loans extended by TCF to nonprofits that are paid back without interest.
- ❖ Program Related Investments (“PRIs”) – below market-rate loans, equity INVs and bank deposits or debt guarantees that TCF uses to fill capital gaps and address community issues.
- ❖ Mission Related Investments (“MRIs”) – investments into PE funds that are aligned with TCF's mission.
- ❖ Real estate investments – like Cleveland Foundation's Headquarters and Midtown Collaboration Center (“MCC”) that is set to open Q1 2025
- ❖ Socially responsible investment pool – up 11.8% YTD (Oct. estimates)
- ❖ Racial equity investment pool – up 13.6% YTD (Oct. estimates)





THANK YOU!

Please reach out to connect at any time:

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