



**A Handbook for Donors:  
Fund Policies & Procedures**

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## CONTENTS

Introduction	3
Donor Services	4
Learning Opportunities	6
Setting Up Your Fund	7
<b>Types of Funds Offered by the Community Foundation</b>	
Community Grantmaking, Field of Interest, Designated	8
Scholarship	9
Operating, Nonprofit, Advised	10
Supporting Organization	13
Charitable Deduction	14
Investment Options	15
Fees	16
Record Keeping and Reporting	16
Legal Issues and Policies	17

## INTRODUCTION

**Welcome to the Princeton Area Community Foundation. We thank you for the opportunity to tell you how a charitable fund with the Community Foundation can enhance your giving.**

The Princeton Area Community Foundation works to encourage philanthropy across central New Jersey. The Community Foundation offers a wide range of services to donors to make their philanthropy easy, efficient, and effective.

- When you establish a fund at the Community Foundation you gain the benefits of professional management of charitable assets.
- You join a community of generous people who support the ever-changing needs of the region.
- You can ask for guidance from people who work with nonprofits daily — people who can help you ask the right questions, understand nonprofits better, and assess the requests you receive.
- We assist you in making your gifts. We make sure your wishes are met and that the recipient nonprofit's needs are addressed most effectively. The Community Foundation staff act as your advisors and advocates as much or as little as you need.

The Community Foundation was incorporated under the laws of the State of New Jersey in 1991, has been granted public charity tax-exempt status by the Internal Revenue Service under Section 501(c)3 of the code, and is a registered charitable organization with the State of New Jersey. The Community Foundation is a member of the Council on Foundations in Washington, DC and the Council of New Jersey Grantmakers. It was the first New Jersey community foundation to be certified under rigorous National Standards for US Community Foundations.

The Community Foundation is governed by a volunteer board of trustees comprised of civic leaders who work or live in the greater Mercer County area. All Community Foundation activities are overseen by its board and are carried out in compliance with its charter and bylaws as amended, the laws of New Jersey, and the regulations of the Internal Revenue Service. In addition, the Community Foundation subscribes to the codes of ethics of the Association of Fund Raising Professionals, the Partnership for Philanthropic Planning, and the Council on Foundations.

This handbook is designed to answer your questions about managing your philanthropy through a fund at the Community Foundation. It summarizes policies and procedures that apply to all funds held by the Princeton Area Community Foundation, in order to assist you in the establishment and administration of your charitable fund.

## DONOR SERVICES

### *Customized services are designed with you in mind*

The Community Foundation is your partner in philanthropy. Our customized services and knowledgeable staff will help you realize your giving goals and ensure that your philanthropy has a lasting impact on our community. Our goal at the Community Foundation is to make giving easy, meaningful, and effective.

### *We begin by assisting you with your philanthropic planning.*

We will help you map out your goals as your fund is established. Working with you and your family, we can help you develop a philanthropic vision and design a customized giving plan that meets your charitable objectives. The fund you establish can serve one purpose or many. It can support community grantmaking, a field of interest, or a specific organization. It's up to you.

### *We offer you flexibility in establishing and structuring your charitable fund.*

You may establish your fund with a gift of \$10,000 or more in cash, securities, or property. You may add to your charitable fund at any time. Your fund will make grants on a schedule you design. Some donors open a fund and continue to make gifts to it over time; some name their fund as the beneficiary of their IRA; and others plan to leave a legacy of cash, stock, real estate or other assets to enhance their fund.

Many donors design their fund so that after their lifetime the fund will continue to make grants to support the community and issues important to them.

Due to the constraints of the Pension Protection Act of 2006 and stricter audit standards, the Princeton Area Community Foundation cannot support fund raising through events (such as golf outings, cocktail parties, silent auctions, etc), games of chance (raffles, bingo, 50/50's etc) and sales of merchandise.

### *By investing with the Community Foundation, you gain economies of scale and the management benefits of a large foundation.*

We manage hundreds of charitable funds and, consequently, all funds share economies of scale. Our administrative fee covers full staff services, filing of an annual tax return, an annual audit, monitoring of investment managers, evaluating grant requests and processing grants. We have many years of proven experience in providing sound financial stewardship and management of charitable assets.

