

The Heart of It: Allowing Donor Participation in the Scholarship Process

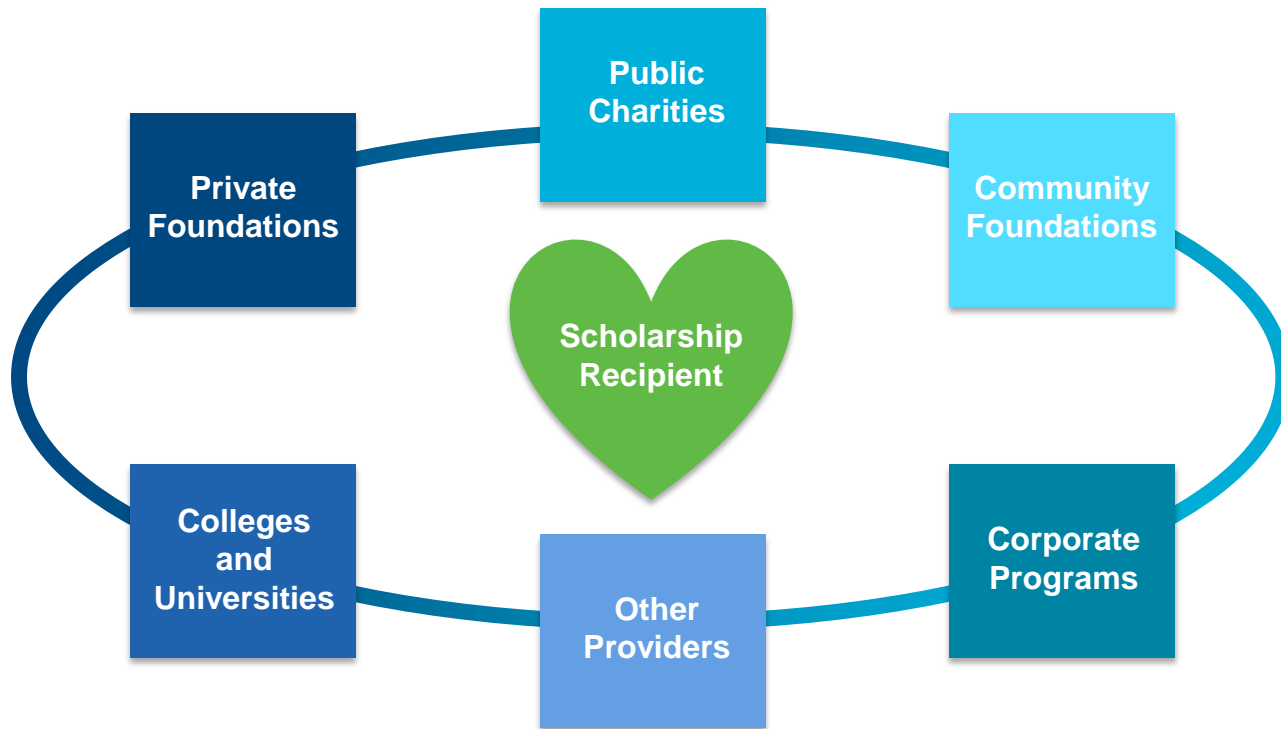
Karen Leaffer

National Scholarship Providers Association | October 11, 2016

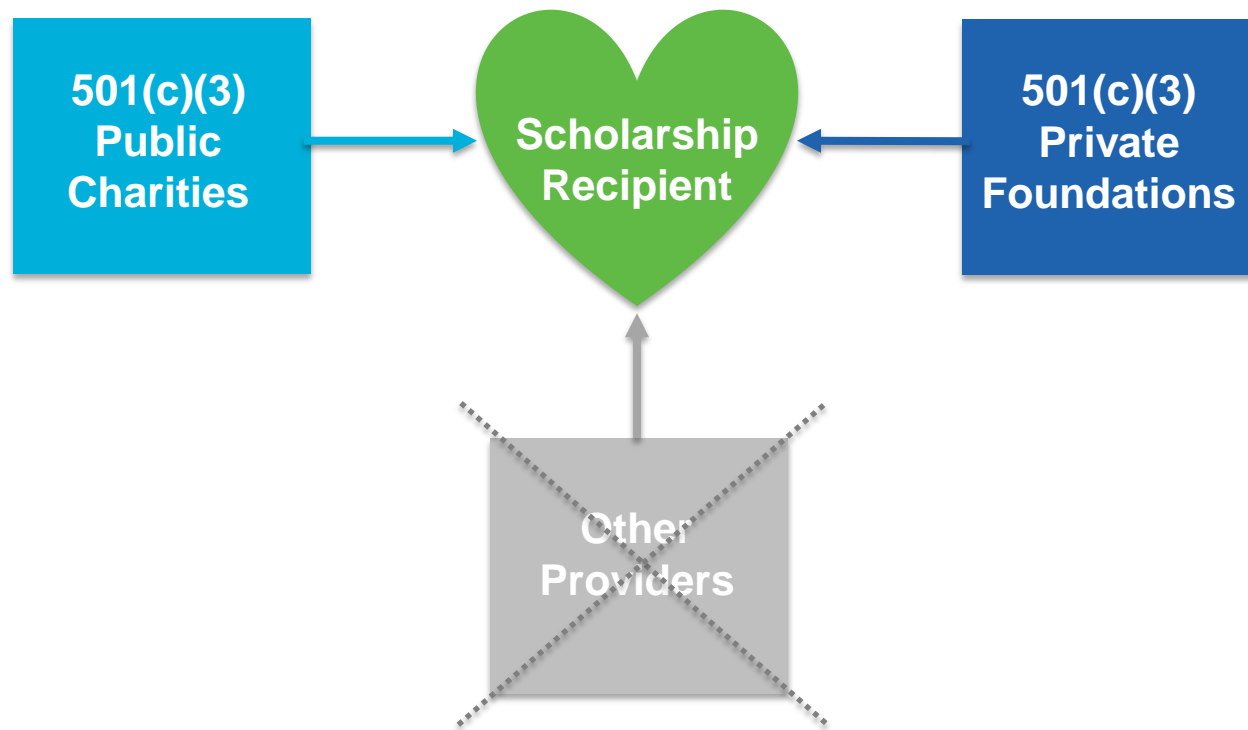
Overview: Why Does Donor Participation Matter?



