

2023

AEF PROGRAM DESCRIPTION



American
Endowment
Foundation

5700 Darrow Road, Ste. 118, Hudson, OH 44236 | 888.440.4233 | aefonline.org



“We make a living by what we get, we make a life by what we give.”

—Winston Churchill

The Sharing of Values: What is Your Legacy?



There are many paths to charitable giving. Each individual and family must select the course that seems best for their particular needs. In recent years, donor advised funds (DAFs) have grown to be the most popular charitable giving vehicle in the U.S. having been proven as a simple, practical and tax effective means for donors to achieve their charitable wishes.

American Endowment Foundation (AEF), the nation’s leading independent non-profit sponsoring organization of donor advised funds, was founded in 1993. Since its inception, AEF has

been dedicated to fostering the growth of charitable giving by making it more attractive and enjoyable for donors to give through an independent donor advised fund program.

AEF’s vision, mission and values exist to be of service to each of our donors. Our goal is to be a trusted leader, a valued resource and a respectful partner in their goals for charitable good.

WHAT IS A DONOR ADVISED FUND?

A donor advised fund is a charitable investment account that provides a simple, flexible and efficient way to manage your charitable giving. You and your family can enjoy immediate and maximum tax advantages, make grants on a flexible time table, build your charitable legacy, and increase your philanthropic funds for grant making.

AEF's Unique Independence

American Endowment Foundation is distinguished from most other sponsors of donor advised funds by the fact that we are wholly independent. We offer a neutral platform for investment flexibility and grant making, as well as administrative expertise geared to personalized charitable management. Note that:

- | AEF is not affiliated with any financial institution, brokerage firm, mutual fund company or other charity.
- | AEF accrues no benefits from brokerage services, commissions, finder fees, or product sales.
- | AEF does not sell financial products or services.
- | AEF does not provide financial, tax or legal advice.

OFFERING MORE FREEDOM AND FLEXIBILITY

AEF makes grants to recipient charities across the country and the world, offering donors the most flexibility when selecting causes to support.* Many other donor advised fund sponsors place limits on what kinds of assets donors can contribute, or limit donor grants to a specific range of recipient organizations or geographic locations. AEF offers maximum flexibility in the types of assets donors can contribute, the investment decisions donors and their advisors desire, and the range of charities donors can support.

AEF traditionally relies upon participation and investment recommendations of your financial advisor(s) with regard to investments in your AEF Donor Advised Fund.

AEF provides donors the utmost in flexibility concerning timeliness of their gift. A placeholder fund allows a donor to open a fund presently and gift assets at a later date in the current tax year when the gift funding details have been determined.

For those utilizing their AEF DAF for testamentary or estate planning purposes, they can create a legacy fund. A legacy fund would receive the gift of assets at a future date when a bequest or similar estate planning strategy takes effect.

*Please note that some grants to charities based overseas may require that an AEF partner organization engage in equivalency determination which may result in additional fees.

Donor Advised Fund Program Description

PURPOSE

The following sections describe policies, rules and regulations of an American Endowment Foundation Donor Advised Fund. An [Application Worksheet](#) is available to assist your trusted financial advisor in completing our online application.

PUBLIC CHARITY STATUS

American Endowment Foundation (AEF) is classified as a 501(c)(3) public charity under the Internal Revenue Code. As such, contributions to AEF offer immediate and maximum tax benefits.

ELIGIBLE DONORS

AEF accepts contributions from individuals, families, companies, public charities, estates, trusts, and private foundations. A donor advised fund is not intended as a tool for fundraising.

CONTRIBUTION ACCEPTANCE INFORMATION

The minimum initial contribution is \$25,000. Additional contributions of at least \$1,000 may be made at any time. Acceptable asset types include traditional, complex, and alternative assets such as:

- | Cash
- | Marketable securities
- | Life insurance policies
- | Closely held stock
- | Real estate (not subject to a mortgage and held in an entity)

"In this world it is not what we take up, but what we give up, that makes us rich."
—Henry Ward Beecher

Note that the IRS requires donors to obtain, at their own expense, an independent qualified appraisal of contributed assets other than cash or marketable securities. Before accepting a contribution, AEF reviews each asset, and may ask for additional information. Assets that carry unusual potential liability may be rejected. Any donor who has questions about the acceptability of an intended contribution should contact AEF prior to arranging for transfer of the assets.

Upon receipt and acceptance of a contribution, AEF sends the donor an acknowledgment letter containing all the information necessary to document the contribution for tax purposes.



FUND MAINTENANCE

An AEF Donor Advised Fund is subject to a \$10,000 minimum balance. If the balance falls below \$10,000, the donor will be asked to arrange a contribution to restore the balance to the minimum or recommend a liquidating grant to close out the fund.

NAMING THE FUND

Most donors name their AEF Donor Advised Fund after themselves or family members, for example: The John and Jennifer Smith Fund, or The Jones Family Charitable Fund. Others name their funds for a purpose, such as: The Hometown Children's Health Fund. When naming a fund, the words "trust" or "private foundation" cannot be used in the name of the fund. These words have specific legal definitions and cannot be part of the fund name.

