



## FUND INFORMATION

Quad Cities Community Foundation (the Community Foundation) and our affiliate community foundations are committed to honoring your charitable intent. We work with each person, family, business, or nonprofit organization to ensure that every philanthropic investment made through the Community Foundation returns the greatest personal, civic, and financial benefit possible.

When you create a fund at the Community Foundation, we begin our relationship with you by asking, “What is important to you?” Then together we establish a fund that reflects what matters most to you. Along with the fund agreement, the Fund Information that follows is designed to answer your questions about your fund and summarizes policies and procedures that apply to all funds. If you wish to review any of the summarized policies in detail, please let our staff know.

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### Introduction

The Quad Cities Community Foundation and our affiliate foundations serve a dual purpose: We help donors make the most of their charitable giving, and we strengthen the communities that we serve. The Community Foundation has numerous affiliate community foundations in our region that operate as a part of the Quad Cities Community Foundation. Any reference to the “Community Foundation” applies to the Quad Cities Community Foundation and each of our affiliate community foundations.

The Community Foundation is a registered nonprofit in the States of Iowa and Illinois and is a member of the Council on Foundations in Washington, D.C., the Iowa Council on Foundations, and the Alliance of Illinois Community Foundations.

## **Tax Status of Contributions**

The Community Foundation was formed in Iowa in 1964 and is a public charity with tax-exempt 501(c)(3) status.

All funds established at the Community Foundation are component funds of the Quad Cities Community Foundation. Funds can support public, charitable, scientific, literary, or educational purposes. The assets of each fund are assets of the Community Foundation, and not a separate trust. All funds are administered so that the federal and state tax status of the Community Foundation will not be adversely affected. Any gift to a fund is a gift to a public charity, thus each gift is tax-deductible to the full extent of both state and federal law.

## **Fund Minimums**

Each fund begins with the first gift received for the fund. There is no cost to open a fund at the Community Foundation; however, the fund minimum is required, except for the Acorn Fund. Minimums vary by fund type, and a list of fund minimums is available on request. Donors may complete a fund agreement for a future gift through an estate. These donors do not need to meet the fund minimum at the time the fund agreement is completed. If such donors choose to make a lifetime gift to that fund, such gift must meet the fund minimum within five years for individual funds and within three years for nonprofit agency funds. If a fund does not reach the minimum, either through lifetime or estate gifts of the donor and others, the fund will cease to be a separate, named fund. Unless specified otherwise by the donor, remaining fund assets will then be added to the Quad Cities Community Impact Fund, and the donor to the fund will be recognized as a donor to the Quad Cities Community Impact Fund.

## **Investments**

The Community Foundation's Board of Directors and Investment Committee have the sole right to make all investment decisions regarding gifts received. The Investment Committee oversees all aspects of asset management. The committee is comprised of knowledgeable and experienced investment volunteers who are not providers of investment services. The Community Foundation's Investment Policy is available on the Community Foundation's website and upon request. All assets contributed to funds are managed in the Community Foundation's investment pools. All income and capital gains or losses are allocated to the Funds monthly.

The Community Foundation's endowment pools are broadly diversified and professionally managed. Non-endowed funds are invested in up to two of five foundation managed pools selected by the donor from a Community Foundation approved menu. After the initial selection there is an option for the Fund Advisor to update their investment strategy once per calendar year.

## **Endowment Spending Policy**

A permanent endowed fund of the Community Foundation grants a distribution annually based on a percentage of the averaged value of the fund. The Spending Policy distribution rate is currently set by the Community Foundation Board at 4.5% of the trailing 20-quarter average as calculated on December 31. For funds with less than a five-year history, the average will be for the number of quarters that the fund has existed.

The Community Foundation's Board of Directors sets and monitors endowment distribution rates after consideration of national trends in endowment investment management and in compliance with applicable laws such as the Uniform Prudent Management of Institutional Funds Act, adopted by both Illinois and Iowa. The Spending Policy is set with consideration given to a balance between current payout and growth in value that allows the fund's purchasing power to keep up with inflation. Board decisions regarding endowment spending rates are subject to change based on investment performance and the long-term goal of preserving endowment value.

