



Organization Fund Guidelines

Organization funds benefit nonprofit organizations by providing:

- a vehicle for endowed giving for supporters of the organization
- exposure of the organization to potential donors
- investment management and oversight, accounting, financial reporting and the annual audit of funds held
- access to investment opportunities as part of a larger pool of assets which can lead to greater growth and lower investment fees
- expertise that can be shared with donors for the benefit of the organization
- income to further the charitable work of the organization
- annual audit of endowed fund as part of the full GSCF audit

Organization funds are funds created by charitable organizations exclusively for the benefit of those organizations. Individuals, businesses, and other third parties may contribute to an organization fund.

The following policies and guidelines have been established to govern the handling of organization funds in a manner consistent with the purposes of the Foundation and in keeping with applicable tax regulations.

Financial Accounting Standard 136 (FAS 136)

FAS 136 applies to accounting for assets transferred to a fund in a community foundation by nonprofit organizations. Under FAS 136, when a nonprofit organization transfers a portion of its own assets to a fund in a community foundation, the nonprofit organization continues to report those assets as its own, with the offsetting activity reported in net assets. The community foundation also reports the asset, and the offsetting entry is classified as a liability to the nonprofit organization.

When a private individual contributes to an endowment fund in a community foundation to benefit a nonprofit organization, FAS 136 specifies that the assets in the endowment be reported *only* in the books of the community foundation.

An endowment fund in a community foundation that contains a mixture of assets transferred from the nonprofit organization and gifted by private individuals must treat each type of transaction separately as specified above.

Because of FAS 136, every organization fund within the Foundation is comprised of two separately maintained funds.

Named Fund

Nonprofit organization transfers its own assets to the Foundation which are placed with the named fund. This fund is a non-endowed fund and not subject to the Foundation's Spending Policy.

Endowed Fund

Third party donor contributions are placed in the endowed fund. This fund is an endowed fund and subject to the Foundation's Spending Policy.

Restricted Fund

By special request, some organizations have asked the Foundation to permanently restrict certain contributions the organization has made to its fund. By the organization's own request, it does not want to invade principle of contributions (some or all) made by the organization. Because the accounting standards still require that the organization reflect gifts made by itself to its fund in the Foundation, the Foundation again will account separately for funds which the organization itself wishes to restrict. In these instances, the Foundation will create a third fund, titled a restricted fund. The request of a nonprofit board to establish a restricted fund is a permanent request. A future board of the nonprofit cannot vote to release the funds from endowed status.

1. Minimum Amount

The minimum amount required to establish an organization fund is \$10,000. Organizations who intend to establish a fund may take up to five years to reach the fund minimum. If, at the end of five years, the fund has not reached the minimum, all assets in the fund will become part of the Foundation's unrestricted community grant fund. The Foundation recognizes fund balances of the named, endowed, or combination of both funds to meet the minimum requirement.

2. Contributions and Additions to the Fund

Donors may contribute cash or property to the Foundation at any time during the year. A contribution is deemed made at the time of its "delivery" to the Foundation, in accordance with applicable law. For more information, see the Foundation's Gift and Fund Acceptance Policy. All donations contributed *by the organization* are placed in the organization's named fund. All donations made to the fund *by third-party donors* are placed in the organization's endowed fund unless specified differently in writing by the donor.

3. Investment of Funds

Organization funds belong to the Foundation and are subject to the terms and conditions of its governing instruments. Organization funds are co-mingled with other Foundation funds to encourage maximum investment performance. The Foundation's portfolio is managed with a view toward maximization of total return considering inflation risk, interest rate risk, and business or economic risk, while at all times being prudently diversified. A copy of the Foundation's Statement of Investment Policy is available on request.

4. Outside Investment Managers

Organizations may request to use an outside investment manager if the fund maintains a minimum balance as stated in the Policies and Procedures for Establishment and Operation of Component Funds. If the request is granted, the fund remains a component fund of the Foundation, but is managed and invested by a bank, trust company or other entity of the organization's choice. In order to manage component funds for the Foundation, outside fund managers are required to sign an investment management agreement with the Foundation and

maintain an investment performance level that is acceptable to the Foundation's Finance Committee.

6. Spending Policy

The Foundation strives to preserve capital for long-term charitable endowment purposes. The Foundation's general spending policy for grants and scholarships is as follows:

- The Foundation will make grants and scholarships from each fund according to the individual fund agreement.
- Primarily, fund agreements for endowed funds are written to allow the Foundation to pay out up to a specified percentage of the fund balance annually, calculated on a specified rolling quarter average, after the fund has been invested for a period of at least one year. See the Foundation's current Spending Policy for further information.

7. Grant Recommendations

Organizations may request a grant from their fund at any time online or on the Organization Fund Grant Request Form. Foundation staff will verify the availability of funds and the charitable nature of the grant request.

The endowed fund will have an annual grant amount available based on the current Spending Policy. As long as the minimum fund balance is maintained, organizations can request grants that invade the principal of the organization's named fund. All such requests are advisory only, and the Foundation's Board of Directors must approve all grant requests.

Grant requests made by organizations can be used for any purpose that furthers the charitable work of the organization. Grants can be used for operations, capital projects or special programs. Grants are ordinarily processed within 30 days.

8. Anonymity

The Foundation values a donor's right to anonymity and honors any such requests.

9. Monitoring Function and Variance Power

The Foundation will monitor and periodically evaluate all funds to determine that payments therefrom are being used for charitable purposes consistent with the Foundation's purposes and the donor's intent. If the Foundation determines that circumstances are such that continued payments from a fund for the specified charitable purposes or to the specified charitable organizations have become unnecessary, obsolete, inappropriate, incapable of fulfillment, impractical, illegal, or inconsistent with the Foundation's purposes or the donor's intent, the Foundation has the power, exercisable at the sole discretion of its Board of Directors, to designate an alternative charitable beneficiary or fund (taking into account the donor's intent) as the recipient, or to transfer the property and assets in the fund in question into the Foundation's community grant fund, or to effect some combination of the foregoing.

The Foundation will use its best efforts to give affected donors and organizations advance written notice of its intent to exercise the variance power outlined above.

10. Administrative Fees

All component funds are required to share in the administrative costs of operating the Foundation. Although the Foundation has a separate and permanently endowed administrative fund that enables the Foundation to keep fees to a minimum, the Foundation reserves the right to annually assess a fee against each component fund. Administrative fees help cover grant processing, gift processing and receipts, fund statements, and the annual audit to assure financial accountability. See the current Administrative Fee Schedule for current fees for each fund type.

11. Definition of “Charitable Purpose”

As used herein, the term “charitable purpose” is an educational, scientific, literary, public, religious, or other purpose permitted to be carried on by an organization described in Section 170(c)(2) of the Internal Revenue Code of 1986, as amended.