

# 2020-2021 Guide for Professional Advisors

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INVESTING IN THE FUTURE OF THE BAY AREA



## ABOUT THE SAN FRANCISCO FOUNDATION

The San Francisco Foundation works with individuals, families, and corporations wishing to invest in positive change across the Bay Area, the country, and around the world. We are pleased to serve as a resource for philanthropy, and we are dedicated to helping our donors fulfill their charitable goals while ensuring that they have a rewarding and meaningful experience.

Established in 1948, we are one of the nation's largest and most established community foundations. We serve as a philanthropic resource for donors, a social justice grant maker, and we strive to be a civic leader in the region.

We work together with our partners—community leaders, non-profits, and donors—to advance racial equity and economic inclusion and ensure that everyone has a chance to get a good job, live in a safe and affordable home, and have a strong political voice. Our CEO is Fred Blackwell, who has led the foundation since 2014.

## FOUNDATION FACTS AND FIGURES (2020)

- **\$1.5 billion** in assets
- **\$227 million** in grants distributed to 3,015 nonprofits
- **5** counties served through our programmatic work
- **500+** charitable funds
- **91** staff

## IMPACT

We have ambitious goals to address complex challenges, and we're partnering across sectors to implement meaningful solutions.

## RECENT MILESTONES

- **SFF-Supported Advocacy Project Leads to Historic Policy Win.**  
For decades, Californians in the criminal legal system have had to pay dozens of administrative fees – on average \$5,000-\$10,000 per person – that help exacerbate inequity and further strip wealth from communities of color. In 2020 however, we became with the first state in the nation to repeal such fees and write off outstanding debt, allowing hundreds of thousands of Californians to rebuild their lives and provide for their families. This policy win builds on years of organizing and advocacy by Debt Free Justice California, a coalition that we have supported since 2017.
- **SFF Program Helps Keep Oaklanders in their Homes.**  
Even before the pandemic, Oakland was experiencing an unprecedented housing crisis, with higher rates of homelessness per capita than San Francisco or Berkeley. In 2018, we partnered with a group of innovative donors and the City of Oakland to launch Keep Oakland Housed, a program that helps Oakland residents stay in their homes. COVID-19 has presented a far greater challenge for families at risk of homelessness. Six months after shelter in place began, Keep Oakland Housed prevented nearly 850 families from being evicted from their Oakland homes, thanks to rental assistance, legal support, and advocacy for an eviction moratorium under some of the strongest tenant protections in the state.
- **SFF's Work to Protect California's elections.**  
We worked closely with foundations across California to urge California's Secretary of State to establish guidelines for statewide voting options and to invest the resources necessary to ensure that those most impacted by the health and economic crises could properly exercise their right to vote.

## GIVING OVERVIEW

### KEY FEATURES FOR CLIENTS

- Donor Advised Funds and other customized options to facilitate philanthropy
- Acceptance of complex assets, including real estate
- Maximum tax benefits
- Access to subject matter and grantmaking expertise
- Educational opportunities
- Philanthropic advising for donors, families and private foundations
- Legacy planning
- Top investment performance for funds
- Anonymity, if desired

### OPTIONS FOR GIVING

- Set up a charitable fund to support favorite organizations and interest areas
- Give directly to the foundation to support our programmatic, leadership and advocacy
- Set up a testamentary fund or support the foundation through a life income gift

### ASSET (GIFT) TRANSFER

Donors can give a variety of assets when making a gift, creating a new charitable fund or adding to an existing fund. We accept a range of assets including:

- Securities
- Closely held stock
- Pre-IPO stock
- Partnership interests
- Real estate
- Cryptocurrency

Assets are accepted based on the foundation's ability to liquidate in a timely manner.

## CHARITABLE FUNDS

### CREATING A FUND

A fund is created with an agreement between the donor and the foundation either during lifetime for immediate giving, or through an estate plan with instructions to carry out the donor's vision. Funds can be set up in just a few days. Once a fund is established, the donor and others may make additional contributions at any time.

### TYPES OF FUNDS

Funds may be customized to meet the needs and objectives of the donor. They allow for flexible giving or may be set up to benefit particular nonprofit organizations or interest areas such as the arts or the environment. Funds can be endowed (designed to last in perpetuity and subject to our spending policy, currently at 5%) or non-endowed (designed for immediate flexible disbursement).

### DONOR ADVISED FUNDS

Our most common type of fund is the Donor Advised Fund (DAF). The minimum amount to start is \$10,000. Donors who itemize may claim an immediate income tax deduction while granting out funds according to their own timetable. They may recommend disbursements (grants) from their funds and track their activity and fund balance using our online platform. Donor Advised Funds are often established as an alternative to creating a private foundation.

### SUCCESSION PLANS

Donors may name their (adult) children or others as successor advisors to continue the grantmaking activity of their Donor Advised Fund.

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## STAFF SUPPORT

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All fund holders are assigned a Donor Services staff member to contact directly for questions, guidance and recommendations.

## GRANTMAKING

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Donors may support nonprofit organizations locally, across the country, or around the world. Grants from a fund must be directed to qualified 501(c)(3) public charities, private operating foundations in good standing with the IRS, as well as certain government entities. Some legal limitations apply.

