

# Establishing A Fund

MARCH 2015

These funds serve the distinct purposes set forth by either a non-profit organization or by a donor. Funds that are designated to support a non-profit are designed as a preservation tool for the future of that organization. Much like our own retirement accounts serve our future. Donor-Advised funds allow donors to specify which organizations they would like to support. Donors leave a distinct legacy on the community when they create a fund that serves a variety of causes and organizations.

Community Foundations are capable of managing various types of funds. The following list provides an overview of the types of funds available. For those who are interested in establishing a fund now, or through an estate bequest, you are encouraged to discuss your ideas with the staff of the Foundation so that your intentions can be documented and adhered to as closely as possible.

**Unrestricted Funds** enable the Foundation to respond to the changing needs of the community. The Distributions Committee, consisting of members of the Board of Trustees, reviews each proposal and makes recommendations to the Board of Trustees. Final grant decisions are made by the Board of Trustees.

**Field of Interest Funds** are used by the Board of Trustees only in the area(s) of interest specified by the donor. Some Field of Interest Funds have advisory committees that recommend grant awards from the Fund to the Board of Trustees.

**Designated Funds** are created for the purpose of providing regular income to certain named charitable organizations or for certain specified charitable purposes.

**Agency Endowment Funds** allow a charitable organization to establish a fund for the benefit of the organization's charitable activities. Gifts to the fund may be made by the charitable organization itself or individual donors.

**Donor Advised Funds** allow donors the ability to recommend grants to organizations that are of interest to them. Distributions from a non-endowed Donor Advised Fund may be from income and principal. Distributions from an endowed Donor Advised Fund will be in accordance with the Foundation's Spending Policy. Grants made from an endowed Donor-Advised fund will not invade principal. Grant recipients must be recognized as tax-exempt charities by the Internal Revenue Service Code and grants must be for charitable or other purposes consistent with the mission of the Foundation.

**Scholarship Funds** are dedicated to providing grants for educational purposes to assist individuals within an identified class, such as; residents of a particular region, students attending a specific university or undertaking a selected course of study or type of educational enrichment program. Scholarships are awarded on the basis of a competitive process that may consider such criteria as financial need, academic achievement, extra-curricular activities, educational goals, personal aspirations, and other relevant criteria. The Board of Trustees approves scholarship awards upon the recommendation of the Foundation's Scholarship Advisory Committees.

**Supporting Organizations** a donor may establish a supporting organization for the Foundation as an independent tax-exempt organization with separate governance. A supporting organization is a grantmaking organization that retains public charity status by being operated, supervised, or controlled by or in connection with the Foundation. The donor should seek expert professional advice to form, qualify, and operate a supporting organization.

**Affiliate Funds** are endowed, geographical component funds of the Foundation that may be established for areas currently not covered by a community foundation and where it is not feasible or cost-effective to establish an independent community foundation. The affiliate fund has its own advisory committee whose primary role is to raise funds and recommend distributions to the Foundation Board of Trustees. All policies and guidelines relating to the acceptance of gifts and grantmaking of the Foundation apply to the affiliate funds.

**Memorial Funds** are short-term funds established to recognize the loss of a loved one whose most recent residence was in Allegan County OR the non-profits designated to receive the funds are in Allegan County. Contributions to the fund are held in a separate accounting that is not part of the investment pool. Contributions are held for a maximum of six months. At the end of six months, distributions equal to the principal gifts are made to a maximum of three (3) eligible non-profit organizations that were designated by the parties who established the fund. No fees are charged to memorial funds.

**Special Project Funds** are discouraged due to their extensive administrative duties and legal responsibilities but will be reviewed on a case by case basis. Non-profits must have applied for an IRS determination to be eligible for consideration. For individuals

requesting a special project fund the staff and Executive Committee of the Foundation will review a written proposal followed by a formal discussion with the parties submitting the request.