### *The tax benefits of giving to the Community Foundation are more generous than those available to private foundations because we are a publicly supported charity under IRS rules.*

A public charity derives its funds from many donors, rather than from a single source. When you contribute to a public charity, you may deduct up to 50 percent of your adjusted gross income for gifts of cash and up to 30 percent for gifts of appreciated stock. There is no capital gains tax on appreciated stock, no minimum annual payout required, and no excise tax on earnings.

***We keep your fund's records and provide you with the financial reports and tax receipts that you need.***

You will receive a separate gift acknowledgment for all contributions you make to the Community Foundation. You will also receive a regular financial report on the gift, grantmaking, and investment activity of your fund.

***We will help you build a permanent legacy through planned giving.***

The Community Foundation staff is available to help you with charitable estate planning and will work with your professional advisor(s), including your estate/trust attorneys, accountant, financial planner, wealth manager, and insurance agent. We will help you explore strategies to reduce taxes and increase income, all while building a permanent legacy. Your fund can remain with the Community Foundation for your lifetime and beyond. We can work with you to encourage the next generation to continue family involvement with your fund. We can help you structure your fund to do as you wish over a period of time, or in perpetuity. After your lifetime, we will continue to make grants from your fund to support the community and the purposes you specify.

***We will comply with your wishes for anonymity or public recognition.***

The Community Foundation will ask you whether you want your gifts, fund, and grants to be publicly acknowledged in Community Foundation publications and disclosed to grantees. The Community Foundation will always honor your choice. We maintain strict confidentiality of all donor information which is never shared outside our organization. As a component fund of the Community Foundation, gifts to and grants from your fund are not disclosed on the Community Foundation's tax return, which reports aggregate information only.

***Our experienced and knowledgeable staff will help you obtain the information you need to make your grantmaking recommendations and enable you to feel confident in your choices.***

You may become as involved in grantmaking as you like. Our staff knows the central New Jersey area well – the needs of the community and the nonprofits whose mission it is to address those needs. Our knowledge of the region's nonprofit community is an important difference between the Community Foundation and other charitable gift funds.

At your request, we will get information on a specific nonprofit program or organization, or on several organizations working in a particular area of interest to you. We will also provide recommendations for giving, if you ask. We will periodically bring to your attention new or unique opportunities in your area of interest. Staff can arrange site visits, tours, and meetings with nonprofit leaders. We will help you assess the quality of the programs of potential grant recipients and advise you on the general strength of applicants. You let us know your needs and interests, and we will do the rest.

## LEARNING OPPORTUNITIES

The Community Foundation is here to help you learn more about the critical needs of the central New Jersey region and local nonprofits, and we can advise you on organizations across the nation and around the world. We can help you shape your giving strategy and identify the charitable organizations whose work you would like to support. In addition to personalized donor services we also provide donor learning opportunities and publications.

- ***Giving Opportunities:*** At your request, the Community Foundation will identify potential grantees for you based on your interests. Our staff can help you assess the quality of the programs of potential grant recipients and advise you on the general strength of applicants. You let us know your philanthropic needs and interests, and we will connect you with the strong nonprofits that would be suitable grant recipients.
- ***Neighborhood Tours*** can be arranged to give you a firsthand look at specific communities throughout the region. Periodically, there are opportunities for donors to attend tours hosted by other community-based organizations.
- ***Site Visits*** can be arranged if you are interested in visiting a nonprofit organization. A site visit provides you with an invaluable opportunity to see an organization in action and meet some of the key staff providing its day to day leadership.

### **Community Foundation Publications**

The Community Foundation's publications and website are rich sources for ideas and information.

- ***E-News***, our monthly electronic newsletter, connects you to the Community Foundation with information on events, funding opportunities, and donors like you whose philanthropic activities are making a significant difference.
- ***The Community Foundation's Annual Report*** contains an overview of the Foundation's activities, financial highlights, and listings of funds, contributors, and grants.
- ***The Community Foundation's reports and publications*** – from our tax returns to community research – are available on the Publications page of our web site.
- ***The Community Foundation website*** contains up-to-date information on activities and events. The site has valuable *Resources and Links* pages for donors, professional advisors, and nonprofit organizations. It is a great portal to other sites on the web that can provide you with information on all aspects of philanthropy. Visit us often at [www.pacf.org](http://www.pacf.org) and bookmark it!

