



For good. For ever. For all.

Organizational Endowment Fund Handbook

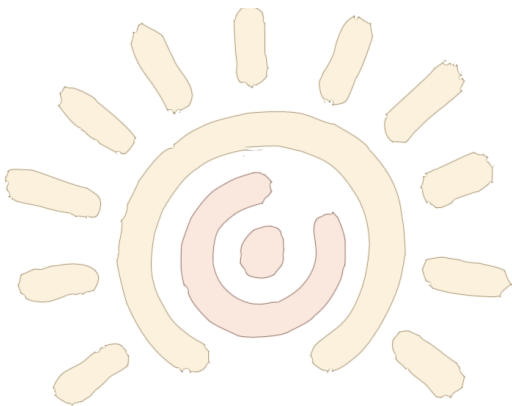
March 2025

Thank you for choosing Battle Creek Community Foundation as your philanthropic partner.

This handbook is a guide to how Organizational Endowment Funds are administered.

Please contact us at 269-962-2181 with any questions or to learn about additional services from the Battle Creek Community Foundation.

We look forward to working with you.



Battle Creek Community Foundation

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Organizational Endowment Funds

Organizational Endowment Funds are established by the nonprofit organization for which they benefit. These permanent endowments are designed to keep the historical fund balance intact so it can grow over time but allow the nonprofit to use a portion of the annual investment earnings to support their mission.

Important notes regarding Organizational Endowment Funds are as follows:

1. Organizational Endowment Funds may only be established in support of 501 C3 charitable organizations.
2. The minimum gift (or intent to build to) level is \$5,000 for Organizational Endowment Funds.

Named Organizational Endowment Funds (Donor Named) are established by an individual or group of donors in support of a nonprofit organization. At the request of an individual, his/her gift can carry the individual's or family name with the designation that all grant distributions be designated to a selected nonprofit organization. All other policies and procedures for an Organizational Endowment Fund are practiced with these named organizational funds.

Important notes regarding Named Organizational Endowment Funds are as follows:

1. Named Organizational Endowment Funds may only be established in support of 501 C3 charitable organizations.
2. A Named Organizational Endowment Fund agreement must be established for each named fund that is established.
3. The minimum gift (or intent to build to) level is \$10,000 for these Named Funds.



Benefits of Partnering with Battle Creek Community Foundation

The Battle Creek Community Foundation gives donors confidence to know that their gift to your organization's endowment will be professionally managed and protected in perpetuity for your mission.

The Battle Creek Community Foundation offers your organization:

- A partnership with a community organization whose mission is to invest and grow endowments, allowing your board and staff to focus on your mission.
- Access to professional endowment investment expertise.
- Access to endowment building resources, including marketing support and educational opportunities.
- Access to BCCF's planned giving knowledge and resources.
- Access to BCCF's ability to accept several types of gifts, including stock, real estate, life insurance or retirement benefits, bequests, etc.
- Investment and protection of your donor contributions to support your organization for generations to come.



Legal Administration of the Fund

The two basic legal documents that are the basis for status as an independent community foundation are our Articles of Incorporation and IRS documentation. In accordance with state law, BCCF Articles of Incorporation (plus any amendments) are on file with the Michigan Department of Commerce; copies of our Articles and Bylaws and 990 tax return are also available for public viewing.

Like other community foundations, BCCF also complies with U.S. Treasury Department regulations [26 C.F.R. 1.170A-9(e)], which require in part that we must:

1. Support charitable activities in the geographic area served
2. [Ensure that] all funds must be subject to a common governing instrument (i.e., Articles and/or Bylaws)
3. Have a common governing body, which directs the distribution of all funds for charitable purposes
4. Have the power to:
 - a. Modify any restrictions or conditions on the distribution of funds if such limits become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served
 - b. Replace any Trustee, custodian, for breach of fiduciary duty, and
 - c. Replace any Trustee, custodian, or agent for failure to produce a reasonable return of net income
5. Prepare periodic financial reports treating all funds as funds of the organization

Annually, we file with the State of Michigan (1) an application for License to Solicit Donations Including Contracts with Professional Fundraisers and the (2) Michigan Annual Report – Nonprofit Corporation.

We also file Form 990 with the Internal Revenue Service each year. We will provide the donor with additional IRS Forms if we receive gifts of real property.

In addition to the requisite filing of various federal and state forms, community foundations must meet a “public support” test to maintain their status with the IRS, which is based on a complicated accounting formula that reflects the extent to which the Foundation receives support from many donors (the idea is to distinguish public charities from private foundations).