In compliance with UPMIFA, endowment funds are monitored on an annual basis to ensure principal value remains intact. Guided by the Policy on Underwater Endowments, funds that fall below a determined percentage of its principal value will be encouraged to suspend distributions for one year, with purpose of reestablishing principal value. All endowment funds will continue to be reviewed annually and will resume distributions once the principal value returns to an appropriate level.

### **Grants from Endowed Funds**

After the close of the calendar year, the Spending Policy is applied to the balances of all endowed funds of the Community Foundation. Fund statements include a “spendable balance”. Grants can be made from the spendable balance during the calendar year. At the close of the calendar year, any unspent amount is returned to the endowment principal.

### **Grants from Non-Endowed Funds**

Non-endowed funds must maintain a \$300 minimum balance to remain open. The Community Foundation recommends a 5% minimum annual distribution from all non-endowed donor-advised funds to carry out the donor’s charitable purposes. See the Additional Information for Donor Advised Funds section for more information about distributions from donor advised funds.

If you intend to recommend a grant that will expend a large portion of your non-endowed fund balance, we need to complete calculations on support charges and investment earnings that determine your exact available fund balance. For that reason, please allow 30 days for your grant request to be processed in that case.

### **Grant Requirements**

Grants from any fund of the Community Foundation must be used for charitable purposes. Grants may be recommended to any 501(c)(3) organization, government organization, or verified charitable entity (e.g., schools, churches) located in the United States. If the grantee is a 501(c)(3) public charity, government organization, or verified charitable entity, no reporting on grants is required except to confirm that fund restrictions have been honored.

If the grantee is not one of those organization types, the Community Foundation will follow our Due Diligence Policy to determine if there is a charitable purpose for the grant and it is allowable. If the grant is approved, the Community Foundation will exercise expenditure responsibility and require detailed financial reporting for grants to ensure that the grant was used for charitable purposes. Expenditure responsibility is required for any organization not described as a public charity in the Internal Revenue Code Section 170(b)(1)(A), including but not limited to for-profit companies, private operating foundations, and all supporting organizations.

Grants to organizations outside the United States must be verified to be the equivalent of a public benefit organization within the United States and may be made at the discretion of the Community Foundation.

Grants given outside the United States or requiring expenditure responsibility may incur an additional fee.

Grants must be made for a minimum of \$250. Scholarship grants must be made for a minimum of \$500 unless the spendable balance is lower than that amount. Grants are paid electronically via ACH, or with paper checks. Each grantee is also sent a letter electronically or by mail that includes the fund name, any restrictions on use of the grant, and where to send a thank you. Grants from non-scholarship designated funds will occur automatically during the first quarter of each calendar year in accordance with the Community Foundation endowment spending policy.

## **Restrictions on Grants**

Grants are not permitted for non-charitable purposes, for political contributions, or to support political campaign activities. Grants are not permitted for any purpose that would provide more than incidental benefits, goods, or services to a donor to the fund, the fund's advisors, or other related parties. This includes but is not limited to grants to satisfy personal pledges made by any person including a fund advisor, and non-deductible (or partially tax deductible) memberships, event tickets, sponsorships, registration fees for tournaments and cause-related marketing activities.

Except for Scholarship Funds, which follow a fair and consistent process, grants are not permitted to benefit individuals. Grants are not permitted to private non-operating foundations.

## **Fund Statements**

Fund statements are issued quarterly. Statement preparation begins once we receive reports from our investment managers. The Community Foundation's goal is to make statements available 30 days after the end of the quarter. You will receive notice that your fund statement is available via our online portal, MyFund or you may elect that your fund statement be mailed to you.

## **Investment Fees**

The Community Foundation allocates to each fund a proportionate share of the fees based on investment pool allocation. Due to the size of the Community Foundation's endowment pool, individual funds of the Community Foundation benefit from economies of scale which result in lower costs. Investment fees typically are limited to very low underlying expense ratios—a schedule of current ratios is available upon request. A fund in the Signature Investment Program, which is held as an individual account, will pay the investment management fee charged by the manager of that account.