DONOR-ADVISOR

Each AEF Donor Advised Fund must name at least one Donor-Advisor serving as initial donor of the fund. Additional Donor-Advisors can also be named at the start of the fund. Donor-Advisors have equal and joint privileges over the recommendations of the fund. Married couples typically name both spouses as Donor-Advisors. In the event one of the joint donors were to die or become incapacitated, the remaining Donor-Advisor maintains fund privileges. The Donor-Advisor is entitled to advise AEF concerning certain aspects of the fund. These include:

- | Submitting grant recommendations
- | Fund investments
- | Liquidation strategies
- | Naming a Successor Advisor, or selecting another disposition plan



SUCCESSION/DISPOSITION PLAN

The donor will specify a disposition plan for their AEF Donor Advised Fund. This plan will either be a Successor Advisor (not the secondary Donor-Advisor named in the original fund application) or a disposition plan for distributions from the fund. The death of the initial donor, their spouse, or another event if so specified, triggers the enactment of the fund's disposition plan.

Many donors choose a disposition plan that allows the fund to continue, by either naming a Successor Advisor of the fund, or naming charitable organizations to receive annual distributions from the fund. The Successor Advisor is intended to be a person who does not currently have privileges over the fund, such as a family member or friend. Another option is to terminate the fund and name charitable organizations that will receive liquidated distributions. Others choose to submit a more customized disposition plan that must be approved by AEF.

INVESTMENTS

The donor must recommend a financial professional to work with AEF to invest the assets of his or her AEF Donor Advised Fund. All funds except the liquidity account held at AEF will be managed by the donors' trusted advisor. This liquidity account balance allows AEF's quarterly administrative fees to be withdrawn without investment disruption. It is replenished annually.

STATEMENTS

AEF provides a Donor Advised Fund statement to donors on a quarterly basis. Information contained in the statement includes:

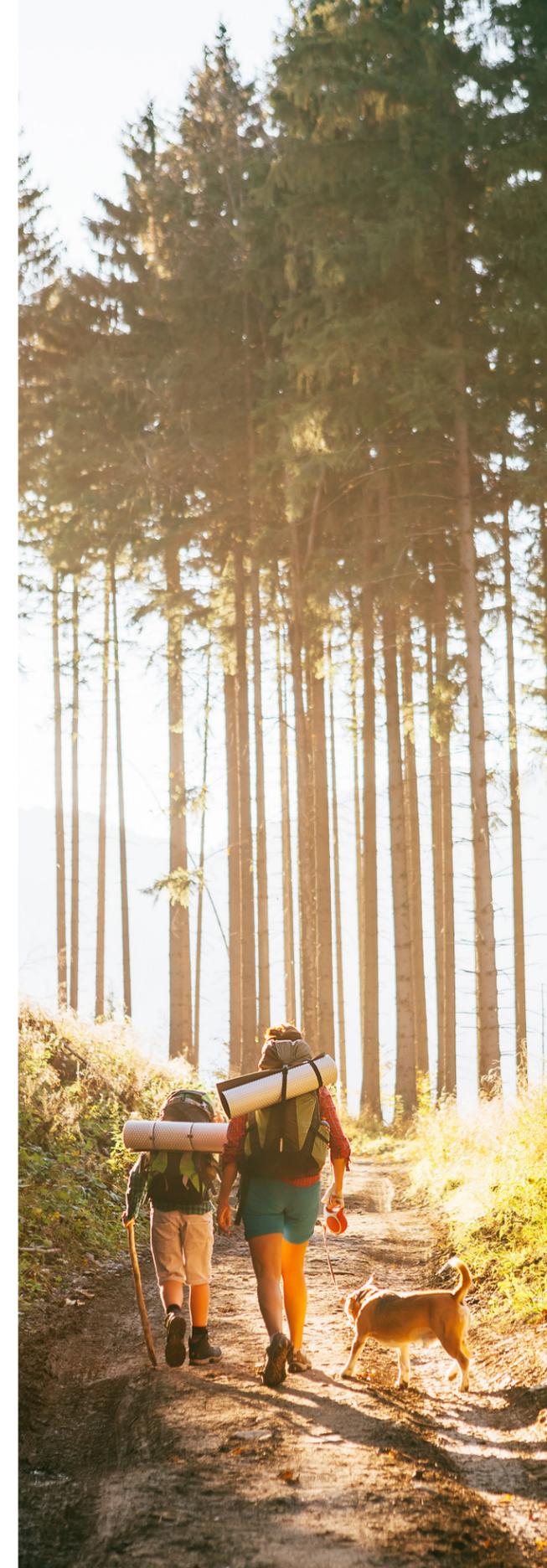
- | A summary of the fund's financial status
- | A record of contributions to the fund
- | A record of grants made from the fund

GRANT RECOMMENDATION TIMING

Donors may submit grant recommendations at any time. Some donors choose to delay recommending grants for a period of time, intending to allow the fund's balance to grow. However, each fund must eventually make grants. Accordingly, AEF will contact the donor if the fund has made no grants in the preceding 36-month period.

"Let us labor to make the heart grow larger as we become older, as a spreading oak gives more shelter."

