Community Funds

Grand Rapids Area Community Foundation
350 NW 1st Ave., Suite E
Grand Rapids, MN  55744
www.gracf.org
(218) 999-9100
In this booklet…

What is a Community Fund? ............................................................................................................ 3

How does it work?

Why does a community choose the Community Foundation?

What does the Grand Rapids Area Community Foundation offer? ....................... 4

Advisory Committees and Boards ............................................................................................ 5

Advisory Committee Responsibilities ......................................................................................... 6

Advisory Committee Duties ....................................................................................................... 7

Services Provided by the Foundation

Gifts and Donations ...................................................................................................................... 8

Grants and Distributions

Endowed and Nonendowed Funds

What is a community foundation? ............................................................................................. 9

How do community foundations differ from private foundations?

How do community foundations differ from other nonprofits? ............................... 10

What is an endowment?

Are all funds with the Community Foundation endowed?

Fundraising vs. Endowment Building....................................................................................... 11
What is a Community Fund?

A **Community Fund** is an endowment at the Grand Rapids Area Community Foundation that serves a specific geographic community within the Greater Itasca Area of Northern Minnesota.

Each **Community Fund** is represented by an **advisory committee** of residents from that specific geographic community. **Advisory committee** members raise resources for the endowment and recommend distributions from the endowment for charitable causes within that community. **Community Funds** partner with the Grand Rapids Area Community Foundation to maximize earnings, secure principal and minimize administrative costs.

How does it work?

*Advisory Committee* members raise resources from community members to build the principal of the endowment.

Endowment principal is held in perpetuity by the Grand Rapids Area Community Foundation for the benefit of that community.

The Grand Rapids Area Community Foundation invests the principal and makes earnings available to the community for charitable purposes.

The *Advisory Committee* advises the distribution of those earnings for charitable purposes within the community.

Why does a community choose the Community Foundation?

Communities choose to start **Community Funds** at the Grand Rapids Area Community Foundation in order to maximize earnings on the principal they raise; secure that principal in an institution whose size provides more diversified portfolio investment options; and to utilize the Grand Rapids Area Community Foundation’s administrative services for a low fee.

The Grand Rapids Area Community Foundation’s professional staff guide **Community Funds** with their expertise on such matters as fund development, grantmaking, asset processing, regulatory compliance and other matters. The Grand Rapids Area Community Foundation’s staff handle all back-office operations for **Community Funds**.
What does the Grand Rapids Area Community Foundation offer?

Field Expertise: The Grand Rapids Area Community Foundation staff are knowledgeable about endowments and charitable giving and are available to answer questions. The Grand Rapids Area Community Foundation is up-to-date on industry best practices and legal requirements.

Asset Processing: The Grand Rapids Area Community Foundation can accept and process a wide variety of assets including cash, marketable securities and mutual funds, closely-held stock, insurance policies, real estate, IRA’s, and charitable gift annuities. Donors can make contributions via the Grand Rapids Area Community Foundation’s website or set-up recurring contributions through electronic funds transfer or credit card. We make it easy for donors to give.

Administrative Support: Grand Rapids Area Community Foundation staff receive, deposit, record, and acknowledge all gifts in a timely manner. The Grand Rapids Area Community Foundation generates reports for fundholders and complies with all regulatory authority allowing Community Funds to focus on raising principal resources for a fund and advising distributions from a fund.

Long-Term Fund Knowledge and Consistency: The Grand Rapids Area Community Foundation tracks all gifts and grants with the Community Fund. While Advisory Committee members may change over the years, the relationship with the Community Foundation is built to last. We maintain donor and grant information over the life of the endowment.

Efficiency: Community Funds avoid duplicate administrative costs and activities such as accounting and legal services, audits, tax reporting, investment management, and compliance.

Marketing and Recognition: Grand Rapids Area Community Foundation staff members are available to provide guidance on the development of print materials, press releases, service club presentations and other marketing matters.

Investment Management: The Grand Rapids Area Community Foundation Board is responsible for the oversight and management of the Grand Rapids Area Community Foundation’s investment portfolio. Ongoing work is carried out by an Investment Committee consisting of Board members and qualified community volunteers. The Investment Committee meets quarterly to review investment performance and current allocations, hear presentations from investment managers and make strategic decisions regarding allocation targets. Community Fund Advisory Committees are encouraged to attend the Foundation’s Annual Investment Meeting each year. Inquiries about investment specifics are welcome anytime.

