



ADVISED FUNDS

An advised fund is a flexible vehicle that enables an individual donor, a family, or an organization to:

- contribute a tax-deductible gift, using appreciated securities or cash, when it best meets financial and tax planning needs;
- recommend grants, at the donors' convenience, to qualified nonprofit organizations anywhere in the United States;
- rely on the Foundation's experienced staff for administration, record keeping and help with charitable giving.

Donors can establish either a **permanent advised fund** from which only the income is distributed annually or a **non-permanent advised fund** from which both income and principal can be expended. With either choice, donors can make contributions to the Foundation and then request the Foundation to make distributions to their favorite charities.

CONTRIBUTIONS

A minimum contribution* is required to establish an advised fund at the Connecticut Community Foundation. After the initial contribution, gifts of any amount can be added to the fund at any time. For a charitable income tax deduction, donors report only their gift(s) to the Foundation to the IRS.

FUNDRAISING

Advised funds, whether established by individuals or organizations, may carry out their own fundraising only with prior approval by the CEO of the Foundation and under guidelines provided by the Foundation. The Foundation deposits, records and acknowledges all donations.

ADVISORS

Donors may name themselves or others as the advisors to recommend grants from the fund. Donors may also at any time authorize, in writing, a successor advisor to make recommendations for grants either during the donors' lifetime or upon the donors' death.

GRANTS

Grants of \$200 or more from the advised fund may be recommended to tax-exempt organizations qualifying under Section 501(c)(3) of the Internal Revenue Code, government entities, or to established religious denominations anywhere in the United States.

Distributions to foreign nonprofit organizations may be recommended through a U.S. 501(c)(3) nonprofit organization that is either an affiliate of the foreign organization or an organization that carries out due diligence on grants to foreign agencies. The Foundation does not allow grants

to private foundations as defined under section 509 (a) of the Internal Revenue Code. Grants **may not** be used for to pay pre-existing pledges or to receive any benefits such as tickets to events, gifts or memberships that carry more than a token value as defined by current I.R.S. regulations.

In order to recommend grants from an advised fund, the advisor must submit a signed, written grant recommendation form to the Foundation. In order to meet Treasury regulations for advised funds, the Board of Trustees cannot be bound by the advice of the advisor and must always maintain the right to distribute the funds in accordance with the charitable purpose of the Foundation. The Treasury regulations are designed

to ensure that donors do not receive a maximum charitable deduction at the time of the gift and still maintain control over the gift.

Grants will normally be processed within 7 - 10 days if a grantee has been approved by the Board of Trustees within the last five years and the required information on the grantee is readily available. If a potential grantee does not meet these criteria, the staff will gather the appropriate information on the grantee and make a recommendation to the Board of Trustees at their next meeting. The Board approves or rejects the recommendation. If a grantee is approved, the grant will normally be processed within 7 - 10 days. If a grantee is not approved, the advisors will be notified and asked to make an alternate suggestion. If the Board of Trustees approves the recommendations, you will receive a letter confirming the grants have been made. Foundation staff is also available to assist the advisors in assessing community needs and recommending grants to organizations that address their charitable interests.

Grants to the nonprofit organizations will include notices with the name of the fund unless anonymity is requested. Grants from a fund are not deductible by the donors as a charitable contribution for federal tax purposes as the donors have already received a tax deduction when the gift to the Foundation was made.

DISTRIBUTION OF REMAINDER ASSETS

When the advisory privilege terminates (e.g. at the death of the donors, advisor, or successor advisor), the remaining assets in the fund can be handled in one of three ways.

- 1) The donors may establish a permanent unrestricted, field-of-interest, scholarship or designated fund at the Foundation.
- 2) If the donors do not wish to establish a permanent fund, they may provide a written request for the distribution of any remaining income and principal to specific 501(c)(3) nonprofit agencies.

3) If the donors die without specific requests, the remaining assets in the fund will become an unrestricted fund at the Connecticut Community Foundation with the annual distributions used for the general charitable purposes of the Foundation.

The elections made by the donors on the fund establishment form, or in any subsequent written correspondence with the Foundation, regarding disbursement of income and principal and the disbursement of any remaining principal upon the death of the advisors can only be changed by the successor advisor if specific written authorization for such changes has been provided by the original donors that established the fund.

INVESTMENT OF CONTRIBUTIONS

Contributions to a **permanent** advised fund are used to purchase units in the Foundation's endowment fund pool, which is invested in a balanced equity/fixed income portfolio. The actual rate of return on the endowment will fluctuate with market conditions. The advised fund will receive a proportionate share of the endowment fund's investment results quarterly.

Contributions to a **non-permanent** advised fund will usually be invested in a money market or equivalent account. Cash contributions are used to purchase units in the Foundation's money market account.

If the donor expects to distribute the non-permanent fund's assets over a period of three years or more, the donor has the option of investing the assets in the Foundation's endowment fund pool.

Additional investment options are available for funds with asset values of \$1 million or more.

FEEES

For advised funds invested in the endowment fund pool, an annual investment fee* and an administrative fee* are charged quarterly based on the market value of principal assets. The fee structure is subject to annual review and modification by the Trustees.

Contributions to a non-permanent advised fund are usually invested in a money market or equivalent account. For funds invested in the money market fund, an annual administrative fee* is charged quarterly based on the highest market value of assets during the quarter.

DONOR COMMUNICATIONS

Donors receive confirmations of all donations and grants. Donors of permanent advised funds receive a financial statement and recommendation form annually. Donors of non-permanent advised funds receive a financial statement and grant recommendation form twice a year.

ADVISED FUNDS FOR ORGANIZATIONS

An advised fund at the Connecticut Community Foundation is an excellent vehicle for corporations, associations, and community groups that wish to pool their philanthropic efforts without the burden of establishing a separate 501(c)(3) organization or administering a charitable giving program. The organization can set up an advisory committee to recommend grants from the fund. With an advised fund the organization benefits from:

- investment management at a low cost, and
- low cost administration including receipt and acknowledgement of all contributions, quarterly financial statements, required IRS and state filings, and grant payments.

Minimum amounts and fees* are the same as for individual advised funds unless the organization requests fundraising support services from the Foundation. The Foundation can provide fee structures for such services depending on the level of

services and number of contributions. An organizational advised fund committee may continue indefinitely. However, if the advisory committee has not made a grant recommendation for three years, an attempt will be made to contact the members of that committee by phone and certified mail. If there is no response after 90 days, the Foundation will terminate the advisor privilege in accordance with the terms of the fund agreement.

ADVISED FUNDS FOR NONPROFITS

An advised fund at the Connecticut Community Foundation is an excellent vehicle for a nonprofit that wishes to solicit funds for a specific project. The nonprofit can set up an advisory committee to recommend grants from the fund. With an advised fund the organization benefits from:

- investment management at a low cost; and
- low cost administration including receipt and acknowledgement of all contributions, quarterly financial statements, required IRS and state filings, and grant payments.

FUNDS WITH SPECIAL FEATURES

Foundation staff can provide information on advised funds that carry out their own request for grant proposal process or have an advisory committee.

* See Fund Minimum and Fee Schedule