—Richard Jefferies



GRANTS TO CHARITABLE ORGANIZATIONS

Grants will only be made to IRS-qualified public charities, foreign charities through an approved intermediary and vetting process, or to government entities (e.g. state universities, public school systems, and park systems) for charitable purposes. Non-operating private foundations, lobby organizations, and political campaigns are not eligible to receive grants.

AEF only approves grants that are used exclusively in furtherance of charitable purposes. Per IRS regulations related to donor advised funds, donors and related persons may be subject to excise taxes and other penalties if they receive more than an incidental benefit from a donor advised fund (IRC 4967). A benefit is more than incidental if, as a result of a distribution from a DAF, such person receives a benefit that would have reduced or eliminated a charitable contribution deduction if the benefit was received as part of the transaction. Some examples the IRS may consider prohibited are:

Examples of More Than Incidental Benefits (Not OK)

- Meals
- Certain dues or membership fees
- Preferential access/seating not available to the general public

Examples of Incidental Benefits (Generally OK)

- Coffee mugs
- Key chains
- Calendars
- Posters
- Intangible religious benefits

Other impermissible individual benefits include grants for school tuition or scholarships sent directly to individuals. Also, grants may not be used for political contributions, or any other non-charitable purpose.

CHARITABLE EVENTS, GALAS AND TICKET PURCHASE (BIFURCATED GRANTS)

Grants from a DAF cannot be used to pay any portion of a donation split into tax deductible and non-tax deductible portions. AEF will not approve the recommendation if the receipt of any benefit (such as attendance at a charitable event) is contingent upon the grant from the DAF as part of a larger donation. The IRS considers the relief of the donor's obligation to pay full price of a ticket/admission to a charity sponsored event a direct benefit that is more than incidental. A donor may make a grant to support or sponsor a charitable event or gala and receive acknowledgment for that support. However, if in exchange for the grant, the charity offers a ticket to the event (or any benefit), and the value of that ticket is more than incidental, the donor must decline it.

Current information on our grant making policy is available online at: www.aefonline.org/grant-making



GRANT PROCEDURE

After a fund is established, the donor may submit grant recommendations through the AEF website at www.aefonline.org/online-donor-access. The minimum grant amount is \$250.

AEF reviews each grant recommendation. Upon approving a grant recommendation, AEF liquidates fund investments, prepares a payment, and sends it to the charitable organization. Communication attributing the grant in the name of the fund accompanies the payment. (If the donor prefers anonymity, grants can be sent without identification of the fund and/or donor.)

Grants are processed on an ongoing basis. Normally, AEF distributes grants within several days of receiving a grant recommendation, though international grants may take longer. If AEF experiences a problem approving a particular grant recommendation, the donor will be contacted in a timely manner to discuss the matter.

ADMINISTRATIVE FEE

AEF charges each fund a tiered administrative fee. Contact your financial advisor for details. AEF reserves the right to deem a fund to be pass-through in nature. AEF defines a pass-through as a grant recommendation in which 80% of the fund's assets will be granted within a 180-day period from inception of the donor advised fund. In these rare cases, AEF will substitute the above described fee approach with an administrative fee of up to 1.0% or the minimum fee structure, whichever is greater. Gifts of complex/illiquid assets (privately held securities, commodities, etc.) may have additional fees and expenses.

Investment Charges

Professional investment management fees, commissions, transaction expenses, etc. are charged directly to the relevant funds. These charges are typically related to the selection of investment options.

OTHER CONSIDERATIONS

Although the AEF Donor Advised Fund program provides the donor a great deal of latitude in tailoring a fund to meet their individual needs, it must be understood that:

- | Funds will be operated exclusively for charitable purposes and in accordance with IRS rules and regulation. Any non-charitable distribution from a fund, for example, a grant resulting in the donor or family member receiving more than an incidental benefit, could result in federal tax penalties to the donor and AEF.
- | Funds will be administered in accordance with the provisions of this Program Description, the terms and conditions of AEF's Articles of Incorporation and Code of Regulations and AEF's policies and procedures in effect.
- | Each fund will be treated as a component fund of American Endowment Foundation and not as a separate entity or trust.
- | Contributions, once received and accepted by AEF, become the legal property of AEF and cannot be returned to the donor.
- | AEF's Board of Directors has the right to modify any restriction on any fund if it determines such restriction becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with charitable need.
- | All recommendations from the donor concerning grants, investments or administration of any fund are advisory only. AEF's Board of Directors is free to accept or reject, in whole or in part, all such recommendations.
- | AEF reserves the right to modify the Donor Advised Fund program.
- | AEF reserves the right, in its sole discretion, to place a hold, suspend, or terminate the donors' advisory privileges if any person or entity associated with an AEF fund violates AEF's policies or procedures, the terms and conditions of AEF's Articles of Incorporation or Code of Regulations, federal, state or local law or regulation, or for any other reason that AEF, in its sole discretion, deems appropriate.



FOR MORE INFORMATION:

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AEF's Employer ID Number: 34-1747398

American Endowment Foundation is registered in all states, and the District of Columbia, where such registration is required. A copy of such record is available upon request.