## SETTING UP YOUR FUND

It's as easy as 1, 2, 3, .....

1. Establish a charitable fund with the Community Foundation by making an irrevocable minimum donation of \$10,000 (\$25,000 to \$250,000 for scholarship funds) and signing an *Establishing a Fund* Form. You receive an immediate tax deduction.

Your fund may be established with cash, publicly-traded securities, closely held stock, mutual funds, real estate, retirement accounts, insurance policies, planned giving tools, or a combination thereof. A gift may also be made through a bequest in your will.

2. Name the fund as you wish.
3. Choose one of these fund structures, which are described in detail in the next section.
  - Community Grantmaking Fund
  - Field-of- Interest Fund
  - Designated Fund
  - Scholarship Fund
  - Operating Fund (current or endowed for the future)
  - Nonprofit Fund
  - Advised Fund
  - Supporting Organization: Please contact the Community Foundation for the latest on creating a supporting organization of the Princeton Area Community Foundation.

## TYPES OF FUNDS OFFERED BY THE COMMUNITY FOUNDATION

As a Community Foundation donor, you have the flexibility to create and shape your own charitable fund to reflect your personal goals and desires. We offer many different types of funds, each of which has distinctive goals. Most of our funds fall into one of the following eight categories:

**A Community Grantmaking Fund** allows the Community Foundation to make grants to a variety of community programs and services. If you care deeply about Central New Jersey, this is a great way to give back to the community. These funds are a flexible community resource that can respond to changing and emerging needs.

### ***How It Works:***

- You make a charitable gift of at least \$10,000 to the Community Foundation and create a Community Grantmaking Fund. Additional gifts can be made at any time.
- You give the fund a name of your choosing.
- You receive a gift receipt from the Community Foundation for tax purposes.
- Your gift is invested in one of two investment pools depending on its grantmaking horizon (long- or short-term).
- Our staff will use their expertise to identify, evaluate, and award grants to the most qualified and deserving organizations and programs in the region.
- You will receive reports on grants and activities supported through your fund.

**A Field of Interest Fund** gives you the opportunity to target your contribution to one or more fields of interest that you care about most such as education, youth, health, the arts, or something else. These funds are broad in scope, yet targeted so as to meet the needs of the region.

### ***How It Works:***

- You make a charitable gift of at least \$10,000 to the Community Foundation and create a Field of Interest Fund. Additional gifts can be made at any time.
- You give the fund a name of your choosing.
- You receive a gift receipt from the Community Foundation for tax purposes.
- Your gift is invested in one of our investment pools depending on its grantmaking horizon (long- or short-term).
- Our staff will use their expertise to identify, evaluate, and award grants to the most qualified and deserving organizations and programs in your area of interest.
- You will receive reports on grants supported through your Field of Interest Fund.

**A Designated Fund** allows you to name one or more specific organizations to benefit from the fund.

### ***How It Works:***

- You make a charitable gift of at least \$10,000 to the Community Foundation and create a Designated Fund. Additional gifts can be made at any time.
- You give the fund a name of your choosing.
- You receive a gift receipt from the Community Foundation for tax purposes.
- Your gift is invested in one of our investment pools depending on its grantmaking horizon (long- or short-term).
- You provide us with the names of the nonprofit organization(s) you want your fund to support.
- If you wish to designate more than one beneficiary of your fund, you may specify how you want the spendable amount divided among the recipients.
- Each year, we distribute grants to the organizations you have designated.
- We report to you each time a grant is sent.