National Standards for U.S. Community Foundations

Battle Creek Community Foundation is Confirmed in Compliance with National Standards for U.S. Community Foundations.

The National Standards for U.S. Community Foundations® accreditation program provides “Best Practices” guidelines, designed to assure donors and their advisors of consistent performance in our operations, as well as cooperation with other community foundations in any joint marketing and donor development efforts. These principles are minimum standards and are *in addition* to the requirements imposed upon community foundations under state and federal law. Best practices categories include governance, administration & finance, asset development, grantmaking, communications, and the Foundation’s role as a convener and leader (community leadership initiatives).



Confirmed in Compliance with
National Standards for U.S. Community Foundation

Organizational Endowments held at the Battle Creek Community Foundation may use the National Standards Seal. Below are examples of what is permissible.

Examples

- ABC Fund, an Organizational Endowment of the XYZ Community Foundation (Seal)
- ABC Fund is Organizational Endowment with the XYZ Community Foundation, an organization that meets National Standards for U.S. Community Foundations



Investment Oversight and Portfolio Allocation

All of our endowment funds are pooled for investment purposes. They are carefully and responsibly managed in a balanced portfolio. BCCF contracts with professional investment firms, as well as professional investment evaluators, to review the pooled investment returns. BCCF recruits community volunteers to serve on a BCCF Investment Committee to provide direction and oversight regarding the Foundation's Investment Policy and the investment performance. In addition, independent auditors evaluate the financial position of the portfolio on an annual basis.

The primary purpose of the investment portfolio is to provide for annual spending and to sustain value over time, to benefit both existing and future needs, without assuming inappropriate risks. Therefore, the time horizon with respect to the assets in the investment portfolio is of infinite horizon and managed in perpetuity.

In seeking to achieve the stated investment objectives, the Battle Creek Community Foundation has a fiduciary responsibility to exercise prudence and appropriate care in accordance with the State of Michigan's enacted version of the Uniform Prudent Management of Institutional Funds Act (2009). All investment actions and decisions must be based on what is in the best interest of the Portfolio and the charitable purpose.

Highland Consulting Associates, Inc. provides oversight and monitoring of Outside Chief Investment Oversight (OCIO) managers (i.e. Nuveen) including performance due diligence, health and welfare review, and performance presentation review. Additionally, Highland supports BCCF governance committees, including policy support and review.

TIAA-Nuveen serves as the investment management firm for BCCF. Nuveen has built the BCCF portfolio around three main return objectives: Preserve and grow capital, add value through active management, and outperform peer groups. Based on a prudent level of risk, an appropriate level of liquidity, and utilizing registered investment vehicles, BCCF's portfolio investment allocation is as follows:

Investment Portfolio Allocation

Portfolio Role	Policy Target	Approved Ranges
Growth assets	67.5%	62.5% - 72.5%
Risk Reducing / Diversifying	32.5%	27.5% - 37.5%



Compliance with Financial Accounting Standards Board (FASB) Reporting Requirements

Financial Accounting Standards (FAS) 136: Transfer of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others

FAS 136 dictates reporting requirements for community foundations that hold agency endowment funds. These reporting requirements relate to how such funds are reported on audited financial statements. FAS 136 applies only to Fund I Endowments and does not apply to Organizational Support Funds.

Under the terms of all organizational endowment fund agreements, the Battle Creek Community Foundation is the legal owner of the fund. Your agency, in turn, is the beneficiary of the fund and receives distributions of income from the fund, subject to BCCF's spending policy.

In establishing reporting requirements for community foundations, FAS 136 makes three important distinctions regarding the *source* of funds used to establish (or later supplement) agency endowments.

1. If an **organizational endowment fund** is established (or later supplemented) with funds contributed solely by the agency itself (including operating funds, or proceeds from fundraisers), FAS 136 considers this a reciprocal transfer. As such, although the assets of the fund are still reported as the assets of BCCF, we are now required to report an *offsetting liability*. This liability represents the value of the future distributions expected to be made to your organization and will be equal to the *market value* of the fund.
2. If an organizational endowment fund is established (or later supplemented) by unrelated third party donations, payable directly to the Foundation, (sometimes referred to as “**designated funds**,” for the benefit of a nonprofit agency), these funds are considered a *contribution* to the Foundation for purposes of reporting; they will be shown as a gift in the statement of activities and will be included as part of net assets.
3. If an agency endowment fund is established (or later supplemented) by a mix (“**hybrid**”) of unrelated third-party contributions (payable directly to the Foundation) and agency organizational funds, then the following reporting rule applies: the portion of the fund contribution by the agency is considered a reciprocal transfer. The Foundation will report an offsetting liability representing the present value of future distributions expected to be made to the agency. The portion of the fund contributed by unrelated third-party donors is considered a *contribution* to the Foundation; accordingly, we are required to report these contributions as a *net asset*.

