



GUIDELINES FOR ADVISED FUNDS OF THE GREATER LOWELL COMMUNITY FOUNDATION

GENERAL INFORMATION: Advised funds at the Greater Lowell Community Foundation enable charitably inclined individuals and organizations to play an active role in grantmaking without incurring the paperwork, taxes, and administrative expenses of maintaining a private foundation.

Advised funds can be established by an individual or couple, a family, a business, a private foundation, nonprofit organization or any other group of people with shared charitable interests.

Advised funds give the principal donors the opportunity to benefit from a wide range of program and administrative services. Reasonable additional charges over the standard 1.25% annual fee could be negotiated for one or more additional services such as the administration and outreach of a formal request for proposal, pre-evaluation of applications, preparation and coordination of advisor meetings, administration of grant contracts and final reports, and annual fundraising solicitations.

Advised funds can carry the name of the donor, family, foundation, company, or someone the donor wishes to honor. Donors who prefer anonymity can choose names that reflect their funds' charitable purposes or any other appropriate name.

An advised fund can last as long as successor advisors are actively engaged in making recommendations. If the advisor fails to advise the Foundation on the distribution of the Fund for three consecutive years, the Foundation may deem that no one has an interest in the fund after notifying in writing the last advisor on record at the advisor's last known address. At that time, the fund will become an unrestricted fund, or a broad field-of-interest fund if so designated by the donor when the fund is created. Regardless of any changes that may affect the charitable use of funds, the Fund will retain its original name, thus honoring the legacy of the original donor. The names of advised funds are listed in the Foundation's Annual Report and are identified to grantees when grant awards are made.

As is true of all funds of the Greater Lowell Community Foundation, advised funds are considered component funds of the Foundation. They are subject to the terms and conditions of its Articles of Organization and By-laws. The Community Foundation observes the balance between donor involvement and governing board control and complies with applicable laws and regulations.

GRANTMAKING FROM ADVISED FUNDS: The Foundation sends the donor an annual report outlining the Fund's investment performance, donations to the fund, and earnings available for grant distribution.

Donors make recommendations in writing for all grants that the donor wants the Foundation to consider. The Foundation respectfully requests that donor advisors consider the needs of the local region when making grant recommendations. The Foundation's grants made from its unrestricted funds can be used as a guidepost identifying community needs and organizations the Foundation has found most deserving of support.

Grant recommendations by donors will be reviewed by Foundation staff to confirm tax exempt status of recommended nonprofit organizations, consistency with the purposes of the Foundation and of the particular fund, and whether grant recommendations meet the needs of the community as identified

by the Board of Directors. The Board of Directors will give donors' recommendations careful and thoughtful consideration. Donors should understand that their recommendations are advisory and will not be binding on the Board of Directors, which legally must retain final responsibility for all distributions made from the Foundation.

Grants from advised funds may not be used to satisfy an irrevocable commitment or personal pledge made to a charity by a donor, advisor, or another person or organization; they may not be used to buy tickets to fundraising events, or pay memberships or dues. Using advised funds to meet these kinds of obligations is a violation of IRS regulations governing advised funds and can result in the donor's losing the tax deduction and paying penalties.

The minimum size of a grant from an advised fund is \$250.

Grants from advised funds should be made to public agencies and charitable organizations as defined in Section 501(c)(3) of the Internal Revenue Code.

DISTRIBUTION CONDITIONS, FUND SIZE, and FEES: Two types of advised funds are available with the Greater Lowell Community Foundation, Inc., endowed funds and non-endowed funds. Endowed funds can be created with any amount of initial contribution, but must be built-up to \$5,000 within five years of the Fund's inception. Consistent with its mission of developing permanent charitable assets for the community, the Foundation especially encourages donors to establish endowed funds.

Non-endowed advised funds require a minimum contribution of \$50,000 of which \$10,000 is transferred to a permanent discretionary fund named by the donor. In turn, the donor is invited to join our distribution committee to review proposals and make recommendations on all distributable discretionary funds. Recommendations for the allocation of the remaining sum in the non-endowed advised fund must be made over a minimum period of three years. Additional annual contributions to the advised fund can be made without any required allocation to the permanent discretionary fund. All funds are invested in accordance with our investment policy.

Advised funds are pooled with other funds of the Greater Lowell Community Foundation and endowed distributions are made according to the Foundation's spending policy. The policy is designed to allow funds to be invested on a "total return" basis to maintain and, if possible, increase the purchasing power of the funds, while at the same time providing a relatively steady and predictable level of funding for grantmaking. Currently, the policy provides for the Foundation annually to spend 5% of the average quarterly value of the fund. The Foundation's fee is 1% annually of the fair market value of endowment assets.

With non-endowed funds, the entire principal can be eventually distributed. For standard services, the Foundation's annual administrative fee is 1% of the market value of the fund assets. This fee covers the pro rata share of our annual audit, regulatory filings, bookkeeping charges, donor reports, officers and director insurance and other associated office expenses, administration of advisor recommendations (checks and letters to the grantees) meetings with prospective donors to the advised fund, including the preparation of gift annuity and remainder trust illustrations.

INVESTMENTS: The Investment Committee of the Greater Lowell Community Foundation is responsible for investing the assets of the fund, which will be commingled for investment purposes with other Foundation assets. The Foundation's Board of Directors establishes investment policies and monitors all of the Foundation's investments.

TAX CONSIDERATIONS: Your contributions to an advised fund at the Foundation give you an income tax deduction the year you make the contribution. Contributions of cash can be deducted up to 50% of the donor's adjusted gross income, and spread over five years. Appreciated property can be deducted at their full fair market value up to 30% of the donor's adjusted gross income, and also spread over five years. Appreciated assets given to a fund at the Foundation (and not sold first) are free of capital gains taxes. No tax is owed on the growth of assets in your fund.

You can create an advised fund this year and postpone your grantmaking decisions until next year (or even longer) if you choose. You enjoy the tax benefits described above in the year you make the contribution to the fund. Furthermore, you can make your grantmaking decisions at a more leisurely pace.

STEPS IN STARTING AN ADVISED FUND: Advised funds at the Greater Lowell Community Foundation can be established quickly and easily. As a donor, you will need to make some decisions: 1) what assets will you want to donate to fulfill the purpose of your fund, 2) what the fund's name will be, 3) who will serve as adviser after the initial advice period ends, 4) whether the fund will be unrestricted or field-of-interest.

The Foundation has prepared a sample fund agreement that you can customize to meet your own needs. Completing this agreement can often help donors clarify their charitable objectives. You should have your own attorney or other advisor review it, as well as consult with them about the tax consequences of making any sizable charitable contribution.

FOR MORE INFORMATION: Foundation employees are ready to help you by answering any questions you might have about an advised fund. Call David Kronberg, the Community Foundation's executive director. He can provide a sample fund agreement or furnish any other information you request. This information is provided without obligation.

Contact information:

David Kronberg, Executive Director
Greater Lowell Community Foundation, Inc.
169 Merrimack Street, Fifth Floor
Lowell, Massachusetts 01852-1723

Telephone: (978) 970-1600
Fax: (978) 970-2444
e-mail: dave.glcfc@verizon.net
www.glcfcfoundation.org