



**A Guide to Your
Donor-Advised Fund**

Contents

Introduction	1
About NPT Charitable Asset Trust	1
Creating a Donor-Advised Fund at NPT Charitable Asset Trust	1
Contributions	2
Gift Receipts & Tax Forms	2
Tax Considerations	3
Investment Options	3
Grantmaking	4
Fees and Expenses	5

Introduction

Thank you for your interest in establishing a donor-advised fund (DAF) with NPT Charitable Asset Trust (NPT CAT). NPT CAT is a public charity in the trust form. National Philanthropic Trust (NPT) is the trustee of NPT CAT. This donor guide is intended to provide an overview of NPT CAT's DAF program and policies. The guide also includes important details regarding creating and maintaining your DAF.

All DAF activities are subject to the terms and conditions outlined in this donor guide, as well as NPT CAT's deed of trust. NPT CAT reserves the right to modify the DAF program and this donor guide at any time, subject to the provisions of its deed of trust.

NPT CAT and NPT are both recognized as tax-exempt public charities described in Sections 501(c) (3), 509(a)(1), and 170(b)(1)(A)(vi) of the Internal Revenue Code (IRC) of 1986 as amended.

About NPT Charitable Asset Trust

NPT CAT works with individuals, nonprofit organizations and other entities in pursuing their philanthropic objectives. NPT CAT accepts contributions from many types of assets, but specializes in helping donors make charitable donations with illiquid or unique assets.

NPT CAT manages the entire charitable giving process – receiving the asset, managing and liquidating the asset, and administering the grant(s) to recommended charities.

Our staff can share their vast knowledge of the nonprofit sector and offer you technical grantmaking assistance. NPT CAT also provides philanthropic service support for charitable gifting and granting. This support includes:

- Online access to monitor all donor-advised fund activities, provide grantmaking tools to research charities, recommend grants and more
- Assistance with charitable research, and help managing complex contractual grantee relationships
- A well organized, information-rich website with news, articles and resources on philanthropy

For any questions regarding how NPT CAT can support your philanthropic goals, please visit our website, www.nptcat.org, or contact us toll free at (855) 536-1210 any business day between 8:30 a.m. and 5:00 p.m. EST.

Creating a Donor-Advised Fund at NPT Charitable Asset Trust

Individuals, families, companies, trusts, estates, private foundations and nonprofits are all eligible to open a DAF at NPT CAT. The individual or entity that opens a DAF is considered the Primary Donor.

You can open a DAF at NPT CAT by completing a Donor Application and making an irrevocable contribution of \$100,000 or more. You or your advisor may download and complete an online application and other forms at NPT CAT's website, www.nptcat.org.

You may return the application via mail or fax. You may also request an application by calling NPT CAT toll free (855) 536-1210.

Contributions

You may contribute both liquid and illiquid assets to your DAF. NPT CAT reviews each proposed contribution on a case-by-case basis.

Contribution Process

Depending on the type of asset, NPT CAT's review and acceptance procedures vary. Please refer to the Illiquid Asset Contribution Guidelines available at www.nptcat.org or contact NPT CAT for further guidance. If NPT CAT cannot accept a contribution for any reason, you will be notified as soon as possible. Commonly contributed assets and their respective delivery instructions include:

- **Cash Contributions:** You may deliver cash by check or wire. Checks should be made payable to NPT Charitable Asset Trust.
- **Publicly-Traded Stock:** You may transfer stocks ("in kind") via wire to NPT CAT's brokerage account. Forms and instructions for this type of contribution are included online at www.nptcat.org, or can be obtained by calling NPT CAT. If you are contributing thinly-traded stock or restricted securities, NPT CAT must approve any proposed liquidation schedule.
- **Other Property:** Such contributions can include non-publicly traded assets (such as shares of a privately-held company), real estate, art, collectibles, mineral rights, etc. Delivery of these illiquid assets varies. NPT CAT manages all aspects of liquidating the asset with the goal of maximizing its value. All costs NPT CAT incurs to sell the securities (e.g., legal or appraisal fees) will reduce the net proceeds of your DAF. You are responsible for securing a qualified appraisal to substantiate your charitable tax deduction.

Once a contribution is accepted, NPT CAT assets are liquidated in a reasonable time period. Certain assets, such as publicly-traded stock, may be liquidated immediately while other contributions will be liquidated on a schedule to maximize the asset value.

The net proceeds of all liquidated contributions are reflected in the asset value of your DAF. DAF assets are intended for charitable purposes only.

Contributions are Irrevocable

Once NPT CAT approves and accepts your contribution, it is irrevocable. NPT CAT retains exclusive legal control over the contributed asset and you may not impose any material restriction or condition on the gift.

Testamentary Gifts/Gifts from Trusts

Contributions to a DAF can be a part of your estate planning. A DAF at NPT CAT can be the beneficiary of your bequest or other testamentary vehicle. It can also be the beneficiary of:

- A retirement plan such as an Individual Retirement Account (IRA), or 401(k) plan
- A Charitable Remainder Trust, and certain Charitable Lead Trusts
- A life insurance policy
- A brokerage account or other accounts that allow you to designate beneficiaries

Please contact NPT CAT or visit our website for suggested language to designate your DAF as the beneficiary of your estate planning vehicle.