When brokers or others charge fees for liquidating stock gifts or other assets such as real estate made as gifts to a fund, these costs are charged directly to the fund.

## **Community Foundation Administrative Fee**

All Community Foundation funds pay an administrative fee that helps the Community Foundation cover the funds' administrative expenses and the Community Foundation's charitable mission. Most funds of the Community Foundation pay 1% per year; funds that require more administrative support may pay more. The Community Foundation's fee policy is available upon request.

The Community Foundation's operating expenses are the costs it incurs to carry out our mission, including expenses for fund administration, grants administration, general support services and non-grant charitable activities, such as ongoing outreach activities, convening, partnerships to improve our community, technical support, or public policy work. The Board of Directors establishes a maximum operations budget of 1.5% of the assets of the Community Foundation. That budget is derived from support charges, contract income, and from generous donors who support the work of the Community Foundation by giving to the Friends of the Foundation Fund.

## **Governance**

The Community Foundation is governed by a volunteer Board of Directors comprised of civic leaders who live within our service area. All Community Foundation activities are overseen by our Board and are carried out in compliance with the Articles of Incorporation and By-Laws of the Quad Cities Community Foundation Corporation, which are incorporated by this reference and available upon request.

The Community Foundation was among the first five of more than 750 community foundations nationwide to receive the National Standards for Community Foundations accreditation from the Council on Foundations and continues to hold this accreditation – recognition that is reserved only for those foundations that adhere to the most rigorous policies and practices. The Community Foundation also subscribes to the code of ethics of the Association of Fundraising Professionals and the Partnership for Philanthropic Planning.

## **Variance Power**

Gifts donated to funds are irrevocable gifts to the Community Foundation and legal control and responsibility for the funds rest with the Community Foundation.

All funds of the Community Foundation are subject to our variance power, under IRS regulations and as set forth in the Community Foundation's By-Laws. The Community Foundation's Board of Directors reviews the activities of funds to determine whether they continue to fulfill the functions and purposes the original donor considered worthy of support. If not, variance power gives the Community Foundation the authority to modify any restriction or condition on the distribution of funds or redirect support elsewhere, consistent with the donor's charitable objectives as recorded at the time of the gift. Variance power is exercised when the restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served.

## **Amendment of Funds**

Prior to the receipt of the first gift to a fund, the donor may amend the fund purpose or other features. For example, a donor may establish a fund today to receive assets from the donor's estate in the future. The donor may alter the terms of such a fund at any time during the donor's lifetime if no gifts have been made to the fund.

The donor has no legal ownership in property transferred to a fund after the gift has been received by the Community Foundation.

On occasion, a donor may request a change or update to the fund they established. Under limited circumstances, certain updates may be made at the discretion of the Community Foundation's Board of Directors. Permissible updates are limited to non-material changes to the fund. Gifts that are complete are eligible for tax deductions (and state credits if applicable). For a gift to be considered complete, a donor may not retain control – including the right to make a material change – over the assets given.

Community Foundation fund agreements allow updates for donor information, and other non-material changes. Any material updates or changes requested by a donor may be considered by Community Foundation's Board of Directors and may be approved at the sole discretion of that Board if appropriate and allowed by law.

## **Anonymity and Donor Information**

Although the Community Foundation appreciates the opportunity to recognize our donors, we honor all requests for anonymity. Donors are given the opportunity on their Fund Agreements to indicate their preference for communications and recognition from the Community Foundation, grantees, or scholarship recipients. The Community Foundation does not share mailing lists or personal information about our donors.

## **Gift Planning Expertise**

The Community Foundation staff has expertise in charitable gift planning and works closely with donors and their professional advisors to facilitate planned gifts and gifts of complex assets. However, the Community Foundation does not provide tax or legal advice. We recommend donors consult their own advisors for specific information about the implications of any gift arrangement in their unique situation.



