



*Building Your Agency's Fund with the Athens Area Community Foundation*

On any given day, AACF works with an estate attorney and their client to find the best way to benefit their favorite causes for good, for ever; AACF is asked by a donor (an individual or a corporation) to help identify organizations that align with their current interests; and AACF is asked by nonprofits and community groups to provide technical assistance as they strive for increased effectiveness and collaboration.

In each situation, AACF is a powerful community ally, providing local expertise, personalized service, and leadership. This coming year, AACF is poised to grow in asset size, increase community awareness, encourage local philanthropy, expand the reach of our grantmaking, and improve the proportion of our costs supported by our fees. Since 2008, AACF has provided over \$1 million in grants to local organizations and currently stewards over \$6.1 million on behalf of local donors and this community.

Although the majority of a community foundation's Funds are created by individuals and families, many are established by area nonprofit organizations as endowments/quasi-endowments to provide a permanent income stream to support their programs and operations. These Funds are invested by a community foundation and the earnings are distributed back to the agency. Agencies with Funds at the community foundation include Athens Area Habitat for Humanity, Athens Area Council on Aging, AthFest Educates, Accountability Courts Foundation of Athens-Clarke County, Clarke County Mentor Program, Clarke County School District, The Cottage Sexual Assault and Children's Advocacy Center, Friends of Athens-Clarke County Library, Georgia Options Foundation, Interfaith Hospitality Network of Athens, OLLI@UGA, and United Way of Northeast Georgia.

**Below are some of the advantages of choosing to partner with the Athens Area Community Foundation for management of your agency Fund:**

- 1. Pooled Funds** — Our base of pooled Funds minimizes risk, reduces investment charges and maximizes returns.
- 2. Flexible Contributions and Planned Gift Expertise** – We make it easier for your donors to give by accepting a wide variety of assets types as additions to your Fund such as cash, stocks, bonds, real estate, LLP and LLC shares, and other unusual assets. We also work with donors and their professional advisors to set up CRTs and more complex tools that will help them meet their own tax and income needs while benefiting your agency. If they so desire, donors may give anonymously to your Fund.
- 3. Professional, Independent Investment Management** — Our Funds are professionally managed and are under the fiduciary care of our board of directors. We utilize an American Funds program for community foundations which, for our portfolio, provides us with:
  - Access to 44 of American's portfolio counselors with an average of 25 years of industry experience;
  - A well-diversified portfolio of 1019 equity and 971 fixed income positions;
  - No front or back end fees and a low expense ratio of 0.69% (industry average is 1.16%); and
  - The ability to engage local investment managers by allowing them to continue managing client assets given to AACF.

4. **More Efficient Board Focus for Your Organization** — Instead of having to implement investment policies and meet regularly to monitor Fund performance, your board can focus on its most important task: the pursuit of your organization’s mission.
5. **Endowment Credibility** — Our ownership of the assets in your Fund helps provide a layer of separation to ensure the Fund is maintained in perpetuity. This separation can provide a “buffer of protection” from excessive spending from your Fund to meet short-term needs, which can erode donor confidence, violate donor intent, and jeopardize the long-term health of your agency. Your Agency may choose to create a Quasi-Endowed Fund which is treated like an endowment Fund for investment purposes, though all of the income and principal of the Fund are available for distribution. If you create a Quasi-Endowed Fund, this must be marketed transparently to your donors. In emergency circumstances nonprofits may request distributions that exceed the spending formula amount; such distribution requests are addressed on a case-by-case basis.
6. **A Partnership with the Community** — Organizations with Funds at AACF will be prominently included in all our promotional materials. By setting up a Fund, agencies show their commitment to endowment building and professional, independent Fund management. The administrative support fee paid by the Fund also helps advance AACF’s efforts to increase collaboration across among the nonprofit, for-profit, and public sectors in addressing current and emerging community needs and opportunities.
7. **Clear Spending and Reporting** — We will distribute a portion of your Fund’s value each year according to a pre-determined formula, calculated to enable the Fund to grow over the long term while supporting annual distributions and staying ahead of inflation. We will work with you to set up your Board Resolution and Spending Policy describing how you will access the Fund and under what conditions you will fully utilize the Fund. We will provide quarterly Fund statements and all Funds are audited annually by Trinity Accounting Group’s independent certified accountants.
8. **Prompt, Efficient Donor Communication** — We thank donors to the Fund on your behalf and provide donor receipts for tax purposes. You receive a copy of each letter sent as well as regular donor reports.

*Important to Note*

Contributions and Fees

The minimum initial contribution to establish an Agency Fund is \$10,000 although an agency can start smaller and grow their Fund to \$10,000 over 3 years. Quasi-Endowed Funds carry an annual administrative fee of 1.5 % of the Fund’s asset value or \$500 whichever is greater. Endowed Funds pay a reduced administrative fee of 1% or \$500 up to \$1 million and for Funds above \$1 million, a 0.9% fee is applied.

Assets Become the Property of AACF

The agency’s Fund assets technically become the property of AACF upon establishing the Fund. This is required by IRS regulations to maintain the Community Foundation’s status as a public charity; contributions to community foundation Funds that are not controlled by the community foundation can result in the loss of significant tax benefits for donors. Ultimate control of investments and disbursement is given to the board of the foundation. The agreement establishing the Fund clearly states that the Community Foundation can use the funds only for the purposes expressed in the agreement, i.e., for the benefit of the agency or its successors. The agency may request that the funds be returned under certain conditions, by a resolution of its board and concurrence by AACF’s board, as outlined in the signed Fund agreement.

Variance Power

In the event that your agency ceases to exist, loses its nonprofit status, or the original purpose of the Fund becomes irrelevant or impossible to achieve, the AACF board maintains “variance power” to change the beneficiary or purpose of the Fund. Your agency may also designate a “contingency” or “default” beneficiary

in the Fund agreement. Variance power helps assure donors their gifts will remain relevant in perpetuity. In other words, if your agency ceases to exist, its Fund remains at the community foundation supporting purposes specified by your organization in the Fund agreement or the next closest purpose.