

Funds at the Community Foundation

A contribution to any fund at the Community Foundation is treated as a gift to a public charity. As such, these contributions receive the most favorable tax treatment under the Internal Revenue Code. Also, our funds and supporting organizations are not subject to excise taxes and minimum distribution requirements as are private foundations.

Two additional general concepts that apply to all of our funds should also be mentioned. First, the name of the fund will be maintained creating a permanent legacy within the community. As most funds are named after the donor or his/her family, the donor's generosity is always recognized and remembered. Funds can also be established on an anonymous basis.

Second, assets held in our funds will always remain viable and important sources of support to the community under the Community Foundation's variance power. The variance power assures a donor that his/her generosity and philanthropy will always be relevant to the community. This power allows our Board to modify a fund terms in the event the purpose of the fund becomes impractical or obsolete. For example, in years past, charitable funds were created to fight polio. These funds could be used to fight other diseases when polio was eliminated in the United States by exercise of the variance power if these funds were held at a community foundation.

The Community Foundation now has more than 1,200 funds that have been created by donors and organizations. These funds come in a variety of types.

Endowed Funds

The following funds are permanent endowed funds of the Community Foundation. Our Board of Trustees annually determines the amount that will be made available from these funds for grant making. Currently, the amount that is available for grants is equal to 4.75% of the average value of the fund for the prior twelve calendar quarters determined each December 31st. Any investment earnings in the fund, less the amount used for grants and fees, is added to the fund. This assures that over time these funds will continue to grow - and thus make larger grants over time to support their charitable purposes. Endowed funds come in the following types:

- *Unrestricted Funds*

These are the most flexible funds created by a donor. Our Board of Trustees is granted discretion to use these assets to support worthwhile activities within our community. This allows the Board to find and fund projects that address current needs within our community so that a donor's gift will remain relevant over time.

- *Field of Interest Funds*

These funds identify a specific charitable purpose for which the assets are to be used. For example, the fund might be established for "child social service projects" or the "environment", or "economic development." Again, our Board then identifies needs within the community in that field and funds them on an annual basis.

- *Designated/Agency*

Sometimes a donor, or a charitable organization, wishes to benefit a specific agency or agencies. A fund can be established where the grants are always made to that agency. This will occur provided the agency remains in existence and operating in its original area of philanthropy. The agency also must maintain its public charity status.

- *Scholarship Funds*

The Community Foundation also administers various scholarship funds on behalf of donors. These funds can be technical to create and difficult to administer. Therefore, we work closely with donors to insure that these funds are established in a way that will make them capable of being administered properly and efficiently.

Grants from these funds are made directly to the educational institution where the scholarship recipient will attend school.

- *Endowed Donor Advised Funds*

Donor advised funds, discussed below, can be endowed in nature. This insures a permanent fund that will continue the donor's philanthropy while at the same time providing for the involvement of advisors relative to grant recommendations.

Donor Advised Funds

A donor may establish a fund where the donor and, if desired, designated successor advisors make grant recommendations for the fund. Grant recommendations must be for the benefit of a public charity within the United States, must not satisfy an obligation or pledge of the advisor to that charity, and can not result in a personal benefit to any individual. For example, the grant can't be used for memberships or to purchase a table at a fundraising event. These grant recommendations must be approved by our Board of Trustees before they are finalized.

The Community Foundation currently allows for up to two generations of advisors. Typically, the donor and his/her children comprise the advisors. After the death or resignation of the last advisor, the remaining fund balance is held as a permanent endowment fund in the name selected by the donor.

Donor advised funds may be endowed or non-endowed in nature. Grant recommendations can be made against the annual amount available for grants in an endowed fund or may equal the entire value of a non-endowed donor advised fund.

Supporting Organizations

A supporting organization may be an option in certain circumstances. A supporting organization is a separate legal entity that supports another charity. As such, it "borrows" the supported organization's tax exempt status. Therefore, supporting organizations to the Community Foundation are themselves public charities. Supporting organizations have a separate board of trustees and may have separate investment counsel.

Because of the costs involved in supporting organizations, these organizations must be endowed and we seek a minimum of \$5 million in funding. Smaller supporting organizations may be accepted under certain circumstances. In addition, our Community Foundation typically only accepts "Type I" supporting organizations – which means that our Board appoints a majority of the supporting organization's board.

Investment Options and Fees

The investment options and fees vary by type of fund. These fees are very competitive due to the leverage afforded by the strength of the Community Foundation's buying power. Please contact us to learn about the fees structure for a specific type of fund.

More information

Please contact our Philanthropic Services staff at (313) 961-6675 if you have any additional questions.