## **Donor Initiated Fundraising Policy**

The Community Foundation is not in the position to cover liability and support the work required for fundraising activities such as galas, raffles and other event or sale-based fundraisers. Some donors or others associated with funds of the Community Foundation undertake efforts to encourage additional gifts to the funds. If you plan on these types of activities to raise funds, you must consult with us prior to beginning your efforts. We will give you guidance on any legal requirements, review your materials, and discuss additional fees. All fundraising efforts, including written materials, must comply with the Community Foundation's Donor Initiated Fundraising Policy which is available on our website and upon request.

## **Endow Iowa and Endow Illinois State Tax Credits**

Iowa taxpayers (individual, corporate, estate and others) are eligible for a 25% income tax credit on gifts to certain Endow Iowa-eligible endowment funds of the Community Foundation. The credit is available only for gifts to endowed funds that benefit Iowans in Iowa. This tax credit is in addition to the federal income tax charitable deduction.

For qualifying gifts, the Community Foundation will send the donor a tax credit application for signature. The application is returned to the Community Foundation and submitted to the state of Iowa. The state of Iowa will send the tax credit notification directly to the donor. Credits are on a first come, first-served basis. Credits not used in the year awarded may be carried forward for up to five years.

Taxpayers in Illinois may have a similar benefit available to them in the future. Community Foundations serving Illinois are working to pass this legislation. Please check with the Community Foundation or our website for the latest information about state tax credits.

## **Nonprofit Endowments**

Nonprofit organizations that have endowments with the Community Foundation usually have two accounts. One account is the Agency fund and will consist of assets given to the Community Foundation by the nonprofit organization. In general, these assets remain an asset on the financial records of the nonprofit organization and are a liability on the financial records of the Community Foundation. The second account is the Designated fund and consists of gifts that have been made by other donors to the nonprofit endowment. Those assets are not recorded on the financial records of the nonprofit organization. Check with your accounting advisor on how to recognize Community Foundation funds in your organization's financial records.

If the nonprofit organization ceases operations, our Board of Directors may recommend other qualified charitable organizations or programs as successor beneficiaries of the funds. The Community Foundation's Board of Directors will exercise our variance power to redirect the funds consistent with the organization's charitable purposes and the needs of the community served. The funds will then remain with the Community Foundation as component funds in perpetuity.

## **Scholarship Endowments**

The Community Foundation encourages scholarships in the form of designated endowments that make grants directly to schools and universities. Selection of recipients is then done by the school or university according to the requirements and evaluation criteria established by the donor.

If the donor prefers to have the Community Foundation manage the selection and award process and send scholarship payments to the institution the recipient attends, higher fund administrative fees will apply. For such Community Foundation-managed scholarship endowments, the scholarship selection committee must be appointed by the Community Foundation. For designated scholarship endowments, the scholarship selection committee must be appointed

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by the school or university.

The donor and parties related to the donor may serve on the selection committee, but they must abide by the Community Foundation's Conflict of Interest policy, must make up a minority of the committee members, must not have veto power over the committee's decision, and in any other way cannot directly or indirectly control the committee.

## **Conflict of Terms**

In the event of an inconsistency between the fund information contained in this document and any terms and conditions appearing elsewhere in connection with a fund, these terms, and conditions, as interpreted by the Community Foundation will govern. The Community Foundation reserves the right to take any action it deems reasonably necessary or desirable for the proper administration of any fund at the Community Foundation or to comply with applicable law. Please contact the Community Foundation if you have any questions not answered in this Fund Information.

## **Fund Activity**

The Community Foundation recommends that all funds grant annually to fulfill the intended charitable purpose. Other types of activity that may keep a fund active for a period of time until grantmaking resumes are outlined in the Fund Activity policy. Fund holders will be notified every year if they have not granted that year, and six months before the "deadlines" noted below.