***A Scholarship Fund*** enables you to help deserving students. You can designate any level of education, field of study, and eligibility requirements within parameters established by the IRS. All scholarship awards to individuals are made on an objective, nondiscriminatory basis from a pool of persons chosen on the basis of criteria reasonably related to the purposes of the fund from which the grant is made. Limitations based on sex, religion, or race are permitted where not contrary to public policy. All scholarship programs are run in compliance with the Pension Protection Act of 2006 and IRS Code Section 4966 and must comply with restrictions set forth in paragraphs 1, 2 or 3 of IRC 4945(g) as follows:

Paragraph (1) allows grants that are scholarships and fellowships. These are grants that pay for tuition, books or other expenses.

Paragraph (2) sanctions grants that are prizes or awards made primarily in recognition of religious, charitable, scientific, educational, artistic, literary or civic achievement. If the recipient is chosen from the general public, he or she must be selected without any action on his or her part to enter a contest or proceeding, and the recipient must not be required to provide services as a consequence of receiving the award.

Paragraph (3) permits grants to achieve a specific objective, produce a report or other similar product, or improve or enhance a literary, artistic, musical, scientific or other similar capacity skill or talent of the grantee. This is the broadest category and covers, for example, awards to artists to create works of art and some scholarships that do not fit under paragraph (1).

Please note: No employee, trustee, or volunteer of the Community Foundation, nor any member of a selection committee recommending grants may derive, directly or indirectly, a private benefit in connection with a grant from a Scholarship Fund. You, members of your family, or individuals who have been preselected are not eligible to receive an award.

The Community Foundation Scholarship Program offers the following options:

1. Custom-Designed Scholarship Fund

- You name the Fund
- The Community Foundation will work with you to design scholarship eligibility
- Fund minimum: \$250,000
- Annual Fee: 1%

2. Greater Mercer Scholarship Program

- You name the Fund
- Awards are made through the Community Foundation's scholarship program for graduating high school seniors from Mercer County going to a two-year or four-year college with a record of accomplishment in leadership or community service.
- Fund Minimum: \$25,000
- Annual Fee: 2%; minimum: \$500

3. Greater Mercer Scholarship Fund

- General scholarship fund established by the Community Foundation in support of the Greater Mercer Scholarship Program, as outlined above
- Gifts of any size are welcome at any time
- Gifts can be made in memory of, or to honor, a friend, colleague, or family member
- If cumulative gifts from a donor reach the \$25,000 level, the donor may choose to establish a named fund as part of option 2
- Annual Fee: 2%; minimum \$500

### ***How It Works:***

- You make a charitable gift to the Community Foundation to establish or add to a scholarship fund.
- You give the fund a name of your choosing (Option 1 or 2).
- You receive a gift receipt from the Community Foundation for tax purposes.
- Your gift is invested in one of our investment pools depending on its grantmaking horizon (long- or short-term).
- Under Option 1, the Community Foundation's staff will help you design the eligibility for the fund and the schedule for distribution. There are three options for the awarding of scholarships, all subject to the approval of the Community Foundation's Board: 1) you ask the Community Foundation to review applicants and make the selection; 2) you elect to have a school or college recommend specific candidates; 3) the Community Foundation names an advisory committee to recommend scholarship recipients. The scholarship committee may include you and members of your family. If you like, the Community Foundation will provide administrative assistance to the committee.
- Under Option 2, the Community Foundation will select award recipients following a competitive process.

**Operating Funds** help make charitable giving education available to our community, and support the Community Foundation's continuing operations.

### ***How It Works:***

- You make a charitable gift of at least \$10,000 to the Community Foundation and create an individual, named current or endowed Operating Fund.
- You receive a gift receipt from the Community Foundation for tax purposes.
- Your gift is invested in one of our investment pools depending on its grantmaking horizon (long- or short-term).
- Each year a grant is made to support the work of the Community Foundation.
- You will receive periodic reports on Community Foundation activities.

**A Nonprofit Fund** is a fund established with the Community Foundation by a nonprofit organization. The Nonprofit Fund allows the organization to take advantage of the Community Foundation's investment management, and frees the organization from related administrative work.

