

COMMUNITY FOUNDATION OF ST. JOSEPH COUNTY PRINCIPLES AND PROCEDURES FOR DESIGNATED ORGANIZATION FUNDS

Definition: A designated fund is a separate, named endowed fund set up by a donor or not-for-profit organization that specifies the intended charitable beneficiary (or beneficiaries) of the fund. The beneficiary designation must be made at the time the fund is established, unless approved by the Community Foundation's board of directors.

Minimum fund size:

Individuals: The Foundation requires a minimum commitment of \$10,000 for individuals to establish a separate, named designated fund. This amount may be contributed all at once or over a period of time, typically not to exceed five years. All investment earnings shall be reinvested in the fund until the fund reaches the \$10,000 minimum threshold or the individual fund goal set by the donor(s).

Not-for-Profit Organizations: The Foundation requires a minimum commitment of \$25,000 for not-for-profit organizations to establish a separate, named designated fund. This amount may be contributed all at once or over a period of time, typically not to exceed five years. All investment earnings shall be reinvested in the fund until the fund reaches the \$25,000 minimum threshold or the individual fund goal set by the organization.

Distributions: Once the designated fund reaches the required minimum fund size or specified goal, annual grants from the fund will commence. Each spring, the earnings available for distribution are calculated based on the Community Foundation's spending policy. This policy currently provides for an annual distribution equal to five percent (5%) of a three-year moving average of quarterly market values. Checks are mailed by June 30 of each year.

Not-for-profits are given the option of 1) receiving a check; 2) permanently reinvesting the available sum; or 3) setting aside the available sum as a reserve for later distribution.

Variance Power: Assets contributed to Community Foundation endowment funds are irrevocable and become the legal property of the Community Foundation. The Foundation has sole discretion over the investment of the assets and the spending policy. Every endowed fund is subject to the Community Foundation's variance power, which allows the board of directors to redirect distributions from the fund to other qualified charities if, in the sole judgment of the Foundation's board of directors, the original designation becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served. Exercise of the variance power is unusual but may become necessary if, for example, the designated organization 1) goes out of existence; 2) loses its tax-exempt status; or 3) fails to meet a community need.

Investment: Community Foundation funds are pooled for investment purposes and invested according to the Foundation's Investment Principles, Policies, and Objectives (available from the Foundation office). The Foundation's core investment objective is to provide for annual spending while preserving the real value of each fund over time. Net earnings in excess of the annual distribution are reinvested in each fund.

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(continued)

Administrative Fee: According to the Foundation's standard fee policy, funds will contribute one percent of their average market value (.25% of market value assessed quarterly) to support the mission, services, and operation of the Foundation.

However, the establishment of the Leighton Endowment for the Advancement of Philanthropy in December, 1997 permits the Community Foundation to waive the administrative fee on all endowed funds effective July 1, 1998. The Community Foundation reserves the right to assess a reasonable fee on endowed funds that require an unusual amount of administration or service due to their special nature. All funds, endowed and other, will continue to cover direct expenses, if any, associated with their initial establishment (e.g. transfer costs, title work, environmental or special legal work, etc.) or non-routine costs of operating the fund. The Community Foundation will make every effort to continue to waive the administrative fee on endowed funds in perpetuity.

However, the Community Foundation's rapid growth may one day require that endowed funds share a fraction in the costs of their administration.

Designated Grant Review Process: In the interest of using due care in the distribution of grants, the Community Foundation staff and board will conduct a periodic review to

- Verify the intended beneficiary of grant funds is a 501(c)(3) tax-exempt organization by the Internal Revenue Service;
- Confirm that the intended use of the funds is compatible with the Foundation's mission and purposes;
- Obtain an audited financial statement or other evidence of sound financial practices by the intended beneficiary (if not on file). Such evidence shall be less than two years old;
- Conduct site visits as appropriate, particularly to charities which have not been prior or recent recipients of Community Foundation grants.

If you have any questions, please call the Foundation office at (574) 232-0041.