If grant activity from a fund stops for more than one calendar year after the last grant was made (or two calendar years after the last grant was made for donor advised funds), and no other acceptable form of fund activity is in place, the Community Foundation's Board of Directors will assume responsibility for grantmaking. Grants will be issued from the fund to qualified grant recipients that align with donor intent. If the Community Foundation determines such intent is unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served, then the Board of Directors may exercise variance power to enable the Community Foundation to continue to use those resources to meet the needs of the community and to address the charitable purposes for which the funds were committed, including distributions to the Quad Cities Community Impact Fund.

## **Additional Information for Donor Advised Funds:**

### **Donor Advised Fund Characteristics**

A donor advised fund is not a separate legal entity. It is a component fund defined by federal law that a sponsoring charity, such as the Community Foundation, creates using a written agreement with a donor. The donor contributes assets to the Community Foundation which agrees to treat those assets as a separate fund on its books, while the donor retains the privilege of recommending charitable grants from the fund and limited power to recommend investment of the fund's assets. The law requires the Community Foundation to make clear, and to obtain the donor's written acknowledgment, that the assets in a donor advised fund are the property of the Community Foundation and that the Community Foundation has discretion and control over the use and investment of the donor advised fund's assets.

For a donor to take advantage of the tax benefits that flow from a charitable gift, the gift must be complete. The donor parts with control over the donated assets. Too much donor control could put the donor's tax deduction in jeopardy.

### **Designating Advisors**

Donors beginning a donor advised fund may designate advisors to the fund who can make grant recommendations. If a fund is advised jointly, on the death, incapacity, or resignation of one fund advisor, the remaining fund advisor retains the privileges associated with the fund.

## Successor Advisors

The donor may choose any person within one generation to be a successor advisor to exercise the privileges and duties of a fund advisor. Successor advisors assume the privilege to advise the fund only after the deaths, incapacity or resignations of all initial fund advisors named for the fund, or at the request of the founding donor.

## Grant Recommendations by Advisors

Fund advisors may recommend that grants be issued from their fund to organizations for charitable purposes as described in the “Grant Requirements” and “Restrictions on Grants” sections of this Fund Information document. If there is any question about the recommendation or the fund advisor’s intent, Community Foundation staff will contact the fund advisor and/or the recommended grantee as appropriate for more information and will document the information gathered. If a recommendation must be denied after review under our Due Diligence policy, Community Foundation staff will notify the fund advisor promptly.

Fund advisors are encouraged to submit their grant recommendations through our online portal, MyFund. They may also submit their recommendations in other written forms including via email or on paper. All grant recommendations must be recorded in written form.

Fund advisors cannot make legally binding pledges on behalf of their fund. Donors can make recommendations for grants to be paid over a period of years. If your fund has sufficient funds to make all grants recommended, the Community Foundation may sign a commitment to make the requested grants. The Community Foundation Board of Directors controls when and to whom grants will be made.

## Decisions Among Multiple Fund Advisors

All fund advisors must agree regarding grant recommendations from the fund. If agreement cannot be reached among the advisors, the Community Foundation Board of Directors will make the final decision regarding the grants in question.

## Divorced or Legally Separated Advisors

If co-advisors to a donor advised fund are subsequently divorced or legally separated, the Community Foundation reserves the right to decline grant recommendations from either spouse unless unanimous consent is communicated in writing, or the appointment of advisors is restated or confirmed as deemed sufficient by the Community Foundation. The Community Foundation further reserves the right to separate the assets in the fund into two separate and equal donor advised funds in appropriate circumstances. The Community Foundation relies on the donor advisors to inform the Community Foundation of divorce or legal separation.

## Avoiding Benefits to Donors from Grants

Donors, fund advisors and related parties (such as family members or business interests) may receive only “incidental” benefits from a grant from a donor advised fund. If a donor, fund advisor or related party receives more than an incidental benefit, substantial penalties are possible. Recognition for a grant is not considered a more than incidental benefit and is always permitted at the donor or fund advisor’s preference.

Direct distributions from the donor advised fund to the donor, fund advisor or related party for any reason are not allowed by law.