

# *A Handbook for Donors*

## *Fund Policies & Procedures*



**Our Community  
Foundation**  
**LOCAL. FOREVER.**

*serving Daviess County, Indiana*

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## Introduction

Welcome to Our Community Foundation, Inc. (Foundation) We thank you for the opportunity to tell you how a charitable fund with the Foundation can enhance your giving.

Our Community Foundation, Inc. works to encourage philanthropy across Daviess County, Indiana. The Foundation offers a wide range of services to donors to make their philanthropy easy, efficient, and effective.

When you establish a fund at Our Community Foundation you gain the benefits of professional management of charitable assets, and you join a community of generous people who support the changing needs of Daviess County.

Foundation staff act as your advisors and advocates as much or as little as you need. You can ask for guidance from people who can help you understand nonprofits better and assess the requests you may receive for charitable gifts.

Our Community Foundation, Inc., is incorporated under the laws of the State of Indiana and is a 501(c)(3) public charity. Donors can deduct contributions they make to Our Community Foundation and Our Community Foundation is qualified to receive tax deductible bequests, devises, transfers, and gifts.

Our Community Foundation is governed by a volunteer board of directors comprised of local community leaders who are committed to Daviess County. All Foundation activities are overseen by the Board and are carried out in compliance with its mission and bylaws, the laws of Indiana, and the regulations of the Internal Revenue Service.

This handbook is designed to answer your questions about managing your philanthropy through a fund at Our Community Foundation. It summarizes policies and procedures that apply to all funds held by Our Community Foundation, in order to assist you in the establishment and administration of your charitable fund.



## Mission

Meet the changing needs of our community by fostering a culture of local philanthropy.

## Donor Services

Our Community Foundation will help you map out goals as your fund is established. Working with you and your family, we can help you develop a customized giving plan that meets your charitable objectives. The fund you establish can serve one purpose or many. It can support community grantmaking, a field of interest, or a specific organization. It's up to you.

You may establish your fund with a gift of cash, securities, or property. You may add to your charitable fund at any time. Some donors open a fund and continue to make gifts to it over time; some name their fund as the beneficiary of their IRA; and others plan to leave a legacy of cash, stock, real estate, or other assets to enhance their fund.

Most donors design their fund so that after their lifetime the fund will continue to make grants to support the community and issues important to them.

You will receive a separate gift acknowledgment for all contributions you make to the Foundation. You will also receive a regular financial report on the gift, grantmaking, and investment activity of your fund.

Our Community Foundation is available to help you with charitable estate planning and will work with your professional advisor(s), including your estate/trust attorneys, accountant, financial planner, wealth manager, and insurance agent. We will help you explore strategies to reduce taxes and increase income, all



while building a permanent legacy. Your fund can remain with the Community Foundation for your lifetime and beyond. We can work with you to encourage the next generation to continue family involvement with your fund. We can help you structure your fund to do as you wish over a period of time, or in perpetuity.

The Foundation will ask you whether you want your gifts, fund, and grants to be publicly acknowledged in Our Community Foundation publications and disclosed to grantees. Our Community Foundation will always honor your choice. We maintain strict confidentiality of all donor information which is never shared outside our organization. As a component fund of the Foundation, gifts to and grants from your fund are not disclosed on the Foundation's tax return, which reports aggregate information only.

You may become as involved in grantmaking as you like. We can provide information about the needs of the community as well as the nonprofits whose mission it is to address needs in Daviess County.

At your request, we will get information on a specific nonprofit program or organization, or on several organizations working in a particular area of interest to you. We can arrange site visits, tours, and meetings with nonprofit leaders. You let us know your needs and interests, and we will do the rest.



## Setting Up a Fund

It's as easy as 1, 2, 3,...

1. Establish a charitable fund with Our Community Foundation by making an irrevocable donation and signing a Fund Agreement. Funds can be established with gifts totaling \$10,000 or \$25,000 for scholarship funds.
2. Your fund may be established with cash, publicly traded securities, closely held stock, mutual funds, real estate, retirement accounts, insurance policies, planned giving tools, or a combination thereof. A gift may also be made through a bequest in your will.
3. Name the fund as you wish.

As a Foundation donor, you have the flexibility to create and shape your own charitable fund to reflect your personal goals and desires. We offer many different types of funds, each of which has distinctive goals.

## Unrestricted Community Fund

An Unrestricted Community Fund allows Our Community Foundation to make grants to a variety of community programs and services that address community needs. If you care deeply about Daviess County, this is a great way to give back to the community. These funds are a flexible community resource that can respond to changing and emerging needs.

