



# Morgan Stanley

## Morgan Stanley Global Impact Funding Trust

Donor Advised Funds Grant-Making Do's and Don'ts

One of the benefits of making a charitable gift to Morgan Stanley Global Impact Funding Trust, Inc. (MS GIFT) is the continued ability to recommend grants to support a wide variety of philanthropic causes. When making a grant recommendation, there are a number of important limitations that donors should keep in mind because U.S. federal law prohibits donor advised funds (DAFs) from making certain types of grants. While this publication does not cover every grant request that might be prohibited, we hope the examples provided are helpful.

U.S. federal law does not allow a grant from a DAF to provide any personal benefits to the donor, anyone with advisory privileges over the DAF, family members of the donor or any such advisor, or any specific individual. Below are examples of grant purposes that would be deemed impermissible if recommended through a donor advised fund:

- A grant to purchase a ticket or entry to an event, even if the grantee has identified the amount of the grant as being tax-deductible. For example, a charity gala costs \$500 to attend and the charity has stated that the tax-deductible portion is \$300. In this case, a grant may not be made from a DAF to pay the \$500 entry fee, nor could it just pay the \$300 "deductible" portion. However, a DAF can make a grant to support a gala if the charity does not provide a ticket or anything of value ("complimentary" tickets are not permitted). Inclusion in a journal ad book, alone, may not be considered a benefit of value. Thus, grants for those purposes may be made in some circumstances.
- A grant to fulfill a legally binding pledge or other agreement. In some instances, however, MS GIFT might enter into a grant agreement with a charity to make a grant.
- A grant to purchase a live or silent auction item at an event.
- Grants that will provide funds to specific beneficiaries and/or particular individuals are prohibited. For example:
  - grants to missionaries are prohibited, but a grant to an organization that does missionary work is permissible;
  - grants to scholarship recipient(s) are prohibited, but a grant to an organization, such as a college, that provides scholarships is permissible;
  - grants to sponsor a child/individual are prohibited, but a grant to an organization that sponsors children may be permissible if neither the donor/advisor, nor any related party, is selecting the child and the child is not a related party;
  - grants to pay an individual's salary within the organization are prohibited, but a grant to an organization that will use the funds to pay a person's salary may be permissible if neither the donor/advisor, nor any related person, is the person being paid;
  - grants to pay for an individual's travel expenses are prohibited, but a grant to an organization that will use the funds to pay a person's travel expenses may be permissible if the organization is making the decision to use the grant funds in that way and neither the donor/advisor, nor any related person, is the person receiving the benefit;

- Grants to pay for membership dues/fees are prohibited, but a grant to a religious organization for membership is permissible if the only benefit you receive is an intangible religious benefit (such as admission to a religious ceremony) that generally isn’t sold in commercial transactions outside the donative context;
- Grants to fund scholarship programs when a) the donor/advisor is administering the scholarship program b) the donor/advisor or any family members of the donor/advisor takes any part in the selection of scholarship recipients, or (c) the grant is being used to fulfill a prior personal pledge made by the donor/advisor or related party.

In order to prevent a grant recommendation from being questioned during the due diligence process, anyone making a recommendation is advised to avoid using certain language that may be construed as a grant request for an impermissible purpose. The following is a list of grant purposes that will require further inquiry during the due diligence process to ensure that the grant request is not for an impermissible purpose:

GRANT PURPOSES

“Founder’s benefit lunch”
“Night out event ticket”
“NYC Gala”
“For Jim Jones”
“Missionary ID#”
“Child ID#”
“To sponsor Chris Adams”
“For Charley’s tuition”
“John Jones Account No.”
“For Amy’s salary”
“Dues” or “Membership”
“President’s Club”
“Founder’s Circle”
“Silent/Live Auction”
“For Joe’s road trip expenses”
“Pledge”
“As per grant agreement”

Donors should also keep in mind that grants are made to the legal name of an organization. This name may be different than a name in which an organization uses publicly. When reviewing grant requests, a donor will usually be asked to confirm the identity of an organization when the names differ. In addition, grants are always delivered to the organization’s legal address. Grants are never provided to donors to deliver to an organization, nor can they be sent to an address that cannot be verified.

**For more information about Morgan Stanley GIFT and its donor advised program, please consult the Donor Circular and Disclosure Statement or your Financial Advisor or Private Wealth Advisor.**

Information contained herein has been obtained from sources considered to be reliable, but we do not guarantee their accuracy or completeness. Morgan Stanley Global Impact Funding Trust, Inc. is an organization described in Section 501(c)(3), of the Internal Revenue Code of 1986, as amended, and Morgan Stanley Global Impact Funding Trust is a donor advised fund. Various divisions of Morgan Stanley Smith Barney, LLC provide investment management services to Morgan Stanley GIFT. Morgan Stanley Smith Barney LLC (“Morgan Stanley”), its affiliates and Morgan Stanley Financial Advisors and Private Wealth Advisors do not provide tax or legal advice. Clients should consult their tax advisor for matters involving taxation and tax planning and their attorney for matters involving trust and estate planning and other legal matters.