The distinctions in all three of these scenarios are only for purposes of our financial statements. The treatment of any contributions, investment earnings, and distributions related to an organizational endowment fund will remain unchanged for the Foundation's IRS form 990. BCCF will verify the status of any of these contributions on an annual basis. This occurs via request by the independent auditor acting on behalf of the specific nonprofit organization.



Reporting

Fund statements will be provided on a quarterly basis. We strive to distribute fund statements within one month of the quarter close, excluding March statements, which are the year-end statements for the Foundation, and take longer to process. Our preference is to have no more than two contact people at your organization to which all correspondence is addressed. Fund statements are available via the Fund Advisor Portal, via email, or may be mailed. For expedited processing, we encourage electronic delivery.

Fund advisors may also elect to receive email notifications whenever a donation is received.

Organizational Endowment advisors may elect to receive a consolidated (Master) fund statement which includes all activity made by the organization and third-party donors or may elect to have separate statements for the Organizational and Third-Party Funds (per FAS 136). The assets shown on the ABC Nonprofit Endowment – Organizational fund statement reflect the Agency Assets per FAS 136.

Each Fund Statement report will contain a cover letter summarizing the investment quarter and the year-to-date quarterly financial statement, which depicts:

- A beginning balance for the period
- An accounting of the current period (quarter) and year-to-date comparison
- Any additions (gifts, investment earnings or losses)
- Any distributions (grants awarded, administrative fees)
- An ending balance for the period
- An accounting of the principal, income, and spendable of the fund's balance
- A Fund Activity report listing donors for the current period and any grants made from the fund during the period.

A sample fund statement and definition of each line item is included on the next page.

Sample Fund Statement

Fund Statement ABC Nonprofit Organizational Endowment Fund For the Period October 01, 2019 - December 31, 2019

Generated on: 02/19/2022

Fund activity from the beginning of the fiscal year through end of current period.

Fund activity for the most recent quarter

Current Period

October 01, 2019 -
December 31, 2019

Year To Date

April 01, 2019 -
December 31, 2019

Beginning Fund Balance

Beginning balance of the fund at the beginning of the period being reported.

\$150,562.56

\$146,541.28

ADDITIONS:

Investment Earnings

5,786.88

10,451.13

(interest and dividends, realized gain (loss) and unrealized gain (loss). Realized gain (loss) refers to the increase or (decrease) that occurs when an investment is sold for more (or less) of its purchase price). Unrealized gain (loss) refers to the increase or (decrease) of the investment as they fluctuate while being held within the fund)

Total Additions

5,786.88

10,451.13

DISTRIBUTIONS:

Administrative Fees

330.82

973.79

(The 1% calculation charged by the Community Foundation calculated as 1/12th of a percent on a monthly basis, based on a 16-quarter average of the fund's balance)

Grants Awarded

8,000.00

8,000.00

(Amount that is directly distributed from the fund for an external charitable purpose).

Total Distributions

8,330.82

8,937.79

Ending Fund Balance

\$148,018.62

\$148,018.62

Accumulated Gifts & Contributions to Principal

(Historical fund balance from all donations to the fund)

109,237.34

Accumulated Earning less Expenditures

Balance of market gains (losses) from all current and prior years' of investment experience after grant distributions or other expenses were calculated.

28,141.28

Accumulated Spendable

Balance of current year 4% spendable distribution plus any unspent spendable from prior years, if applicable.

10,640.00

Ending Fund Balance

Current balance of fund given prior year and current year-to-date activity within the fund.

\$148,018.62

This statement is unaudited.



Fund Advisor Portal

The Fund Advisor Portal allows you to interact with your fund(s) via a secure, password-protected portal via the BCCF website.