Discretion: The Grand Rapids Area Community Foundation offers anonymity to donors who wish to remain unidentified.
Ten Basic Responsibilities of Nonprofit Boards

1. Determine the Organization’s Mission and Purpose
2. Select the Executive Director
3. Support the Executive Director and Assess His or Her Performance
4. Ensure Effective Organizational Planning
5. Determine, Monitor, and Strengthen the Organization’s Programs
6. Ensure Adequate Resources
7. Manage Resources Effectively
8. Enhance the Organization’s Public Standing
9. Ensure Legal and Ethical Integrity and Maintain Accountability
10. Orient New Board Members and Assess Board Performance

Community Funds have an Advisory Committee instead of a Board

You know your community best!
Advisory Committee Responsibilities

*remember G.I.F.T.*

**Grants / Gifts**
*Ensure Adequate Financial Resources.* One of the Advisory Committee's foremost responsibilities is to secure adequate resources for the Community Fund to continue its purpose in perpetuity. [Three Gs]

*Recommend Distributions (Grants).* The Advisory Committee’s is responsible to determine which programs are consistent with the organization's mission and monitor their effectiveness. Distributions (Grants) should always be consistent with the purpose of the Community Fund.

**Integrity**
*To yourself, your community and the Fund*

*Ensure Legal and Ethical Integrity.* The Community Foundation is ultimately responsible for adherence to legal standards and ethical norms. The Advisory Committee is responsible for transparency and openness about conflicts of interest and to always behave ethically toward the community.

**Foundation**
*Relationship with the Advisory Committee and the Community Foundation*

*Ensure an Effective Committee and Foundation Relationship.* The Advisory Committee should actively participate in an overall planning process and assist in implementing and monitoring the plan's goals. The Advisory Committee should seek training and advice from the Community Foundation when needed. Advisory Committees are responsible to maintain the membership of the Committee. The Committee should articulate prerequisites for candidates, orient new members, and periodically and comprehensively evaluate their own performance. The Advisory Committee is responsible to ask questions and seek guidance from the Foundation whenever needed.

**Trust**
*With your community*

*Understand and Build Awareness:* It is the Committee’s responsibility to understand and review a statement of mission and purpose that articulates the organization's goals, means, and primary constituents served. The Advisory Committee should understand general basics about endowed and nonendowed funds, the difference between fundraising and endowment building and discern the needs and best interests of the community. The Advisory Committee should clearly articulate the Fund's mission, accomplishments, and goals to the public and garner support from the community.

*What are your GIFTS?*

*Being a member of the Advisory Committee takes commitment.*

*Is this your passion? Do you have other gifts?*

*Discern where your time, talents and gifts are best utilized.*
Advisory Committee Duties:
The duties and responsibilities of the Advisory Committee shall be as follows:

- **Maintain Foundation Policies and Standards**
  - Maintain confidentiality of Advisory Committee deliberations,
  - Abide by the Foundation’s conflict of interest policy, and
  - Act in accordance with all relevant Foundation policies.

- **Promote the Fund**
  - Consistent with the Foundation’s policy on donor fundraising, solicit donations and contributions to the Fund with the assistance of Foundation staff.
  - Have as a goal the creation of permanent funds to benefit the Geographic Area.

- **Evaluate and Advise Grant Requests**
  - Make recommendations as to distributions from the Fund to the Foundation.
  - If requested, consult with the Foundation concerning grants from other funds to charitable organizations in the geographic area.

- **Exercise Leadership**
  - Keep abreast of issues within the geographic area as well as issues within the philanthropic field.
  - Help identify people of achievement, distinction and diversity who can serve on the Advisory Committee.
  - Reach out to community leaders and professional advisors and assist in connecting them to the Foundation staff.
  - Perform additional duties as necessary or appropriate with respect to the Fund.

Services Provided by the Foundation:
Subject to the understanding that the staff is limited, the Foundation will provide the following services to the Fund:

- Regular reports on the investments of the component funds and on all cash receipts and disbursements of the Fund.
- Promotion of the Fund in the Foundation’s communication materials, including the Annual Report, newsletters, year-end letter, website, and other miscellaneous communications.
- Staff support in evaluating grant requests, monitoring grants funded, and other reasonable grant support as requested by the Advisory Committee.
- Staff support in endowment building techniques, i.e. identifying potential donors, speaking engagements, professional advisor outreach, etc.
- Staff consultation on developing brochures for fund development, grant applications and other information for grant seekers, etc.
- Donor relations support, including language and mechanisms for receiving and making gifts and creating funds.
- Maintenance of the Fund’s records.
- Other services as requested by the Fund Advisory Committee and approved by the Foundation’s Board of Directors.

Because the Fund is a component fund of the Foundation, it is included in the Foundation’s audit, Form 990, and reports required to be submitted to the state of Minnesota.
Gifts and Donations

*What goes IN to the Fund*

Gifts and donations are the same thing. Anyone who provides money, memorials, a planned gift, etc is a donor, and what they have given is a gift. It is called a gift because it is given freely, without any promised return other than the betterment of the community. Because the Community Foundation is a Community Foundation, and recognized as a 501(c)(3) charitable organization, donors can receive tax benefit from their donations (gifts).

*Gifts & Donations to an endowment last forever.*

Grants and Distributions

*What comes OUT of the Fund*

A **grant** is an amount of money from a fund that is used for a specific purpose. Grants are designed to provide funding to organizations, projects and programs that are charitable by nature and support the well-being of the community. Grants should go to 501(c)(3) organizations, but can be provided to other groups, such as schools and community organizations. As long as the organization is not for profit, the Community Foundation can help you determine if specific organizations or groups are eligible.

