



## COMMUNITY FOUNDATION: FUND FACT SHEET

### A. WHAT IS A COMMUNITY FOUNDATION?

Established in 1994, the Community Foundation builds community assets for perpetuity. The Community Foundation uses the income from these funds, in the form of grants, to meet the community's charitable needs now and into the future.

Most of the funds at the Community Foundation are endowment funds. An **endowment fund** is a permanent fund that creates a sustainable flow of grant dollars forever. Through prudent investment, both the body of the endowment and the distribution available for grantmaking increase over time.

The Chester County Community Foundation has three unique features:

- **local expertise** about important projects and programs that are making a significant difference in the local region
- **personalized** service to donors who want to maximize the impact of their contribution; and
- **community convener** for issues that benefit from partnerships.

With the support of those who care about Chester County, we will continue to grow and enhance the quality of life for all who live and work in Chester County.

### B. FUND TIMEFRAMES

The Community Foundation focuses on long-term philanthropy, primarily via endowed funds.

**1. Endowed Funds** are allowed a 5% grant payout for perpetuity, to assure that grant funds are always available to help nonprofits. Endowed funds are invested in the stock market with a 70/30 asset allocation and earn a pro-rated share of net invested returns, posted monthly. The Community Foundation typically charges 1% to administer an endowed fund; this is charged at 25 basis points quarterly.

**2. Quasi-Endowed Funds** are allowed up to a 20% grant payout annually. Quasi-endowed funds are invested in the stock market with a 50/50 asset allocation and earn a pro-rated share of net invested returns, posted monthly. The Community Foundation typically charges 1.25% to administer a quasi-endowed fund; this is charged at 31.25 basis points quarterly.

Note: Nonprofits that already have a Chester County Community Foundation endowment fund over \$100,000 also welcome to create a quasi-down endowment that is invested in the market and allows up to 20% payout per year. The Foundation will execute a separate fund agreement and donor disclosures on each gift.

**3. Provisional Funds** can be paid out in full at any time via grants to qualifying nonprofit causes throughout the United States. Provisional funds are held in short-term accounts and do not typically earn any interest. The Community Foundation typically charges 2.5% to administer a provisional fund, and reserves the right to charge up to 5% for a provisional fundraising fund. This is a one-time charge as each contribution check arrives.

## **C. FUND TYPES**

### **1. Fund for Chester County**

This fund focuses on making grants to Chester County nonprofits in areas of greatest need, as targeted by the Grants Committee of the Foundation. Donations of any size are welcome to this fund at any time.

### **2. Field of Interest**

Donors who seek to impact a targeted issue area (arts, education, environment, health, social service) or specific geographic region establish Field of Interest Funds. By naming an interest area rather than a specific organization, flexibility exists to meet ever-changing needs.

### **3. Donor Advised**

An alternative to a private foundation, Donor Advised Funds are popular with donors who wish to establish a Foundation without incurring administrative operating and compliance filing burdens, while capitalizing on the Community Foundation's philanthropy expertise and nonprofit field research. Donor Advised Funds enable individuals, families, community groups, and businesses to focus their philanthropy and make grants that impact the causes they care about most.

### **4. Scholarship**

Establishing a Scholarship Fund allows the donor to benefit students pursuing education beyond high school. A donor may name the scholarship's selection committee and the guidelines for candidate selection. Most scholarships at the Community Foundation benefit disadvantaged, promising students from a particular high school, or those who pursue a particular field of study.

### **5. Memorial Funds**

Donors can quickly and cost-effectively create commemorative funds honoring people they hold dear.

### **6. Organizational Endowment and Nonprofit-Designated Funds**

Designated Funds are created by nonprofit organizations and individual donors who care about the long-term success of a particular nonprofit charity. This lets donors support specific organizations while the Community Foundation manages investments professionally and monitors for accountability.

## **D. WAYS TO GIVE**

There are many ways to become part of the Community Foundation and make a lasting contribution to our community:

- Establish and name your own fund, a family fund, a scholarship fund, a field of interest fund, or a memorial fund, with a gift of \$10,000 or more
- Establish a fund to benefit a specific nonprofit charity, with a gift of \$10,000 or more

- Support Chester County’s greatest needs and opportunities by contributing any amount to our Fund for Chester County
- Enable the Community Foundation to reach out and recruit new legacy philanthropists by contributing any amount to our Campaign for Independence Operating Endowment or annual Friends campaign
- Focus your gift with a contribution to a Field of Interest Fund (arts/culture, health/human services, education, environment)
- Give anonymously
- Make a planned gift, through your will, a charitable trust, or a charitable gift annuity, to support a thriving, healthy Chester County community for years to come.

**The Community Foundation accepts a wide variety of gifts including:**

- Cash
- Publicly traded securities
- Closely-held and pre-IPO stock
- IRAs or life insurance with the Community Foundation as beneficiary
- Remainder of a Charitable Remainder Trust
- Remainder of a Pooled Income Fund
- Lead gift of a Charitable Lead Trust
- Real estate

**E. INVESTMENT OPTIONS FOR ENDOWED AND QUASI-ENDOWED FUNDS**

Effective stewardship of philanthropic assets is key to the Community Foundation’s ability to build long-term charitable funds to strengthen our community. The Investment Committee is comprised of community leaders with extensive investment experience, who volunteer their time and expertise to make sure our funds realize their optimum return. The Investment Committee oversees the performance of portfolio investment managers.

The portfolio investment managers include:

- Hirtle Callaghan & Co., which also serves as the Community Foundation’s Chief Investment Officer
- First National Bank of Chester County-Wealth Management
- Domini Social Investments
- Weathervane Wealth Management

Assets are aggregated to obtain the maximum economies of scale and investment returns.

**Charitable Fund Investment Partners Program, for contributions over \$250,000:**

**Option #1: Current Aggregate:** Most fund advisors/donors elect to have the Community Foundation invest funds with at the discretion of the Investment Committee and the Board of Directors, as noted above.

**Option #2: Aggregate Addition:** If a donor contributes over \$250,000 to an endowed fund and wants the Community Foundation to consider adding their investment manager to the aggregated mix, the Investment Committee will undertake a due diligence process and consider adding the manager to the pool; and if approved, aggregate that manager’s returns to the consolidated pool.

**Option #3: Segregated Addition:** For donors who contribute \$100,000 with strong indications that the fund will continue to grow within 5 years, and who wish their investment manager to be retained, the Investment Committee will undertake a due diligence process and consider hiring the manager to invest monies for that particular fund. The manager is expected to follow the Foundation's current investment policies (70/30 asset allocation). The manager's returns are segregated and applied only to that specific fund. For this courtesy, the Community Foundation charges 25 basis points higher than the aggregated fee schedule.

In all cases, the Board of Directors of the Community Foundation retains the legal right to hire and discharge Investment Managers, per IRS regulations.

**The average fund size is \$125,000. There is a \$10,000 minimum to start a new fund. Any amount can be added to existing funds. The Community Foundation works with donors to determine the best methods to achieve their charitable goals.**

*For more information, contact:  
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All meetings are confidential and informational in nature.*