

DAF Direct Tutorial

The following tutorial provides nonprofits an overview of DAF Direct, how it works, how grants are made, and best practices to promote donor usage.

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I. Overview of DAF Direct

DAF Direct enables you, a qualified nonprofit organization, to easily welcome and engage your donors who use a donor-advised fund (DAF). The concept behind DAF Direct is simple: provide a free and easy-to-use application that enables DAF donors to initiate a grant recommendation directly from your website. Upon approval of the grant recommendation, the sponsoring charitable organization (a charity that supports a donor-advised fund program) will issue the grant to your charity. Funds are usually paid by check and sent by first-class mail. Some sponsoring charitable organizations may offer Electronic Funds Transfer, providing nonprofits with faster access to their grants. It's best to check with each sponsoring charitable organization to see if it offers this service.

Donations from a DAF can be made to any charitable organizations that are listed as tax-exempt under Internal Revenue Code (IRC) Section 501(c)(3) and public charities under IRS Section 509(a). Grants can also be made to private operating foundations or state or local government organizations qualified to receive tax-deductible charitable contributions.

There are currently three participating sponsoring organizations: Fidelity Charitable, Schwab Charitable, and BNY Mellon. More sponsoring organizations may be added in the future.

II. How DAFs Work

- 1.) An individual or entity makes an irrevocable, tax-deductible charitable contribution to a sponsoring charitable organization to establish a donor-advised fund (DAF). This donor becomes a "donor advisor" ("Donor").
- 2.) The sponsoring organization allocates the charitable contribution to the Donor's DAF. The Donor has the opportunity to name the DAF (e.g., The John Doe Fund).
- 3.) The Donor retains advisory privileges over the investment allocation for the DAF. Since the assets in the DAF are owned by the sponsoring organization, any investment growth is tax-free. The investment options available vary by sponsoring organization.

- 4.) The Donor has advisory privileges over the grants made from the DAF. The Donor may recommend grants from the DAF, but the grants are subject to the review and approval of the sponsoring organization. Typically, grants may only be recommended to IRS-qualified 501(c)(3) or 509(a) public charities. Additionally, the Donor may not receive any more than incidental benefits as a result of the grant.
- 5.) After the sponsoring organization approves the recommended grant, the funds are sent to the qualified charitable organization via check or electronic funds transfer.

III. How to Set Up DAF Direct

If your nonprofit has an established online donation page, we recommend adding DAF Direct as a payment option on that page. Please note that many nonprofit adopters of DAF Direct (such as the Massachusetts Institute of Technology and the Pan-Mass Challenge) have already enjoyed success from this integrated approach.

The DAF Direct application, as shown below, is a self-contained workflow. More specifically, it is meant to collect enough information about your nonprofit and the donor's intent to streamline a grant recommendation workflow. DAF Direct will collect your nonprofit's Employer Identification Number to validate your status as a qualified public charity, and it provides the option to select a recommended grant amount and/or designation. Qualified charities that allow donors to support other nonprofits from their websites may also download DAF Direct.



The image shows a screenshot of the DAF Direct application interface. At the top, the DAF DIRECT logo is displayed with the tagline 'Directly connecting donors to charitable causes'. Below the logo is a link that says 'What is this?'. The main form area is titled 'Donate now from:' and contains a dropdown menu with the text '-- Please select --'. Below this is a 'Designation:' label followed by an empty text input field. Underneath is an 'Amount:' label followed by a text input field containing a dollar sign '\$'. To the right of the amount field is a blue button labeled 'NEXT'.

Figure 1: The “full” application—with designation field, amount field, and border

To add DAF Direct to your website, it must support JavaScript and, at a minimum, the DAF Direct logo and dropdown of the participating DAF sponsors as shown below. (Note: the border of the application is removed here, though the styles referenced in DAF Direct style sheets are still utilized.)