*How It Works:*

- You make a charitable gift or gifts totaling at least \$10,000 to the Foundation and establish an Unrestricted Community Fund. Additional gifts can be made at any time.
- You give the fund a name of your choosing.
- Your gift is invested to grow over time.
- Our Community Foundation will identify, evaluate, and award grants to the most qualified and deserving organizations and programs, based on community needs.
- You will receive reports on grants and activities supported through your fund.

## Field of Interest Fund

A Field of Interest Fund gives you the opportunity to target your contribution to one or more fields of interest that you care about most such as education, youth, health, the arts, etc. These funds are broad in scope yet targeted to meet the needs of the community.

*How It Works:*

- You make a charitable gift or gifts totaling at least \$10,000 to Our Community Foundation and establish a Field of Interest Fund. Additional gifts can be made at any time.
- You give the fund a name of your choosing.
- Your gift is invested to grow over time.
- Our Community Foundation will identify, evaluate, and award grants to the most qualified and deserving organizations and programs based on community needs.
- You will receive reports on grants supported through your Field of Interest Fund.

## Designated Fund

A Designated Fund allows you to name one or more organizations to benefit from the fund.

*How It Works:*

- You make a charitable gift or gifts totaling at least \$10,000 to Our Community Foundation and establish a Designated Fund. Additional gifts can be made at any time.
- You give the fund a name of your choosing.
- Your gift is invested to grow over time.
- You provide us with the names of the nonprofit organization(s) you want your fund to support.
- If you wish to designate more than one beneficiary of your fund, you may specify how you want the spendable amount divided among the recipients.
- Our Community Foundation distributes grants to the organizations you have designated.
- We report to you each time a grant is sent.

## Scholarship Fund

A Scholarship Fund enables you to help deserving students. You can designate any level of education, field of study, and eligibility requirements within parameters established by the IRS. All scholarship awards to individuals are made on an objective, nondiscriminatory basis from a pool of persons chosen based on criteria reasonably related to the purposes of the fund from which the grant is made. Limitations based on sex, religion, or race are permitted where not contrary to public policy. All scholarship programs are run in compliance with the Pension Protection Act of 2006 and IRS Code Section 4966 and must comply with restrictions set forth in paragraphs 1, 2 or 3 of IRC 4945(g) as follows:

- Paragraph (1) allows grants that are scholarships and fellowships. These are grants that pay for tuition, books, or other expenses.
- Paragraph (2) sanctions grants that are prizes or awards made primarily in recognition of religious, charitable, scientific, educational, artistic, literary, or civic achievement. If the recipient is chosen from the general public, he or she must be selected without any action on his or her part to enter a contest or proceeding, and the recipient must not be required to provide services as a consequence of receiving the award.
- Paragraph (3) permits grants to achieve a specific objective, produce a report or other similar product, or improve or enhance a literary, artistic, musical, scientific, or other similar capacity skill or talent of the grantee. This is the broadest category and covers, for example, awards to artists to create works of art and some scholarships that do not fit under paragraph (1).

No employee, board member, or volunteer of Our Community Foundation, nor any member of a selection committee recommending grants may derive, directly or indirectly, a private benefit in connection with a grant from a Scholarship Fund. You, members of your family, or individuals who have been preselected are not eligible to receive an award.

#### *How It Works:*

- You make a charitable gift of gifts totaling \$25,000 to Our Community Foundation to establish a Scholarship Fund. Additional gifts may be made at any time.
- The Foundation will help you design the eligibility and selection criteria for the award.
- The Foundation will review applicants and make the selection. The scholarship committee may include you and members of your family. Our Community Foundation will select award recipients following a competitive process.
- You give the fund a name of your choosing.
- Your gift is invested to grow over time.
- You will receive reports of Foundation scholarship recipients.

## Operating Fund

An Operating Fund helps make charitable giving education available to our community and support Our Community Foundation's continuing operations.

#### *How It Works:*

- You make a charitable gift or gifts totaling at least \$10,000 to the Foundation to establish an Operating Fund. Additional gifts can be made at any time.
- You give the fund a name of your choosing.
- Your gift is invested to grow over time.
- Each year a grant is made to support the work of Our Community Foundation.
- You will receive periodic reports of Foundation activities.

## Agency Fund

An Agency Fund is a fund established with Our Community Foundation by a nonprofit organization. The Agency Fund allows the organization to take advantage of the Foundation's investment management and frees the organization from related administrative work.

#### *How It Works:*

- A nonprofit organization transfers funds to Our Community Foundation.
- Additions to the fund can be made at any time.
- The fund is invested to grow over time.
- Distributions are made from the fund to the nonprofit based on the fund agreement.