### ***How It Works:***

- A nonprofit organization transfers funds to the Community Foundation.
- Additions to the fund can be made at any time.
- The fund is managed in one of our investment pools: the Managed Investment Pool which is a diversified pool with a long-term horizon; or the Money Market Pool for short-term investments.
- Distributions are made from the fund to the nonprofit based on the fund agreement.
- Funds can be established as endowments with a restricted payout usually no more than 5% annually.
- Distributions articulated in the fund agreement are paid as scheduled.
- A full fund liquidation will occur at the discretion of the Community Foundation, following the monthly reconciliation, or at the end of the following quarter when the portfolio is rebalanced. The Community Foundation will exercise its best judgment in the timing of distributions to ensure that any one distribution does not have an adverse impact on the performance of the investment pool.

***An Advised Fund*** makes it possible for you to consolidate all of your charitable giving into one vehicle. Once the fund is established, you may recommend grants at any time for \$100 or more to any 501(c)(3) public charity. When you establish an Advised Fund, you retain the ability to recommend which organizations are to receive grants from it. You may have a clear vision of the organizations you wish to support and need us to make it happen easily, effectively, and responsibly. Or, you may want to learn about the organizations that are having a positive impact on the issues you care about. Either way, we are here to help. We will work with you to shape a giving strategy and identify charitable organizations whose work you wish to support. IRS regulations require that the Community Foundation's Board of Trustees approve all grants from advised funds. The Board considers your recommendations, and as long as the organizations you wish to support are qualified \* (see number 2 below), will honor your wishes.

***How It Works:***

- You make a charitable gift to the Community Foundation and create an Advised Fund.
- You give the fund a name of your choosing.
- You receive a gift receipt from the Community Foundation for tax purposes.
- Your gift is invested in one of our investment pools depending on its grantmaking horizon (long- or short-term).
- You set the maximum grant payout per year in the fund agreement.
- Following the process outlined in the next section, you recommend grants from your fund.

***The process for making grants from an Advised Fund:***

***1. You (or the Fund's advisor) complete a Grant Request Form and forward it to the Community Foundation for processing.***

Recommendations for distributions must be made through DonorCentral or in writing to the Community Foundation. You can recommend grants as often as you like. Distributions are limited to amounts of \$100 or more.

***2. \* The staff conducts an investigation of all grant recommendations.***

The Community Foundation is always learning about nonprofit organizations and will help you to do so also. The extent of our review for an advised grant depends on how much we already know about the recommended grantee. In general, the staff will verify that the organization is classified as a public charity under Section 501(c)(3) of the Internal Revenue Code and will gather information about its mission, purpose, programs, governance, leadership and financial health.

***3. The grant suggestion is forwarded to the Board of Trustees for approval.***

The Community Foundation's Board of Trustees meets five times each year; grants are approved by the President between meetings.

The Community Foundation will decline to make distributions recommended by donors when: 1) the grantee is not a tax-exempt charitable organization as described in Section 501(c)(3) of the IRS code, or is not registered with the State of New Jersey (if required) or, 2) when upon investigation, we find that the recommended recipient does not meet general standards for grantmaking because it is in poor financial health or exhibits other weaknesses in governance or management. In that case, we will review the grant recommendation with you and suggest options to ensure your gift is put to good use.

***4. After approval and processing, a grant distribution letter and check are mailed to the recipient organization.***

Grant requests are processed and mailed regularly. The time for processing will vary depending on how quickly the nonprofit provides required information. Unless otherwise specified by the donor, the grantee will be told the name of the fund from which the distribution is made. You will receive an acknowledgment when the grant is made.

***5. There are several additional policies that govern Advised Fund grantmaking:***

- Making pledges in your own name from an Advised Fund is not allowed under IRS regulations.
- The Community Foundation can not make an advised grant if there are monetary or material benefits for you, any of the fund's advisors or related parties, or the Community Foundation, associated with it. Benefits associated with grants include membership in an association, tickets to an event, or any activity that gives a direct benefit to the donor (golf outings, charity dinners, etc.).
- In compliance with IRS regulations, the Community Foundation does not allow grants to private foundations because they are subject to different deductibility limits on charitable gifts and are controlled by private rather than public boards and interests.
- Advised funds are prohibited from making grants to individuals. This includes checks written directly to an individual, or checks written to another entity for the benefit of a specified individual.
- Donors, advisors, and related parties cannot receive grants, loans, compensation, or similar payments from an advised fund.
- The Community Foundation does not distribute grants to foreign charitable organizations because they are not exempt organizations under IRS rules. The Community Foundation may, however, make grants to domestic 501(c)(3) charities that fund and exercise expenditure responsibility over foreign charitable activities. Any fees charged by such a domestic charity are paid by the fund making the grant.