Figure 2: The “skinny” application—no designation field, amount field, border, or “Next” button

To obtain this reduced application, you should register and generate a code with the following options unchecked:

- 4** Optional items to include:
- Designation field
 - Amount field
 - Gray border

The following HTML will then be generated to render the reduced application:

```
<script type = "text/javascript">_dafdirect_settings="xxxxxxxxx
_2000_xxxxxxxxxxxxxxxxxxxxxx "</script><script type = "text/javascript" src =
"http://dafdirect.org/ddirect/dafdirect4.js"></script>
```

Please note that the “NEXT” button will still appear. To hide the “NEXT” button, you must modify the generated HTML code to add ‘_dafdirect_hide_button=“yes”’ as shown below:

```
<script type = "text/javascript">_dafdirect_hide_button="yes";_dafdirect_settings="
xxxxxxxxx _2000_xxxxxxxxxxxxxxxxxxxxxx "</script><script type = "text/javascript" src =
"http://dafdirect.org /ddirect/dafdirect4.js"></script>
```

This HTML “snippet” should be placed within your online payment flow in such a way that, upon selecting “DAF Direct” or “Donate with your donor-advised fund” from your list of payment options, the reduced application should be exposed.

As shown below, the Massachusetts Institute of Technology’s giving workflow (at <http://giving.mit.edu/>) chose to expose the DAF Direct application once a check box is selected:

Use My Donor Advised Fund to Pay ([What is this?](#))



Donate now from:

CONTINUE

Figure 3: The application in the Massachusetts Institute of Technology's donation workflow

The following code is a **SAMPLE ONLY code** that you can use to see how the tool will appear on your website. Please keep in mind that you will need to download your unique code from www.dafdirect.org if you decide to place the tool on your website.

```
<html>
<head>
<title>dafdirect-widgest</title>
<metahttp-equiv="Content-Type"content="text/html; charset=ISO-8859-1">
</head>
<body>
<scripttype="text/javascript">_dafdirect_hide_button=?yes?;_dafdirect_settings=" xxxxxxxx
_2000_xxxxxxxxxxxxxxxxxxxxxxxx "</script><scripttype="text/javascript"src="http://dafdirect.org
/ddirect/dafdirect4.js"></script>
</body>
</html>
```

Once you get your customized code, it is ready to be placed on your site and used by donors. Any additional development and testing is up to the nonprofit organization or its web hosting provider. Please email us at dafdirect@fmr.com if you have any questions.

IV. Donor Grant Recommendation Experience

The following describes the donor experience when recommending a grant with DAF Direct.

- 1.) The donor will locate DAF Direct on your website as a result of DAF Direct placement as well as your marketing and promotion. Many nonprofits put a link to their donation

page with DAF Direct in their marketing materials or place the application in a prominent website location to make it easy for the Donor to access (more information can be found in the “Making the Most of DAF Direct” section).

- 2.) Once the Donor accesses your website page that has DAF Direct, the donor will fill out any information that has not already been specified.
- 3.) Once the donor clicks “Next,” the donor will be taken to the login page of his/her DAF at the selected sponsoring organization.
- 4.) Upon logging on, the donor’s DAF Direct grant specifications are pre-populated to allow for a simplified process. The Donor will then complete the grant recommendation in the donor’s DAF. Once completed, the donor will either log out of the account or can return to DAF Direct to make another grant recommendation to your organization.
- 5.) Once the grant recommendation is made, it will go through the sponsoring organization’s normal grant review process.
- 6.) After the grant recommendation is approved, funds will be distributed to your nonprofit, either via check or electronic funds transfer.

V. Making the Most of DAF Direct

We’ve identified three recommended best practices that have helped nonprofits make the most of DAF Direct.

- 1.) *Display DAF Direct prominently on your website and explain donor-advised funds and DAF Direct.*

Explaining DAFs will help ensure a smooth user experience for donors unfamiliar with DAFs or DAF Direct. Placing DAF Direct in a prominent, high-traffic location on your website also ensures that any DAF donor who may be inclined to support your organization is aware that you are welcoming funds from their DAF as a payment option and are making this option easily accessible to them. Based on the success seen by other nonprofits using DAF Direct, we recommend placing DAF Direct near the other online payment options on your website.

- For information and verbiage on DAFs to include with your DAF Direct application, please see [Appendix](#) in this tutorial.
- For current examples of ideal site placement of nonprofit organizations, please see the following:

Charity Navigator	Archaeological Institute of America	Wyoming Youth Services	Bakes for Breast Cancer
UNICEF	ROCA, Inc.	VFW Foundation	Tahoma Audubon Society

- 2.) *Integrate the DAF Direct application into your payment flow.*

Many of the nonprofit adopters of DAF Direct have found success by integrating the application directly into their payment flow (along with checks, credit card payments, etc.).



