

# 2023 Guide for Professional Advisors

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INVESTING IN THE FUTURE OF  
THE BAY AREA



San Francisco  
Foundation

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

## FOR PROFESSIONAL ADVISORS

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. To that end, we partner with our donors' professional advisors throughout the region and across the U.S.

We understand that your clients' tax, financial and estate planning circumstances are often complex. We are committed to working with you to identify solutions and implement effective strategies to meet your clients' goals. Whether they are early-stage or experienced philanthropists — or anyone in between — we help our donors meet their objectives while ensuring that they have rewarding and meaningful experiences.

## ABOUT THE SAN FRANCISCO FOUNDATION

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 grantmaker, and we strive to be a civic leader in the region.

We work together with our partners — community leaders, nonprofits, 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 (FY22)

- **\$1.6 billion** in assets
- **\$238.2 million** in grants distributed to 3,004 nonprofits
- **\$173.7 million** in contributions and bequests
- **5 counties** served through our programmatic work
- **500+** charitable funds
- Approx. **100** staff

# IMPACT

As a community foundation, we have ambitious goals to address complex challenges, and we're partnering across sectors to implement meaningful solutions.

## OUR GOALS

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We focus our own programmatic efforts on advancing racial equity and economic inclusion in the Bay Area by organizing our work into three pathways: People, Place, and Power. We make grants, advocate for policies, provide leadership, bring people together, and build community power to help make change a reality.

### **People**

All Bay Area residents should be able to make a good living and build long-term financial well-being for their families and communities. Our approach focuses on creating just laws and practices, reimagining public safety, building worker power, and building community wealth.

### **Place**

All Bay Area residents should be able to afford to live in neighborhoods where they feel that they belong. Our approach focuses on keeping people in their homes, regional advocacy, supporting thriving neighborhoods, and preserving trusted local organizations.

### **Power**

All Bay Area residents should have a strong political voice and shape decisions that affect their lives and communities. Our approach focuses on strengthening grassroots community organizing, developing the next generation of leaders, and promoting voter engagement.

# RESOURCES FOR PHILANTHROPY

## KEY FEATURES FOR CLIENTS

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- Donor Advised Funds (DAF) and other customized options to facilitate philanthropy
- Acceptance of complex assets, including real estate
- Maximum tax benefits
- Responsive Donor Services team
- Access to subject matter and grantmaking expertise
- Educational opportunities
- Philanthropic advising for donors, families, and private foundations
- Guidance for "Next Gen" and early-stage philanthropists
- Legacy planning
- Top investment performance for funds
- Support for Private Foundation to DAF conversions

## OPTIONS FOR GIVING

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- Set up a charitable fund to support favorite organizations and interest areas
- Give directly to the foundation to advance our programmatic, leadership, and advocacy and policy efforts by supporting our Bay Area Leads Fund or our endowment
- Set up a testamentary "future fund" or establish a life income gift

## ASSET (GIFT) TRANSFER

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

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

# CHARITABLE FUNDS

## CREATING A FUND

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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

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The foundation can set up a variety of different types of funds on behalf of individuals, families, businesses, private foundations, and other nonprofit organizations.

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 flexible disbursement over a specific period of time).

## DONOR ADVISED FUNDS

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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 GRANTMAKING

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From their DAFs, 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.

## SUCCESSION PLANS

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Many donors include their DAF in their estate plans, adding assets after their lifetimes. Donors may name their (adult) children or others as successor advisors to continue the grantmaking activity of their DAF.

## DONOR EXPERIENCE

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As a leading philanthropic resource for the Bay Area, we take the time to understand what's important to our donors so we can provide customized solutions for their giving and grantmaking. All fund holders are assigned a Philanthropic Advisor to contact directly for questions, strategic guidance, and recommendations.

We offer donors a variety of opportunities for learning, engagement, and impact. Donors convene for educational seminars, neighborhoods site visits, grantee forums, and other special events that highlight pressing issues and that celebrate success in the Bay Area.

## TAX BENEFITS

## INCOME AND TRANSFER TAX STRATEGIES

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As a community foundation, 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, 2022, 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.

## SEPARATELY MANAGED FUNDS

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For DAFs 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.

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 DAF 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.

## 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.

## **PHILANTHROPIC ADVISING - FEE FOR SERVICES**

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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.

## **LEGACY PLANNING**

### **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.

### **LIFE-INCOME GIFTS: CHARITABLE TRUSTS AND GIFT ANNUITIES**

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Life income gifts allow donors to receive income for the life or a term of years, with the remainder going the foundation to distribute according to their charitable goals.

The foundation has a Charitable Remainder Trust program and under certain circumstances will serve as trustee for various types of CRTs.

For donors interested in Charitable Gift Annuities, we work with a trusted partner, the National Gift Annuity Foundation, to administer these gifts.

# SFF ADDRESS AND INFO

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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.

