



Agency Fund Overview

The Role of the Community Foundation

The role of a community foundation is to engage donors, connect resources and build community. The foundation fulfills its role by facilitating charitable giving, initiating responses to targeted needs and building permanent funds for the support of charities both in our region and beyond. For donors, a community foundation serves as a vital link between the community and those who want to help it. The community foundation does not encourage the support of any one charity, but as a neutral entity, assists donors in identifying and attaining their charitable goals.

What is an Agency Fund?

Agency Funds are established by non-profit agencies who appreciate a community foundation's fund management expertise. Some funds are permanent endowments, while others serve as a type of reserve fund for the charities. CommunityGiving currently holds agency funds for a variety of organizations including schools, churches, and a wide range of other non-profit agencies.

The process for establishing a fund is simple. The non-profit meets with a community foundation staff member to discuss the objectives that the agency has in establishing the fund. These objectives should be a product of board discussion and approval. Based on those objectives, a fund agreement is drafted. That agreement is the legal understanding between the agency and CommunityGiving about the disposition and use of the funds.

The agreement is usually signed by both the agency director and the chair of the board on behalf of the agency and by CommunityGiving's president and board chair. Copies are held by each entity.

A fund may take one of two forms:

1. With an *Endowed Fund*, only the income from the contribution is distributed to the agency, enabling the fund to continue in perpetuity.

2. With a *Non-Endowed Fund*, both the principal and income may be distributed to the agency. There are three types of non-endowed funds: *Annual Payout*, *Flexible*, and *Pass Through Funds*.

Contributing to an Agency Fund

A fund can be established with an initial contribution of \$20,000 or more. An *Acorn Fund*, which builds over time to a minimum of \$20,000 before paying out grants, can be established with smaller contributions.

How the Fund is Invested?

CommunityGiving invests the assets of an agency fund, so that the earnings and appreciation can be used for future grants. The assets of each fund will be combined with other funds for investment purposes. CommunityGiving currently offers a Strategic Pool, a Moderately Conservative Pool, a Socially Responsible Investment and Impact Investment Pool and a Fixed Income Money Market as investment options. Donors also have the option of recommending an investment manager through CommunityGiving's *Investment Partners* program. Donors have online access to fund activity for the selected period. Investment results are posted on a monthly basis by the following month end.

Recommending Grants from a Flexible Fund

With a flexible fund, the representatives designated in the fund agreement may recommend distributions to the agency at any time (with a minimum distribution of \$250). While agency recommendations technically cannot be binding (IRS rules require that the Foundation must make the final decision on distributions), CommunityGiving always takes the agency's recommendations very seriously. Recommendations may be made by using one of two methods: by using the online donor portal at www.CommunityGiving.org (initial registration required) or by filling out a *Grant Recommendation Form* and sending or faxing it to the Foundation.

Allocations and Fees

Fees on agency funds are the lowest fees CommunityGiving assesses. Typically, the annual services allocation for an agency fund is 1% and may be lower if the balance is significant. The fund would also be assessed any applicable investment management fees (which are netted out of investment returns reported by the Foundation). For the most up-to-date investment information, visit www.communitygiving.org/investments.

Advantages of an Agency Fund

An agency fund offers a number of benefits and services:

1. *Gift Planning Assistance:* In addition to contributions from the non-profit agency, CommunityGiving can also accept gifts directly to the fund from other donors. This can be particularly helpful for smaller non-profits with donors who would like to make contributions of non-cash assets such as stock, real estate and other property. CommunityGiving also offers assistance and consultation about charitable giving techniques that may help a non-profit's donors make larger contributions.
2. *Investment Oversight:* As a non-profit foundation itself, CommunityGiving can provide a level of investment and fiduciary oversight that can free up a non-profit's board and staff to focus more on mission-related activities and fundraising. Agency fund assets are covered under CommunityGiving's investment policy. CommunityGiving has a very astute investment committee overseeing the investments with assistance from a professional investment consultant (IPEX, Inc.). IPEX does not manage any money; they help the committee oversee the money managers and make sure the investment pools are allocated appropriately.
3. *UPMIFA Compliance:* For non-profits who place assets with CommunityGiving that are permanently endowed, CommunityGiving can help non-profits make sure the assets are managed in accordance with the law that governs non-profit endowments (UPMIFA).
4. *Diversification:* Because CommunityGiving can pool the assets from many donors and non-profits, it has the ability to use a number of different money managers and can invest in asset classes that often have high minimum investment levels. Holding a modest percentage of a portfolio in real estate, commodity, private equity, and other alternative investment funds can decrease volatility and increase long-term returns. However, these types of investments usually have minimum account requirements ranging from \$250,000 to \$1,000,000 or more. Because CommunityGiving and its partner foundations in Alexandria, Brainerd, Carver County, Central Minnesota, Paynesville and Willmar, MN and Derby, KS have pooled over \$95 million in the Strategic Pool alone, the Foundation can meet these minimums and still maintain a healthy asset allocation.
5. *Lower Investment Fees:* CommunityGiving can often negotiate lower investment management fees than smaller investors, and those savings are passed on to all fund holders. This can offset some of the cost of having an agency fund.
6. *Fund and Sub-fund Accounting:* CommunityGiving uses the industry-leading fund accounting software to efficiently manage over 1000 funds. This makes pooling assets for investment purposes possible, while still giving non-profits the benefits of having a distinct fund.

7. *Greater Visibility:* CommunityGiving and its affiliate partner foundations have developed strong reputations in the communities they serve and many leading philanthropists have established family funds within these foundations. Partnering with a trusted resource like CommunityGiving and its partner foundations can help build potential donors' trust and awareness of a non-profit.