## TAX BENEFITS

### INCOME AND TRANSFER TAX STRATEGIES

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We are classified as a public charity under Sections 501(c)(3) and 509(a)(1) of the Internal Revenue Code. Contributions may be eligible for an itemized tax deduction at maximum tax benefits, unlike gifts to a private foundation. To ensure maximum tax benefits, donors typically contribute long-term appreciated assets to their funds, thereby avoiding tax on capital gain. Contributions to the foundation from an estate are not included in a donor's taxable estate.

## FUND INVESTMENTS

### FOUNDATION INVESTMENT POOLS

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Donors can elect an investment allocation for their funds when established. Donors/primary advisors may request a change to the investment allocation at any time, subject to the approval of the foundation. Fund assets are commingled for purposes of investment with other assets of the foundation.

#### Short-Term Investment Pool

Portfolio that invests in U.S. dollar denominated cash equivalents and other short-term, fixed-income securities.

#### Long-Term Investment Pool

Diversified portfolio that includes global equity and fixed income, private equity, venture capital and hedge funds.

#### Mission-Aligned Investments Pool

Diversified portfolio seeking market rate returns in global equity and global fixed income using a variety of socially-responsible and ESG strategies.

#### Endowment Pool (endowed funds only)

Diversified portfolio that includes global equity and fixed income, private equity, venture capital, and hedge funds. The inflation-adjusted return is consistent with a 5% annual distribution rate.

### PERFORMANCE AND RETURNS

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As of September 30, 2020, our 10-year investment performance is in the top 10% of all endowments and foundations.

Performance and investment return information is available for each of our four pools and can be found on our website.

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## SEPARATELY MANAGED FUNDS

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For funds at a level of \$2.5 million or more, donors may recommend an outside investment advisor for the fund. We are pleased to partner with qualified advisors who meet the foundation's due diligence criteria and follow the foundation's investment policy statement for this purpose.

## FEES

### FOUNDATION ADMINISTRATIVE FEES - GENERAL

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There is no start-up fee to open a fund and no transaction fees for grant distributions, although fees will apply to international grants that require specialized review. Once established, assets held in a fund are subject to administrative and investment fees. The administrative fee is determined based on the type of fund that is established. (See next page for DAF fees).

The full annual administrative fee is assessed from the fund upon donation; therefore, no additional administrative fee is assessed on those donations for the following 12-month period. Fees are assessed quarterly following the initial 12-month period.

## DONOR ADVISED FUNDS FEES

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Our standard Donor Advised Fund fee is based on a tiered, blended fee schedule:

- **First \$0-\$3 million** ..... 1.00%
- **Next \$3-\$10 million** ..... 0.75%
- **Next \$10-\$25 million** ..... 0.50%
- **Next \$25 million** ..... 0.25%

## INVESTMENT MANAGEMENT & ADMINISTRATION FEES

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We utilize top-tier active money managers to invest the assets entrusted to us. The management fees associated with these professionals are charged proportionally to the individual funds that hold those investments.

The foundation charges 0.11% per year to administer investments in our four pools. In addition, investment managers charge the following on an annual basis:

- **Short-Term Pool:** 0.13-0.18%
- **Mission-Aligned Investments Pool:** 0.60-0.65%
- **Long-Term/Endowment:** 1.02-1.10%

The investment pool fees will fluctuate as new managers are added or removed, and they exclude incentive fees.

## PHILANTHROPIC ADVISING FEES

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We offer fee-for-service options for advising beyond our standard level of service for fund holders, and for private family foundations or other institutions in need of expertise for grantmaking.

## IMPACT INVESTMENTS

### BAY AREA COMMUNITY IMPACT FUND

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We offer an opportunity for donors and others to participate in a program-related investment strategy, where assets are invested in below-market rate loans to nonprofits and social enterprises. Minimum investment amount: \$50,000. Investment term: 5 years.

## LEGACY PLANNING

### DAF SUCCESSION PLANNING

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Donors may name successor advisors for their Donor Advised Fund.

### TESTAMENTARY FUNDS

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Donors may establish charitable funds through their estate, either by adding to an existing fund or creating one to support the organizations or interest areas that are most important to them. Gifts may come by bequest, beneficiary designations, and other avenues. Our Bay Area Promise Society recognizes donors who have made legacy commitments.

### CHARITABLE TRUSTS (LIFE-INCOME GIFTS)

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We have expertise in facilitating gifts through charitable trusts. In certain circumstances the foundation will serve as trustee for various types of Charitable Remainder Trusts.

## SFF ADDRESS AND INFO

**EIN: #01-0679337**

The San Francisco Foundation does not provide tax, legal, or financial advice. Any document or information provided to you by our staff is intended to be educational and informational. All donors are strongly encouraged to seek counsel from their own legal and financial advisors.

### For more information, contact:

**Pamela Doherty**  
Director of Gift Planning  
pdoherty@sff.org  
(415) 733-8521

**Stephanie Dustman**  
Planned Giving Officer  
sdustman@sff.org  
(415) 733-8534

**Tara Keir**  
Gift Planning Assistant  
tkeir@sff.org  
(415) 733-8527

### Address:

**San Francisco Foundation**  
One Embarcadero Center, Suite 1400  
San Francisco, CA 94111

[sff.org](http://sff.org)