## Donor Advised Fund

A Donor Advised Fund makes it possible for you to consolidate your charitable giving into one vehicle. Once the fund is established, you may recommend grants at any time to a 501(c)(3) public charity. When you establish a Donor Advised Fund, you retain

the ability to recommend which organizations are to receive grants from it. You may have a clear vision of the organizations you wish to support and need us to make it happen easily, effectively, and responsibly. Or you may want to learn about the organizations that are having a positive impact on the issues you care about. Either way, we are here to help. We will work with you to shape a giving strategy and identify charitable organizations whose work you wish to support. IRS regulations require that Our Community Foundation's Board of Directors approve all grants from advised funds. The Board considers your recommendations, and as long as the organizations you wish to support are qualified \* (see number 2 below), will honor your wishes.

*How It Works:*

- You make a charitable gift or gifts totaling \$10,000 to Our Community Foundation and establish a Donor Advised Fund.
- You give the fund a name of your choosing.
- Your gift is invested to grow over time.
- Following the process outlined in the next section, you recommend grants from your fund for approval by the Board of Directors of Our Community Foundation, Inc.

*The process for making grants from a Donor Advised Fund:*

- You (or the Fund's advisor) complete a Grant Request Form and submit to the Community Foundation for processing.
- You can recommend grants as often as you like. Distributions are limited to amounts of \$100 or more.
- An investigation of all grant recommendations occurs. Our Community Foundation is always learning about nonprofit organizations and will help you to do so also. The extent of our review for an advised grant depends on how much we already know about the recommended grantee. We will verify that the organization is classified as a public charity under Section 501(c)(3) of the Internal Revenue Code and will gather information about its mission, purpose, programs, governance, leadership, and financial health.
- The grant suggestion is forwarded to the Board of Directors for approval.

Our Community Foundation may decline to make distributions recommended by donors when: 1) the grantee is not a tax-exempt charitable organization as described in Section 501(c)(3) of the IRS code, or, 2) when upon investigation, we find that the recommended recipient does not meet general standards for grantmaking because it is in poor financial health or exhibits other weaknesses in governance or management. In that case, we will review the grant recommendation with you and suggest options to ensure your gift is put to good use.

After approval and processing, a grant distribution letter and check are mailed to the recipient organization or to the donor advisor for presentation.

Grant requests are processed and mailed regularly. The time for processing will vary depending on how quickly the nonprofit provides required information. Unless otherwise specified by the donor, the grantee will be told the name of the fund from which the distribution is made. You will receive notification when the grant is made.



There are several additional policies that govern Donor Advised Fund grantmaking:

- Making pledges in your own name from a Donor Advised Fund is not allowed under IRS regulations.
- Our Community Foundation cannot make a donor advised grant if there are monetary or material benefits for you, any of the fund's advisors or related parties, or the Foundation, associated with it. Benefits associated with grants include membership in an association, tickets to an event, or any activity that gives a direct benefit to the donor (golf outings, charity dinners, etc.).
- In compliance with IRS regulations, Our Community Foundation does not allow grants to private foundations because they are subject to different deductibility limits on charitable gifts and are controlled by private rather than public boards and interests.
- Donor advised funds are prohibited from making grants to individuals. This includes checks written directly to an individual, or checks written to another entity for the benefit of a specified individual.
- Donors, advisors, and related parties cannot receive grants, loans, compensation, or similar payments from an advised fund.
- Our Community Foundation does not distribute grants to foreign charitable organizations because they are not exempt organizations under IRS rules. Our Community Foundation may, however, make grants to domestic 501(c)(3) charities that fund and exercise expenditure responsibility over foreign charitable activities. Any fees charged by such a domestic charity are paid by the fund making the grant.

Donors have opportunities to partner with Our Community Foundation's grants programs. Donor advised Funds are offered the opportunity to contribute to the Foundation's community grantmaking programs, thereby taking advantage of the Foundation's capacity to respond to compelling charitable needs in the region. In addition, donor advised Fund Advisors will be informed about initiatives supported by the Foundation's competitive grant programs.

## Low Balance Funds

The Foundation periodically reviews funds with balances under the Foundation's fund minimums, and will contact the donor to offer assistance, including the option to make additional contributions to bring the fund up to the minimum or to grant out the balance and close the fund.

Should a non-permanent fund, with a balance below Our Community Foundation's \$10,000 minimum, become inactive for two years, neither receiving additional contributions nor making any grants, Fund Advisors will be notified that the fund may be terminated. If there is no activity for a further 90 days, the fund balance will be moved to the Fund for Daviess County, where it will support future grants to area nonprofits.

