

TYPES OF FUNDS OFFERED BY THE COMMUNITY FOUNDATION

You may establish any of five available funds – donor advised, unrestricted, designated, field-of-interest and/or endowment. The following provides a description of each fund.

DONOR ADVISED FUND

If your goal is:

- to simplify charitable giving;
- to retain the privilege of suggesting distributions to charities of your choice;
- to receive recognition (if you wish) for gifts made from a fund named for you or your family;
- to have the advice of investment professionals;
- to secure the maximum tax benefits for each charitable gift;
- to support numerous charities through one simple donation;
- to simplify tax reporting;
- to retain the flexibility of giving varying amounts or changing beneficiaries over time;
- to involve spouses, associates or children in charitable giving;
- to maintain a steady level of giving despite a fluctuating annual income; or
- to enjoy all of the positive aspects of a private foundation without the accompanying administrative burdens and legal and tax liabilities;

then the donor advised fund might be the most appropriate choice. This is the Community Foundation's most flexible and popular fund.

UNRESTRICTED FUND

If your goal is:

- to give to those issues which have the most pressing community needs as identified by the experienced Community Foundation staff and directors;
- to give back to the community rather than supporting a particular organization or cause;
- to give to very broad charitable interests; or
- to make sure that as community nonprofit organizations and needs change over time, funding will be available;

then the unrestricted fund may be the most appropriate choice.

DONOR DESIGNATED FUND

If your goal is:

- to make an endowment gift to any charity that does not have extensive investment management capabilities or experience;
- to make a gift that will have a perpetual impact on that charity;
- to contribute to several named charities through one substantial gift; or
- to make an endowed gift to a new, small or struggling organization;

then the designated fund may be the most appropriate choice.

FIELD-OF-INTEREST FUND

If your goal is:

- to address issues pertaining to specific charitable causes e.g., youth issues, arts, seniors, geographic area, etc.;
- to have an impact on a particular need or problem; or
- to be assured that if the charitable organizations currently serving your area(s) of interest change their mission, focus or effectiveness over time, the intended impact will remain unaffected;

then the field-of-interest fund may be the most appropriate choice.

ENDOWMENT FUND

If your goal is:

- to sustain the cause or organization's purpose in perpetuity;
- to sustain and increase the purchasing power of the initial investment over time;
- to expend only income (or a set percentage of assets, e.g., 5%) to support the purposes of the donee; or
- to provide a permanent source of income for a specific cause or organization;

then an endowment fund may be the most appropriate choice.

SPENDING POLICIES

A spending policy establishes a percentage payout rate of a fund's *total return* without distinction between income and capital gains. A spending policy places the focus of the fund on *long-term growth* in the grant amount. The Community Foundation strongly recommends that donors establish a spending policy with their funds.

The Community Foundation currently recommends (but does not mandate) a spending policy of 5% of a fund's asset value per year. This rate can be subject to change based on fund portfolio performance. If the total return were not great enough to meet the payout and account for inflation, the Community Foundation would consider recommending lowering the payout rate to preserve long-term purchasing power. Conversely, if the total return increased substantially and in a sustained manner, the Community Foundation would consider recommending an increase in the payout or banking it against a future need.

The spending policy's objective is to provide donors with projected amounts available for distributions to charitable organizations and to encourage donors to recognize the benefits of long-term, sustainable, perpetual endowments.

The recommended spending policy allows a donor to plan for and budget charitable gifts for the year while retaining long-term fund growth. By knowing the amount available for grants, a donor can plan his or her giving.

The recommended spending policy also helps donors increase permanent assets in their funds, thus increasing additional income available for grants over the years.

Donor advised funds allow principal and income distributions greater than the recommended 5%.