***6. Donors have opportunities to partner with the Community Foundation's grants programs***

Advised Funds are offered the opportunity to contribute to the Community Foundation's community grantmaking programs, thereby taking advantage of the Community Foundation's capacity to respond to compelling charitable needs in the region. Advised Fund donors will be informed regularly about initiatives supported by the Community Foundation's competitive grantmaking programs.

***7. Low Balance Funds***

The Foundation periodically reviews funds with balances under the Foundation's \$10,000 minimum, and will contact the donor to offer assistance, including the option to make additional contributions to bring the fund up to the minimum or grant out the balance and close the fund.

Should a non-permanent fund, with a balance below the Community Foundation's \$10,000 minimum, become inactive for two years, neither receiving additional contributions nor making any grants, Fund Advisors will be notified that the fund may be terminated. If there is no activity for a further 90 days, the fund balance will be moved to the Fund for Mercer County, where it will support future Greater Mercer Grants to area nonprofits.

***8. Low Activity Funds***

The Community Foundation encourages donors to retain active roles in their donor advised funds.

In order to carry out its mandate to distribute charitable dollars to the community, the Community Foundation periodically reviews the grantmaking activity of all donor advised funds.

Should a fund not make any grants for a period of 24 months, the Community Foundation will contact the donor to discuss intentions for the fund. The donor may, at this time, provide a plan for funding a specific charitable project that requires an accumulation of resources beyond the two year period.

If a fund does not have such a plan, and does not make any grants for an additional six months; or in the event that the Fund Advisor(s) cannot be located or is/are unresponsive for an additional six months, making the fund inactive for a total of 30 months; the payout from the donor advised fund will be used for community grantmaking/Greater Mercer Grants until the Fund Advisor decides otherwise.

#### ***9. Continuity of Funds/Successor Advisors***

You may indicate how your advised fund is handled upon the death or resignation of an advisor. As the establishing donor, you may name a successor advisor to your fund, such as a spouse, children, partner, other heir, friend, or representative. Successor advisors enjoy the same privileges as you, the original donor, and will follow the same policies and procedures. We ask that if more than one person can make recommendations for grants from the fund, that a single person be designated to act for them all in submitting requests for grants. One generation of successor advisors may be appointed for a fund. Successor advisors may not designate additional advisors.

#### ***10. Legacy Instructions***

The Community Foundation encourages donors to think about the long-term goals of their philanthropy. Donors may leave instructions for the ultimate use of the fund once the last Advisor is no longer living.

If there is no successor advisor, the fund becomes a Community Grantmaking Fund; or you may request that the grantmaking from your fund be directed where it is most needed, toward a particular field of interest, or designated for one or more specific nonprofit organization(s).

***A Supporting Organization:*** You can choose to affiliate with the Community Foundation as a Supporting Organization. A Supporting Organization has its own tax-exempt status, retains its own identity, and offers you full participation in the organization's grantmaking, investment decisions, and operation. The Supporting Organization enjoys professional and administrative services as well as benefits from the Community Foundation's favorable tax status as a public charity.

#### ***How It Works:***

- Attorneys are required to complete the necessary paperwork for application to the IRS for tax-exempt status.
- Supporting Organizations offer greater donor involvement than other giving options, and consequently, they cost more to establish and operate.
- Supporting Organizations have a significantly higher minimum gift threshold than other fund types.
- Please contact the Community Foundation for the latest information on creating a supporting organization of the Princeton Area Community Foundation.

## CHARITABLE DEDUCTIONS

In general, the amount you may deduct for a gift to the Community Foundation is based on the value of your contribution on the "gift date" which is the date on which you give up control of the asset. The gift date varies depending on the type of asset and how the gift is delivered. For guidance please call your professional advisor, the Community Foundation, or refer to IRS Publication 526 "Charitable Contributions."