Our World View: Many Types of Scholarship Providers, One Common Goal



IRS World View: Three Types of Scholarship Providers, Each Uniquely Regulated



Public Charities v. Private Foundations



501(c)(3) Public Charities

More public involvement
= less IRS oversight

501(c)(3) limitations



501(c)(3) Private Foundations

Less public involvement
= greater IRS oversight

501(c)(3) limitations *and*
private foundation rules



DAF Definition

1

Is fund/account owned or controlled by a sponsoring organization?

+

2

Is fund/account separately identified by reference to contributions of donor(s)?

+

3

Does donor/advisor have or expect advisory privileges as to distributions or investments because of donor status?

=

Donor Advised Fund



Qualifying Scholarship Fund: Five Requirements

1

Donor/advisor
(and related
persons) have
advisory
privileges only
as members
of advisory
committee

2

Entire
advisory
committee is
appointed by
sponsoring
charity

3

Donor/advisor
(and related
persons) do
not directly
control
advisory
committee

4

Scholarships
are awarded
pursuant to
pre-approved
plan of
sponsoring
charity's
governing
board

5

Plan is
designed to
comply with
private
foundation
rules



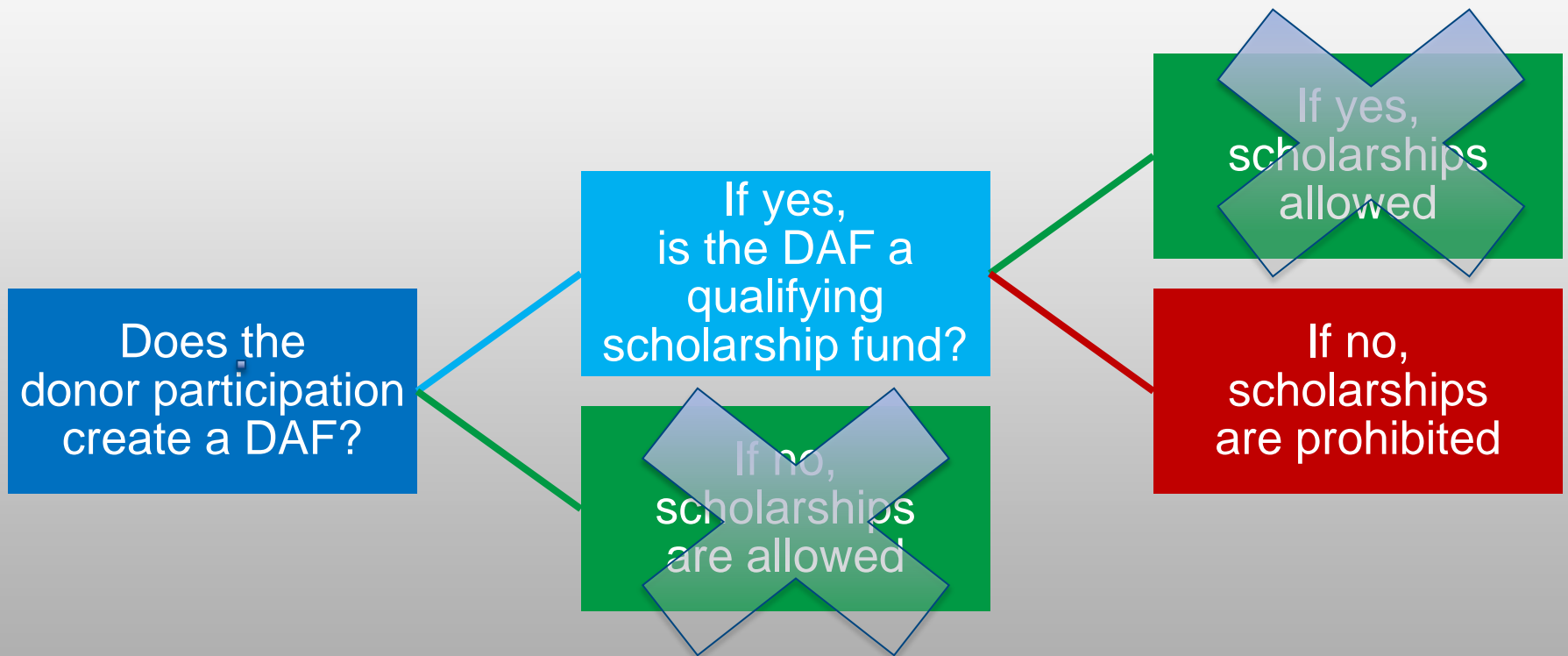
Recap:



Warning: any scholarship fund/account administered by a public charity, which permits donor participation, should be reviewed to determine DAF status



What if ...?





Thank you.



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Leaffer Law Group has one focus: providing legal counsel to support, advance and guide the work of nonprofit organizations and charitable foundations, so they can focus on their essential work.

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