This ensures that a DAF donor moving through the traditional donation flow is made aware of the option to recommend a grant to your charity with his or her DAF. This option also tends to create the most seamless donor experience.

3.) *Integrate the DAF Direct application into email fundraising campaigns.*

The DAF Direct application can be thought of as a digital giving vehicle for your nonprofit. To this end, your HTML-enabled email campaigns can include the DAF Direct application. For an example of a successful campaign, please see [the Pan-Mass Challenge case study](#) on the DAF Direct website. The average grant made to Pan-Mass Challenge from the largest national donor-advised fund program, Fidelity Charitable, was over \$700.

Simply register and generate a code for the version of the application that you wish to display. You can also follow the preceding steps for a “reduced application” footprint.

For a Schwab Charitable donation:

Note that Schwab Charitable does not yet support specific parameters, such as nonprofit name, grant recommendation amount, designation, etc.

<https://client.schwab.com/Login/SignOn/CustomerCenterLogin.aspx?ReturnUrl=%2fSchwabCharitable%2fRecommendGrant%2fRecommendGrant.aspx>

For a Fidelity Charitable donation:

Note that those values in bold (Tax ID Number, Amount, Designation) should be changed to fit your needs.

[https://charitablegift.fidelity.com/cgfweb/CGFLogon.cgfdo?Npo_Id=**123123123**&Grnt_amnt=**200.0**&Grnt_Dsg_Txt=**Alumni**&Device_Type=Widget&App_Id=MDNR&source=widget](https://charitablegift.fidelity.com/cgfweb/CGFLogon.cgfdo?Npo_Id=123123123&Grnt_amnt=200.0&Grnt_Dsg_Txt=Alumni&Device_Type=Widget&App_Id=MDNR&source=widget)

For a BNY Mellon donation:

Note that those values in bold (Tax ID Number, Amount, Designation) should be changed to fit your needs.

https://bnym.iphiview.com/bnym/API/Grants.mvc.axd/DafDirect?Npo_Id={ein}&Grnt_Amnt={amount}&Grnt_Dsg_Txt={grant purpose}

Thank you for your interest in DAF Direct! Please keep us posted with feedback from your experience and how you are using it with your donors by emailing us at dafdirect@fmr.com.

Appendix

Explaining Donor-Advised Funds

The following is generic text you can use to describe donor-advised funds and DAF Direct.

What is a donor-advised fund?

A donor-advised fund (DAF) provides donors with a centralized charitable giving vehicle. It allows philanthropically inclined individuals, families, and corporations to make an irrevocable charitable gift to a public charity that sponsors a DAF program and take an immediate tax deduction. Most sponsoring organizations of DAFs accept cash equivalents, securities, and certain other assets.

How does it work?

- ♦ Establish your DAF by making an irrevocable, tax-deductible donation to a public charity that sponsors a DAF program.
- ♦ Advise the investment allocation of the donated assets (any investment growth is tax-free).
- ♦ Recommend grants to qualified public charities of your choice.

Main advantages of a donor-advised fund

- ♦ **Simplicity**—The DAF sponsor handles all recordkeeping, disbursements, and tax receipts.
- ♦ **Flexibility**—Timing of your tax deduction can be separate from your charitable decision making.
- ♦ **Tax efficiency**—Contributions are tax-deductible, and any investment growth in the DAF is tax-free. It is also easy to donate long-term appreciated securities, eliminating capital gains taxes and allowing you to support several charities from one block of stock.
- ♦ **Family legacy**—A DAF is a powerful way to build or continue a tradition of family philanthropy.
- ♦ **No start-up costs**—There is no cost to establish a donor-advised fund. However, there are often minimum initial charitable contributions to establish the DAF (typically \$5,000 or more).*
- ♦ **No transaction fees**—Once approved, 100% of your recommended grant goes to your qualified public charity of choice.*
- ♦ **Privacy if desired**—Donors may choose to remain anonymous to the grant recipient.

* Sponsoring organizations generally assess an administrative fee on the assets in a DAF. These fees vary by the charity that sponsors a DAF program.