A gift to the Community Foundation is irrevocable and subject to the following general rules:

- Individuals are eligible for an itemized deduction for cash contributions to the Community Foundation in an amount up to 50% of their adjusted gross income (AGI) in the tax year in which the gift is made.
- Deductions for contributions of appreciated securities held for more than one year are limited to 30% of AGI. The gift value is the mean of the high and low value of the security on the gift date. For mutual fund shares held for more than one year the gift value is the closing price on the gift date. For securities or mutual fund shares held for one year or less the gift value is the lesser of the cost basis or fair market value on the gift date.
- For securities that are *not* publicly traded, and are held for more than one year, the gift value is the fair market value on the gift date. For securities held for one year or less, the gift value is the lesser of the cost basis or fair market value on the gift date.
- Donors are required to provide the IRS with a qualified appraisal for certain contributed property for which they claim a deduction of more than \$5,000.
- Any excess amount beyond the AGI limitation may be carried forward and deducted in the five year period after the year of the gift (for a total of six years).
- An individual's ability to deduct itemized deductions may be subject to certain other limitations. Please contact your tax advisor to determine your tax deductibility limits.
- A bequest to the Community Foundation, and earnings related to your contribution, are not taxable to the estate. Amounts contributed to the Community Foundation need not be included in gift and estate tax unified credit calculations.
- Income that accrues to a fund is not available for an additional charitable deduction. Income to your Community Foundation fund adds to the value of the fund and is available for grantmaking purposes.

***The Community Foundation strongly suggests that anyone considering a contribution to the Community Foundation consult with a legal, tax, or other appropriate professional advisor.***

## INVESTMENT OPTIONS

The Princeton Area Community Foundation pools donor funds for efficiency and the economies of scale that larger investments command. The Foundation's Investment Committee guides the Community Foundation's investments in compliance with the Investment Policy approved by the Board of Trustees. The Community Foundation uses a total return approach to investment management. Total return describes the change in fund value over time resulting from interest, dividends, and capital appreciation as a result of both realized and unrealized gains. The Community Foundation maintains an internal accounting system that tracks all donor contributions, investment earnings, fees, expenses, and grants.

Each fund is allocated its pro-rata share of monthly income, appreciation, and investment management expenses realized in the Community Foundation investment pool in which it is invested.

Donors have no ownership interest in individual named funds. The Community Foundation Board of Trustees has full discretion over the investment and reinvestment of all Foundation assets.

### Investment Pool Selection

At the time your fund is established, the Community Foundation will choose between its two investment pools, each of which is managed according to specific investment objectives that best achieve the fund's grantmaking aims:

- The **Managed Investment Pool** has a long-term investment strategy providing diversification across a wide range of asset classes, including alternative assets, to manage risk while seeking the best possible returns. The guiding philosophy of the Pool's management is prudent stewardship of funds entrusted to the Community Foundation by donors for the benefit of charitable organizations we serve. The Managed Investment Pool is the appropriate choice for funds with a *long-term grantmaking horizon*.
- The **Money Market Pool** is appropriate for funds with a *short-term grantmaking horizon*, defined as funds intended to be granted out within one to two years.

### Investment Managers

The Community Foundation's Investment Committee is responsible for appointing and overseeing managers for the investment portfolio. For specific information about individual managers, please contact us.

Investment managers have the authority to invest assigned assets in securities and other investments consistent with the asset allocation and investment policies of the Foundation.

The Community Foundation's Investment Committee sets the asset allocation of the Community Foundation's investments, reviews investment performance, and has the discretion to add or change investment managers at any time.

## **FEES**

### **Administrative Fees and Expenses**

There is no fee to establish, transfer, or close a fund at the Community Foundation.

Funds created for long-term grantmaking are subject to an annual fee of \$500 or 1% of fund assets, whichever is greater. Fees are reduced on balances over \$5,000,000. Fees are charged to the fund four times each year: 0.25% of the eight quarter trailing average market value of the fund as of December 31, March 31, June 30, and September 30.

