



## Nonprofit Agency Funds

A Nonprofit Agency Fund helps agencies provide a more solid financial foundation for their work. More than 100 charitable organizations in the Pioneer Valley have established funds with the Community Foundation.

Below are answers to frequently asked questions about Nonprofit Agency Funds.

### **Q. How do I establish a Nonprofit Agency Fund?**

A. Funds can be established easily and quickly. The Foundation assists agencies and their financial advisors with the fund-establishment process. Once the details have been discussed with the Foundation, simply sign a fund agreement letter and transfer the assets to establish the fund.

### **Q. Is there a required minimum balance?**

A. It is not economical for the Community Foundation to administer funds with a long-term balance less than \$10,000. That balance may be reached over several years with a fundraising/donation plan approved by the Foundation. Amounts in excess of that minimum each year (including earnings from the fund's investment) would be available for recommended distribution.

### **Q. How are funds invested?**

A. Our funds are professionally invested under the supervision of expert community volunteers. Funds are pooled and invested with other assets of the Foundation for fuller diversification, with each fund accruing its own share of the earnings. Each fund is accounted for separately. Agencies may choose from a selection of portfolios and will receive quarterly financial statements.

### **Q. What are the administrative fees and expenses?**

A. The fee for Agency Advised Funds is currently 1.25% of the principal annually, and the fee for Agency Endowed Funds is currently 1% of the principal annually (with a minimum annual fee of \$125 in either case). These fees are in addition to the relatively low-cost expenses of the fund's investment.

### **Q. What do the fees cover?**

A. The fees cover all administrative tasks assumed by the Foundation. Tasks include recordkeeping, investment, filing all required reports, monitoring the charitable status of recipients of such grants, the provision of tax receipts for gifts to the fund and quarterly statements of fund activity.



**Q. Who owns the fund's assets?**

A. According to both income tax and securities laws, establishing a fund requires the charity to transfer title to the assets to the Foundation. Although the Foundation owns the assets the Agency may maintain a beneficial interest, which under Financial Accounting Standards Boards Statement #136, would allow the agency to record an asset on its financial statements. We suggest the agency discuss this with their accountants and the Foundation.

**Q. Do you accept unusual assets?**

A. Yes. The Foundation can accept stock, mutual fund shares, closely held stock, real estate, personal property, retirement assets, life insurance, planned gifts and private foundation assets.

**Q. What's the difference between a Permanently Endowed and an Agency Advised Fund?**

A. Permanently endowed funds allow for regular distributions to the agency in accordance with the Foundation's policy, which attempts to provide long-term protection of the principal (currently 4.5% of principal annually). Agency Advised Funds allow the agency to recommend distributions of both income and principal whenever desired. Please know that the Foundation is permitted to return the entire balance in this fund to the agency. However, title to the monies in this fund is in the Community Foundation of Western Massachusetts. Recommendations for subsequent distributions may not be binding instructions.

**Q. Do you offer fundraising assistance?**

A. The Foundation is not able to serve as the fundraising arm of those charities with Agency Funds. However, our experienced development staff is available to meet or consult by phone with agency directors, board members, finance committees, development committees, and even donor prospects to discuss fundraising strategies and techniques.

**Q. What do your Planned Giving services include?**

A. We help agencies avoid the costs and liabilities of offering their own planned giving program by administering charitable gift annuities, charitable remainder trusts, and lead trusts that direct gifts to *endowed* agency funds. We serve as a partner by administering the gifts and providing advice on marketing planned gifts. We also work with potential donors and their advisors to answer technical gift planning inquiries.

**Q. What are some other benefits to working with the Foundation?**

A. Charities with Agency Funds at the Foundation may enjoy the increased visibility as part of our larger giving community. Agency Funds are listed in our Annual Report, which receives widespread circulation. An Agency Fund may enhance a charity's fundraising prospects because some donors wish to support charities, but prefer the relative long-term security of the Foundation, particularly if they want to ensure their gifts are endowed forever. Of course, agencies also benefit from our high quality, cost-efficient administration and stewardship services.