## Low Activity Funds

Our Community Foundation encourages donors to retain active roles in their donor advised funds. In order to effectively distribute charitable dollars to the community, the Foundation periodically reviews the grantmaking activity of all donor advised funds.

Should a fund not make any grants for a period of 36 months, Our Community Foundation will contact the donor to discuss intentions for the fund. The donor may, at this time, provide a plan for funding a specific charitable project that requires an accumulation of resources beyond the three-year period.

If a fund does not have such a plan and does not make any grants for an additional six months; or if the Fund Advisor(s) cannot be located or is/are unresponsive for an additional six months, making the fund inactive for a total of 30 months; the payout from the donor advised fund will be used for community grantmaking until the Fund Advisor decides otherwise.

## Continuity of Funds/Successor Advisors

You may indicate how your donor advised fund is handled upon the death or resignation of an advisor. As the establishing donor, you may name a successor advisor to your fund, such as a spouse, children, partner, other heir, friend, or representative. Successor advisors enjoy the same privileges as you, the original donor, and will follow the same policies and procedures. We ask that if more than one person can make recommendations for grants from the fund, that a single person be designated to act for them all in submitting requests for grants. One generation of successor advisors may be appointed for a fund. During their lifetime, successor advisors may resign and designate successor advisors to serve in their place but not upon their death.

## Legacy Instructions

Our Community Foundation encourages donors to think about the long-term goals of their philanthropy. Donors may leave instructions for the ultimate use of the fund once the last Advisor is no longer living.

If there is no successor advisor, the fund becomes a Community Grant Fund; or you may request that the grantmaking from your fund be directed where it is most needed, toward a particular field of interest, or designated for one or more specific nonprofit organization(s).

## Charitable Contributions

In general, the amount you may deduct for a gift to Our Community Foundation is based on the value of your contribution on the "gift date" which is the date on which you give up control of the asset. The gift date varies depending on the type of asset and how the gift is delivered. For guidance, please call your professional advisor, the Foundation, or refer to IRS Publication 526 "Charitable Contributions."

An individual's ability to deduct itemized deductions may be subject to certain other limitations. Please contact your tax advisor to determine your tax deductibility limits.

## Donor-Initiated Fundraising

In establishing a fund at Our Community Foundation, Inc. (Foundation) there may be times when you would like to organize a fundraiser to raise dollars for the fund. Most often the Foundation receives the net income from a fundraiser and does not acknowledge the individual contributors. However, there may be times when individual contributors to a fundraiser would want to receive a charitable deduction. The Foundation has developed this policy statement to help guide planners of such fundraising events and solicitations (fundraising groups).

When fundraising groups conduct fundraising activities and solicitations on behalf of the

Foundation's funds, they are, for tax purposes, conducting fundraising on Our Community Foundation's behalf.

The requirements that follow are designed to protect donors and groups raising funds for a fund at Our Community Foundation.

#### *Community Foundation Approval of Events*

All public fundraising events require advance approval from Our Community Foundation. Before undertaking any such event, the fundraising group must meet with the Foundation and discuss details and reporting for the event. This will include type of event, contact person, and details of receipts and expenditures.

All uses of the Foundation's name in advertising and promotion are prohibited. Our Community Foundation will assess an administrative fee against the fund to defray the cost of additional services required by the fundraising event or solicitation.

You are not authorized to bind Our Community Foundation to any contract or agreement unless specifically authorized in writing.

#### *Our Community Foundation's Responsibilities*

The Foundation will be responsible for:

- The management of such money and property as it may accept into the fund from donors, other contributors, and sources.
- The application of principal and income to charitable uses, all in accord with the Foundation's governing documents.
- Providing appropriate acknowledgements to donors.

#### *The Fundraising Group's Responsibilities*

The fundraising group will retain responsibility for all public fundraising events and matters related to them, including:

- Payment of all costs and expenses
- Compliance with laws
- Reporting and other requirements of every kind such as licensing, tax payment, and liability insurance covering the Foundation

#### *Payment of Expenses*

The fundraising group will be responsible for all expenses and will maintain appropriate financial controls and records related to fundraising events. Prior to the event Our Community Foundation will discuss with you whether the expenses will be paid by the Foundation or by the group. Where appropriate, the Foundation can provide tax acknowledgements allowing donors to deduct reasonable expenses incurred in connection with the fundraiser.

#### *Designation of Checks and Receipt of Cash*

Within one week after the event, all proceeds, checks and cash, must be delivered to the Foundation along with an accounting of all monies received.