Nonprofit funds are subject to an annual fee of \$375 or 0.75% of fund assets, whichever is greater. Fees are reduced on balances over \$1,000,000.

Funds that require customized work are subject to fees of 2% to 3%, depending on the work anticipated. Minimum fees are \$500.

Scholarship fund fees are 1% to 2% depending on the amount and complexity of work involved in coordinating the scholarship program. Minimum fees are \$500.

All funds may be charged for additional direct expenses (such as printing, postage, etc.) incurred by the fund for out-of-the-ordinary or high volume work.

### **Investment Expenses**

Each fund is assessed its pro-rata share of investment expenses, which vary by investment pool. Investment management expenses are approximately 0.60% annually for the Managed Investment Pool and 0.30% for the Money Market Pool. The Community Foundation reports investment performance net of investment expenses.

## **RECORDKEEPING AND REPORTING**

For every gift received, the Community Foundation issues a gift acknowledgement which serves as your receipt to fulfill IRS substantiation requirements.

Gift acknowledgements show the number of shares of publicly traded securities and the date they were received and accepted by the Community Foundation. You should consult with your tax advisor before claiming a fair market value deduction on your income tax return. Please refer to IRS publication 526 "Charitable Contributions" for details.

The Community Foundation issues semiannual reports on all funds reflecting activity (gifts, grants, net investment returns, administrative fees and expenses) in the fund as of June 30 and December 31 each year. Monthly or quarterly reports can be issued on request.

The Community Foundation will provide donors with any other financial reports or information required by applicable law (including IRS substantiation requirements) or requested by donors or fund advisors.



## LEGAL ISSUES AND POLICIES

### Ownership of Funds

The Princeton Area Community Foundation has full legal ownership of all its component funds.

### Control of Your Fund

All funds are maintained as component funds of the Community Foundation and must be free from material restrictions imposed by donors in order to continue to enjoy public charity status. A number of factors combine to meet what is called by the IRS a “facts and circumstances” test demonstrating foundation control, including:

- The staff of the Community Foundation must conduct independent investigations to determine if an advisor’s grant suggestions are consistent with the charitable purposes of the Foundation.
- The Community Foundation must make clear to donors and professional advisors that it is not bound to follow the advice given by the donor.
- The donor, or his/her family or other agent, may not retain control of investments once the contribution is made.
- The Community Foundation cannot permit a donor to make a pledge in his/her name from an advised fund. A pledge suggests a material control not permitted under IRS regulations. An advisor may suggest a multiyear grant program for consideration by the Foundation’s Board of Trustees, but may not represent that to the beneficiary organization as a pledge.

### Benefits Resulting from Contributions

Because only a portion of the amount paid for a membership or an event (such as a dinner or concert) is a charitable expenditure, with the balance providing a personal benefit, the Community Foundation does not make grants for these purposes.

### Requirement to Pay Grants

Because the Community Foundation is a public nonprofit organization it is not subject to the 5% payout requirement imposed on private foundations. However, all Community Foundation funds exist for public benefit. When you establish your fund, we will review the time horizon you are planning for grantmaking. The payout rate will be designed to offer you maximum flexibility while preserving your fund’s value over the period of time you wish it to operate. Payout calculations for endowed funds are made at the end of the calendar year, and are computed as a percentage of the market value of the fund on a trailing eight quarter average. The Community Foundation’s current spending policy is 4% per year.

### Tax Status

The Princeton Area Community Foundation is a public charity as described in Section 501(c)(3), 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code of 1986. As such, the Community Foundation must meet a public support test and make grants in a manner consistent with its charitable purposes. All gifts to the Community Foundation are irrevocable. Gifts to a public charity, unlike contributions to a private foundation, have the benefit of the maximum charitable deduction permitted under current laws. The charitable gift made to establish your fund, and any subsequent contributions, are therefore fully deductible as gifts to a public charity to the extent allowed by law.

The Community Foundation’s Tax ID number is 52 - 1746234.

## **Variance Power**

The Community Foundation's governing instruments provide that the Trustees of the Princeton Area Community Foundation have the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to specified organizations if in the sole judgment of the Board (without the approval of any trustee, custodian or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served.