



# THE COMMUNITY FOUNDATION

## A GUIDE FOR THE DONOR ADVISOR

### WELCOME

Thank you for joining with the hundreds of individuals and organizations that have contributed to Rochester Area Community Foundation, creating new funds or adding to existing funds with gifts of all sizes. Often, donors want to be actively involved in charitable giving. They can do so through advised endowment funds, which allow them to actively suggest grants for charitable purposes, assist a variety of charitable causes and organizations, and permanently support the causes they care about most.

We hope that, as a fund advisor, you will put the Community Foundation's experience and professional training to work so that the grants that come from the fund you have established will do what you want them to do.

### ESTABLISHING A FUND

An advised endowment fund is established with a one-page agreement that provides the name of the fund, outlines the agreed-upon options for grantmaking, and identifies the advisors authorized to recommend grants. Many donors use their own name or a family name for the fund. Other names reflect the charitable purpose or other name meaningful to the donor. These names can help protect a donor's anonymity, if desired. The agreement also identifies the interest areas (general or broad-purpose) that the fund will support after the advisors' lifetimes.

The agreement is signed by the donor(s) and an officer of the Community Foundation. Funds of \$25,000 or more can be established with cash, readily marketable securities, restricted or closely held stock, a gift of real estate or even income from a charitable lead trust.

Any asset donated for the purpose of creating or adding to an advised fund constitutes an irrevocable gift and becomes the property of the Community Foundation. The Community Foundation has exclusive legal control over the contributed assets. All contributions to the fund qualify for the maximum charitable deduction allowed by law.

If desired, the donor may provide on the original fund agreement for one or more successor advisors to recommend grants after the donor's death. At the death of that originally named successor advisor(s), the fund will serve the purpose identified in the agreement.

### INVESTING THE FUND ASSETS FOR GROWTH AND GRANTMAKING

The assets of the fund are pooled with other assets of the Community Foundation to ensure maximum investment return. The funds are invested through a number of professional money managers under the direction of the Investment Committee in a diversity of investment styles designed to stimulate growth while protecting the principal. Seventy percent of the funds are invested in stock and thirty percent in bonds.

The fund generates dollars for grantmaking quarterly. The amount is determined by our annual spending policy, which is 5% of a rolling 20-quarter average market value of your endowment fund and is comprised of interest, dividends, and capital appreciation. Any surplus investment income is returned to your fund. If there is no capital appreciation, only interest and dividends can be spent for grantmaking. This return, together with periodic additions to the fund, can result in dramatic tax-free growth over time.

One percent of principal is retained annually by the Community Foundation for administration. The Community Foundation encourages the granting out of income on endowment funds in the year that it is earned.

## **MAKING GRANTS FROM YOUR FUND**

Authorized advisors may recommend grants to the Community Foundation in writing on a provided suggestion form or through DonorCentral<sup>SM</sup>, our online fund center (free registration required). Grants must be made to organizations recognized by the IRS as tax-exempt, publicly supported charities. You may suggest a grant for general support or for a specific project, program, or activity. You may also forward attachments to be included with the grant check. Suggestions must be for grants of \$250 or more. If you are interested in supporting scholarship programs or grants to non-U.S. charities, please contact the Community Foundation prior to establishing the fund about specific legal requirements.

Grant recommendations are reviewed in accordance with IRS procedures, which protect advisors from unknowingly making grants to defunct organizations or for non-charitable purposes. While the law expressly recognizes the right of living advisors to make grant suggestions, the law also is clear that the Board of Directors of Rochester Area Community Foundation must exercise final discretion concerning the expenditure of those funds. The authority to approve advised grants is delegated to the President and Executive Director.

Staff reviews all grant requests from advised funds to ensure that all legal requirements are met. In keeping with federal provisions, requests for distributions that provide tangible benefits to the donor, fulfill pre-existing personal pledges, are designated for an individual, or support a non-charitable activity will be declined. Grants cannot be made to private foundations or for-profit entities of any kind. Grants for institutional membership may be paid if the benefits are determined to be *de minimus* and if the grant check is marked "benefits waived." Requests for support for events that donors will attend will not be paid from Community Foundation funds, even if a portion of the support would be tax-deductible if paid by the individual.

While the primary objective of our Community Foundation is to serve Monroe, Ontario, Wayne, Livingston, Genesee and Orleans counties, grants from advised funds can easily be made to organizations outside the six-county area. For example, many donors choose to periodically support their alma maters through their funds. Approved grants are processed within 5-9 business days of the original request. Grants to out-of-town or lesser-known charities may require additional processing time.

You will receive quarterly fund statements detailing grants and contributions made, investment performance, administrative fees, and balance available to distribute. Registered users of DonorCentral<sup>SM</sup> may access their fund's activity online 24 hours a day, 7 days a week to monitor gifts, make grant recommendations, track grants and distributions, check fund balances, download hard copies of the grant suggestion forms, confirm fund market value, and check balances available for grantmaking. You may also authorize us to send a copy of your statement to your professional advisor.

A letter accompanies each grant check, notifying the recipient that the grant is from the "Your Name" Fund of Rochester Area Community Foundation. The letter also indicates the intended purpose of the grant and instructs the grant recipient to whom and at what address to send an acknowledgement or "thank you." You may have that acknowledgement sent to your home or business address, or you may retain anonymity by having it directed to the Community Foundation, which will then forward it to you. For grants exceeding \$25,000, the recipient may be asked to provide feedback to the Community Foundation on how the grant was used.

The Community Foundation encourages you to make grants on a regular basis. If a fund has remained dormant without grantmaking for five years, the Community Foundation will make every effort to secure grantmaking advice from the advisor(s) and, if unsuccessful, will apply the grantmaking funds available in accordance with Board-designated priorities for this region.

### **CONFIDENTIALITY OF RECORDS MAINTAINED**

Information on a donor's personal, contribution, and distribution records will be made available only to the board of directors, staff and auditors as needed. Under no circumstances will donor information be given to soliciting groups. Contact information may be provided to grant recipients only with explicit permission from the donor.

### **MEETING YOUR CHARITABLE GIVING NEEDS**

The Community Foundation encourages those with advised funds to use our various capabilities to further their philanthropic interests:

- We can serve as your eyes and ears to identify priority needs in your area of interest. Our staff is in constant communication with local organizations devoted to solving community problems.
- We can investigate grantmaking opportunities while preserving your anonymity.
- We are accomplished in tailoring philanthropic programs that carry out your specific goals. For larger funds, this can include the use of challenge or matching grants, technical assistance, and other strategic techniques.
- We provide grant recommendations and educational workshops to help expand your philanthropic horizons and connect you with others who may share your interests.
- We can perpetuate your charitable giving after your lifetime by working with you to remember the Community Foundation in your will or planned gift.

If you are interested in exploring these opportunities, give us a call.

### **A TRUE PARTNERSHIP**

By endowing an advised fund, you will receive an immediate income tax deduction, enjoy tax-sheltered fund growth, and have the satisfaction of efficiently supporting your favorite charitable causes or organizations forever. The Community Foundation's professional staff will handle all government reporting, bookkeeping, auditing, and other requirements for charitable giving. Moreover, their unique combination of personalized service, local expertise and grantmaking skill is available at any time to help you refine and carry out your charitable giving program.

Thank you for establishing a fund that will live on forever, continuously addressing the needs of our community. We are proud that you have chosen Rochester Area Community Foundation as your partner in philanthropy.

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