### *Tax Requirements and Acknowledgements*

Our Community Foundation will provide the appropriate acknowledgement to donors only if it receives certain detailed information. Specifically, the fundraising group must provide the Foundation with:

- The donor's complete name and address.
- The date and amount of the contribution.
- Whether the contribution was in cash or property.
- If property, a description of the property and good faith estimates of its fair market value.
- A detailed description of any goods and services provided in exchange for the gift.

*Contributions of services, while appreciated, generally are not deductible.*

If the fundraising group provides goods or services in exchange for a donation, certain disclosures are required. For example, if the group is sponsoring a dinner, the donor can only deduct the excess of the ticket price above the fair market value of the dinner. Our Community Foundation will work with the fundraising group to determine the fair market value amounts of goods and services because of the fundraising event; and to approve of the appropriate disclosure language for the event.

### *Liability Insurance and Liability for Losses*

The fundraising group will contact the Foundation prior to the event to assess the need to secure liability insurance covering members of the fundraising group and the Foundation.

The fundraising group will be responsible for all losses incurred by the event. Our Community Foundation will not be held responsible for such losses. The Foundation may require the fundraising group to purchase a letter of credit or provide a written personal guarantee.

## Investments

Our Community Foundation pools donor funds for efficiency and the economies of scale that larger investments command. The Foundation's Finance/Investment Committee guides the Foundation's investments in compliance with the Investment Policy approved by the Board of Directors. The Foundation uses a total return approach to investment management. Total return describes the change in fund value over time resulting from interest, dividends, and capital appreciation as a result of both realized and unrealized gains. The Foundation maintains an internal accounting system that tracks all donor contributions, investment earnings, fees, expenses, and grants.

Each fund is allocated its pro-rata share of monthly income, appreciation, and investment management expenses realized in the Foundation investment pool in which it is invested.

Donors have no ownership interest in individual named funds. The Foundation Board of Directors has full discretion over the investment and reinvestment of all Foundation assets.





## Investment Managers

Our Community Foundation's Board of Directors is responsible for appointing and overseeing managers for the investment portfolio. For specific information about individual managers, please contact us.

Investment managers have the authority to invest assigned assets in securities and other investments consistent with the asset allocation and investment policies of the Foundation.

Our Community Foundation Board of Directors sets the asset allocation of the Foundation's investments, reviews investment performance, and has the discretion to add or change investment managers at any time.

## Recordkeeping and Reporting

For every gift received, the Foundation issues a gift acknowledgement which serves as your receipt to fulfill IRS substantiation requirements.

Gift acknowledgements show the number of shares of publicly traded securities and the date they were received and accepted by the Foundation. You should consult with your tax advisor before claiming a fair market value deduction on your income tax return. Please refer to IRS publication 526 "Charitable Contributions" for details.

The Foundation issues annual reports on all funds reflecting activity (gifts, grants, net investment returns, administrative fees and expenses) in the fund each year. Monthly or quarterly reports can be issued on request.

The Foundation will provide donors with any other financial reports or information required by applicable law (including IRS substantiation requirements) or requested by donors or fund advisors.

## Legal Issues

Our Community Foundation, Inc. has full legal ownership of all its component funds.

## Control of Your Fund

All funds are maintained as component funds of the Foundation and must be free from material restrictions imposed by donors to continue to enjoy public charity status. Several factors combine to meet what is called by the IRS a "facts and circumstances" test demonstrating foundation control, including:

- The Foundation must conduct independent investigations to determine if an advisor's grant suggestions are consistent with the charitable purposes of the Foundation.
- The Foundation must make clear to donors and professional advisors that it is not bound to follow the advice given by the donor.
- The donor, or his/her family or other agent, may not retain control of investments once the contribution is made.

The Foundation cannot permit a donor to make a pledge in his/her name from an advised fund. A pledge suggests a material control not permitted under IRS regulations. An advisor may suggest a multiyear grant program for consideration by the Foundation's Board of Directors but may not represent that to the beneficiary organization as a pledge.

## Benefits Resulting from Contributions

Because only a portion of the amount paid for a membership or an event (such as a dinner or concert) is a charitable expenditure, with the balance providing a personal benefit, Our Community Foundation does not make grants for these purposes.

## Tax Status

Our Community Foundation, Inc is a public charity as described in Section 501(c)(3), 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code of 1986. As such, the Community Foundation must meet a public support test and make grants in a manner consistent with its charitable purposes. All gifts to Our Community Foundation are irrevocable and tax deductible to the full extent of the law.

Our Community Foundation's Tax ID number is 87-2043014.

## Variance Power

Our Community Foundation's governing instruments provide that the Board of Directors of have the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to specified organizations if in the sole judgment of the Board (without the approval of any trustee, custodian or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served.



# Thank You for Your Gift to Keep Daviess County Strong!