A **distribution** is a calculated portion of money made available to spend. Distributions are calculated on an annual basis using the Foundation’s current Spending Policy. (see graphic included)

Taking a distribution is optional, and can be done in full or in part.

You use your distribution to provide grants.

Endowed and Nonendowed Funds

**An endowed fund is forever.**

An endowed fund is invested with many other funds with the intent for it to grow over a long-term period of time. While the Community Foundation has a specific detailed spending policy, basically, the only money that is spent (distributions) from the fund comes from a percentage of the interest earned. The principle, or gifts and donations put in to the fund are never spent. Due to the power of interest over time and the Foundation’s ability to pool (combine) funds together, endowed funds grow, distributions get larger and the fund lives forever.

**This is why a donation to an endowment is a gift that keeps on giving!**

**A nonendowed fund is for now.**

The Community Foundation also has nonendowed funds. Nonendowed funds allow people, organizations and businesses to make charitable donations to groups and organizations. Grants are also provided from nonendowed funds. The difference between a nonendowed fund and an endowed fund is that all the money from a nonendowed fund can be spent down. Nonendowed is for now.
What is a community foundation?

A community foundation is a tax exempt, non-profit, publicly supported philanthropic organization with the long term goal of building permanent, named funds, for the broad-based public benefit of the residents in a given area. The common mission of every community foundation is to enhance the quality of life in the local area. Community foundations carry out this very broad mission by building permanent endowment funds and using a portion of the annual income to support a variety of local nonprofit organizations through grants and special projects. Most community foundation assets are held in separate funds established by local individuals, families, businesses, or charitable institutions. Each fund may have a special purpose, but the foundation board of directors, representing the community, oversees them all. The IRS recognizes community foundations as public charities in part because they receive support from the general public and their boards broadly represent the areas served.

How do community foundations differ from private foundations?

A community foundation is supported by a broad and ever-widening group of unrelated individuals, families, corporations, and institutions. The only thing that connects all of our donors is a desire to improve local communities. Because of their broad base of support, community foundations are classified by the IRS as publicly-supported charities. This gives community foundations tax advantages not enjoyed by private foundations.

Community foundations are also allowed to treat all funds within their control (known as “component funds”) as part of a single corporation. This gives them administrative and investment advantages over private foundations as well. Private foundations, by contrast, are generally supported by a single individual, family, or business. Rarely does it make sense to establish a private foundation if the principal endowment is not large. Today, of course, the world’s largest foundations — Gates, Ford, Kellogg — are all still private foundations.
How do community foundations differ from other nonprofits?

Most nonprofit organizations have a specific mission. By contrast, a community foundation’s mission is very broad: to improve the quality of life in a given area. This breadth of mission reflects our ability to make grants in any field of interest with a charitable benefit to local communities.

This flexibility allows us to serve a wider group of potential donors on the one hand and, on the other, a wider group of nonprofit organizations whom we consider our partners in improving local communities.

Area nonprofits benefit from having a local community foundation because the community foundation helps money stay in the community. Community foundations benefit local nonprofits in other ways, too: besides having local grant money available, some nonprofits ask the community foundation to manage an endowment on their own behalf. We call such funds “agency endowment funds.” As it grows, a community foundation gradually becomes a center for charitable giving in a community. We help make connections between the people who want to give and the people who need their support.

What is an endowment?

An endowment is a type of fund that is set up to produce income for charitable purposes. A typical endowment fund will distribute only the income generated from investments. Its principal will never be distributed. A typical distribution rate from a foundation endowment fund is 4% or 5% per year.

An endowment fund is likely (though not, of course, certain) to remain permanent as long as principal is never invaded, and as long as the distribution rate reflects the long-term growth patterns of investments.

Are all funds with the Community Foundation endowed?

No. Some donors prefer to see a greater percentage of their gift distributed annually.
Fundraising vs. Endowment Building

Fundraising and Endowment Building are not the same!

Think of it like this…
Fundraise for nonendowed—Build for an endowment.
Build. You build something to last—forever.
Endowments are forever.
People want to give to organizations, programs and projects that do good things. How many people understand that they can do that forever?

Leaving a Legacy—a personal legacy is about forever. Regardless of the size of the donation, it will last forever, giving year after year to the community.

The best ways to Leave a Legacy are through planned giving.
Planned giving is simply that—a plan to give.
Planned gifts include wills, insurance policies, and all sorts of other gifts, most effectively done through an estate plan. Everyone has an estate, regardless of the dollar amount that people think they have accumulated over the years.
Estate planning and Leaving a Legacy is about passion.
Estate planning and Leaving a Legacy is about caring for your community—forever!

Questions, Thoughts and Ideas:
For more information about Community Funds or other ways to support your local community, please contact the Grand Rapids Area Community Foundation.

Grand Rapids Area Community Foundation
350 NW 1st Ave., Suite E
Grand Rapids, MN  55744
www.gracf.org
(218) 999-9100