There are many ways for NPT CAT to distribute your testamentary gifts to charity. Please contact NPT CAT for more information on how your DAF can make charitable grants beyond your lifetime. You should always consult a tax or legal advisor when setting up any testamentary gift, trust or other deferred gift.

Gift Receipts & Tax Forms

Gift Receipts

NPT CAT provides you with a contribution confirmation, which serves as your gift receipt. Please keep the receipt for your tax records.

NPT CAT makes a good faith effort to compute the fair market value of each charitable contribution as part of DAF record keeping. You are required to obtain an independent qualified appraisal to establish the amount of your tax deduction.

Tax Forms

If required, NPT CAT will sign an IRS Form 8283 to acknowledge receipt of your contribution. The Form 8283 also contains a summary of your qualified appraisal of the fair market value of contributed assets.

The IRS requires that you file Form 8283 with your federal income tax returns for gifts of property of \$5,000 or more—including publicly-traded and other securities. NPT CAT will provide you with any other financial reports or information required by law.

Tax Considerations

NPT CAT is a public charity, which allows donors to take the most favorable charitable tax deductions. You should consult your tax advisor to determine the appropriate deduction limits.

Tax Eligibility

You are eligible for an itemized income tax deduction on the date that you irrevocably gift your asset to NPT CAT. Any deduction will depend on the type of asset you contribute and your personal financial circumstances. This guide only addresses federal taxes. Rules and regulations regarding tax deductions for charitable giving vary state-by-state. Additional tax rules and regulations may apply depending on your individual circumstances. You should always consult a tax or legal advisor before making a charitable contribution to your DAF.

Tax Treatment of Donor-Advised Funds

The assets in a DAF at NPT CAT may accrue income from investment growth, dividends or capital gains. The income accrued is part of the DAF and therefore cannot be taxed except in limited circumstances involving particular assets such as S-Corporation stock or leveraged property. Additionally, any income can not be claimed as an additional charitable tax deduction. Income or loss in your DAF will be reflected in its asset value and shown in your NPT CAT DAF statements. When NPT CAT makes grants to charities—based on your recommendation—NPT CAT is granting its own assets. Accordingly, you may not take any additional charitable tax deductions for the DAF grants.

Estate Planning

Contributions are irrevocable and are therefore not part of your personal assets. As such, they are not subject to either estate tax or probate. Consult a legal or tax advisor on how your DAF can maximize your estate plans.

Common Tax Deductions

- **Cash/Check:** Your deduction is the amount of the cash contribution.
- **Publicly-Traded Securities:** Your deduction is the fair market value of the securities for those held longer than one year. NPT CAT calculates the fair market value of publicly-traded securities as the mean of the high and low price reported on the date of contribution.

- **Mutual Fund Shares:** Your deduction is the fair market value of the mutual fund shares contributed for those held longer than one year. NPT CAT calculates the fair market value of mutual fund shares as the closing price on the date of contribution.
- **Securities that are not publicly-traded:** Your deduction is typically the fair market value of securities (that are not publicly-traded, such as closely-held or some restricted securities) that have been held for longer than one year. In most circumstances, the IRS requires a qualified independent appraisal to determine the fair market value of securities that are not publicly-traded. The cost of this appraisal cannot be paid for by NPT CAT.
- **Short-Term Securities:** The deduction is limited to the cost basis or the current market value (whichever is lower) for securities (both publicly-traded and other securities) or mutual fund shares that have been held one year or less.

Other Tax Deduction Limitations

The Internal Revenue Code rules for charitable contributions impose “percentage limitations” against adjusted gross income in the year you make the gift.

- **Cash:** You may deduct the full fair market value of a charitable gift up to 50% of your AGI in the tax year in which the contribution is made.
- **Appreciated Securities:** For securities held longer than one year, you may deduct the full fair market value of a charitable gift up to 30% of your AGI.
- **Carry Forward Deductions:** If you cannot use the full deduction in the year you make a contribution, you may use or “carry forward” any excess tax deduction for five additional years.

Investment Options

NPT CAT has sole authority to invest your DAF assets and may change the investments at any time. Changes in market values may affect the value of the investments in the DAF—increasing or decreasing the value of your DAF.

Grantmaking

The assets in your DAF are available for grantmaking purposes only. You may recommend grants to qualified charitable organizations at any time, provided your DAF has available funds and liquidity.

Grant Recommendation Process

To begin, you must make a grant recommendation, which can be done online at www.nptcat.org, or by submitting a completed Grant Recommendation form. NPT CAT carefully reviews all grant recommendations. After receiving a grant recommendation, NPT CAT will verify that the charitable organization is eligible to receive the grant (see accepted charities and restrictions below).

If NPT CAT denies a grant recommendation, an explanation will be provided. NPT CAT will make every effort to suggest alternatives that fulfill your philanthropic intent. You may also elect to submit an alternative grant recommendation. You may log into NPT CAT's secure online site to view the progression of your grant request—from the recommendation until the recipient charity deposits the grant check. You will receive quarterly statements from NPT CAT that list grant recipients and grant amounts for the preceding quarter.

Eligible Grant Recipients

NPT CAT can make grants to charitable organizations that are tax-exempt under IRS Code Section 501(c)(3) and are public charities under Code Section 509(a)(1), (2) or (3). NPT CAT can also make grants to private operating foundations described in Section 4942(j)(3) of the Code. Eligible recipient charities include but are not limited to:

- Museums and arts organizations
- Schools and educational institutions
- Environmental organizations
- Hospitals and health care organizations
- Scientific and medical research institutes
- Religious organizations and places of worship
- Any other organizations or institutions established for charitable purposes

Ineligible Grant Recipients

NPT CAT will not approve grants to:

- Individuals
- Private foundations (except for private operating foundations, as noted above)
- Non-functionally integrated Type III supporting organizations
- Political campaigns, candidates, or to support lobbying activity
- Fulfill an existing pledge (an existing pledge is one you make before NPT approves the grant)
- Pay for dues, membership fees, tuition, goods from charitable auction, admission to charity events or other goods or services

Foreign Charitable Organizations

NPT CAT can make grants to foreign charities. Additional fees for increased due diligence and grant processing apply to each foreign grant recommendation. Please contact NPT CAT for a foreign grant fee schedule and requirements for recommending a grant to non-U.S. charities.

Donor Recognition or Anonymity

When you make a grant from your DAF, you can decide to be recognized in any of the following ways:

- By DAF name only
- By your name and the DAF name
- In honor or memory of someone
- Anonymously

NPT CAT will not release your name or contact information to any recipient charity without your prior consent.

Number of Grants

You can make an unlimited number of grants from your NPT CAT DAF provided there are sufficient funds.

Grant Minimum

The minimum grant amount is \$250. If the amount of a grant recommendation exceeds your DAF balance, NPT CAT will ask you to recommend a grant in a different amount or make an additional contribution to the DAF.

Minimum Account Activity

If you have not made grant recommendations for three years, NPT CAT will make every effort to contact you or your advisor(s) to request that you make a grant recommendation. If NPT CAT does not receive a response within a reasonable time period, NPT CAT will transfer the entire fund balance to the NPT Giving Fund.

Grant Review and Distribution

NPT CAT makes grants weekly. Grants requiring additional due diligence, such as a foreign charity review process, may take longer. NPT CAT sends a grant check and letter to the recipient charity with the donor recognition that you requested.

Fees and Expenses

NPT CAT charges each DAF a one-time charitable administration fee for establishing and maintaining the DAF. We will also charge supplemental fees for certain special services provided to the DAF and any expenses NPT CAT incurs directly for the DAF's benefit. These fees and related expenses will be deducted from your DAF balance. In certain cases, a donor may need to make an additional contribution to the DAF to cover anticipated or existing expenses. The fees and related expenses include:

1. Gift Processing Fee

NPT CAT charges a one-time gift processing fee for each contribution of non-cash assets. Typically, the fee schedule is:

- Up to \$1 million - 3%
- For the next \$4 million - 2%
- Above \$5 million - 1%

The minimum gift processing fee is \$15,000. The fee is calculated as a percentage of the contribution's value when you gift it to NPT CAT or at the time of its sale—whichever is greater. NPT CAT reserves the right to adjust the gift processing fee based on the amount and type of asset contributed. NPT CAT will outline the fee schedule for your contribution in a Memorandum of Understanding before we accept it.

2. Long-Term Charitable Asset Management Fee

If NPT CAT holds your gift for longer than 365 days, we charge a supplemental fee. This fee totals 1% annually and is based on the asset's value at the time you gift it to NPT CAT or at the time of its sale—whichever is greater. NPT CAT reserves the right to adjust the long-term charitable asset management fee structure for inflation or for any contributions held for more than 36 months.

3. Related Expenses

NPT CAT may hold an asset for a period of time prior to its sale. In general, the length of time NPT CAT holds the asset is based on market conditions. If NPT CAT incurs costs to hold an asset for a prolonged period of time before it can be liquidated, the donor is expected to make additional contributions of cash or other liquid property to the DAF to defray the additional holding costs.

Related expenses can include but are not limited to:

- **Protection** - Protecting and holding the asset, such as insuring it
- **Documentation** - IRS filings, financial statements and other related record keeping
- **Financial and Tax Reporting** - Financial record keeping and tax-related activities including but not limited to filing federal, state and/or foreign forms
- **Audit Management** - Document preparation for internal and external audits
- **UBIT** - Monitoring of any unrelated business income tax and paying the proportional tax
- **Illiquid Asset Costs** - Managing and maintaining an illiquid asset



NPT Charitable Asset Trust

*A public charity
in the trust form*

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