Fund Advisor Portal Features

- 24-hour access through the BCCF website.
- Most recent posted transactions will post on the account's main page when you log in.
- Listings of recent contributions, grants, and vouchers (expenditures).
- Access to your fund agreement and other important documents.
- Quarterly Statements will post directly to the Fund Advisor Portal and can be accessed at your convenience.
- Fund balances are as transactions are posted. For those funds that receive high volumes of donations, you will see the most recent transactions on the account's main page when you log in. Historic gifts received into the fund since April 1, 2020, may also be viewed.
- Cumulative Spendable Balances or Available Cash reflect all transactions appearing in the portal at the time of viewing.
- You will receive an automated email when your Quarterly Fund Statement(s) have been posted to the Fund Advisor Portal.
- If you elect, you may be alerted every time a Donation is made, or a Grant is paid out from your Fund.



Spending Policy and Annual Endowment Distributions

Spending Policy

Spending policies are designed and adopted to meet the following objectives: maintain the corpus of the endowed funds, provide stability and predictability in the available resources for charitable spending; and insulate investment management from the pressure to achieve short-term gain at the expense of long-term total return. Spending policy does not indicate a requirement to spend in the current year.

The spending policy of the Battle Creek Community Foundation is up to 6%, inclusive of fees and distributions, based on a 16-quarter rolling average.

The current fee for organizational endowments is 1% of a 16-quarter rolling average.

The annual recommended distribution amount is 4% of a 16-quarter rolling average, however organizational endowments are allowed to elect a 5% distribution, due to the lower fee allocation. Please contact us if you would like to change your election to 5%.

In 2025, BCCF instituted an automatic annual distribution process. Annually, by mid-May at the latest, an annual distribution will either be made directly to your organization or to a support fund that you have established within BCCF, should you elect to have your distribution remain invested.

The calculations for the annual 4% spending policy are as follows:

$$\frac{\text{The sum of 16 Quarterly Averages}}{16} = \text{Average of 16 Quarters}$$

(Please note that these are rolling quarterly averages)

$$\text{Average of 16 Quarters} \times 0.04 = \text{Annual Distribution Amount}$$

In emergency circumstances, organizations may request distributions from net earnings from organizational endowment funds. These distributions require variance power by the BCCF board of directors and may take up to 60 days to process. Only traditional, rather than named organizational endowment funds may be considered for such distributions.



Gift Receipting

Gift receipting serves two purposes, first and foremost it is important to make sure that donors feel appreciated and recognized for their generosity. Secondly, IRS regulations require that before a donor claims a tax deduction for a charitable contribution, the donor must have a bank record or a written communication from the charitable nonprofit documenting the contribution. As a result, donors expect a nonprofit to provide a receipt for their contribution. While there is no legal requirement for gift acknowledgments for contributions of less than \$250, unless the donor receives something of value in return for the gift, BCCF acknowledges gifts over \$5.

BCCF strives to acknowledge the donor for their contribution to your endowment fund at the Battle Creek Community Foundation within two weeks.

We recommend that you thank donors as well, although your organization is not responsible for providing a tax receipt. Listed fund advisors should receive automatic emails notifications whenever a donation is made to a fund.

BCCF acknowledgement letters are formal receipts for tax purposes. A sample follows:

March 5, 2022
Jane Doe
123 Main Street
Battle Creek, MI 49017

Dear Jane,

Thank you for your recent gift to support philanthropic activities in the greater Battle Creek community. Your gift is making a difference. The following is our understanding of the details applicable to your donation of \$100.00 on March 1, 2022:

ABC Organizational Endowment	\$100.00
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This donation has an ID of 2345. Your recognition name will appear in our publications as Jane Doe.

The Battle Creek Community Foundation is a 501(c)(3) not for profit. Your gift is tax deductible to the extent of the law. We verify that no goods or services have been provided in exchange for this gift. The Battle Creek Community Foundation has exclusive legal control over the assets contributed. Please retain this letter for tax purposes.

Your generosity is greatly appreciated. If you have questions regarding your donation, please contact Ilesha Trevino (269-962-2181) and feel free to contact us if we may be of further service.

Sincerely,

Mary Muliatt
President and CEO



Organizational Acknowledgement of Gifts

To provide timely opportunity for you to be aware and acknowledge gifts to your fund, BCCF includes the names and addresses of donors who have made contributions to your funds, on the Fund Activity page of your quarterly fund statement. Additionally, real-time information regarding contributions may be accessed via the Fund Advisor Portal. Unless the donor specifies that their name or gift amount remain confidential, this information is disclosed in the organizational gift correspondence.



Building Your Endowment Fund

We are here to help you generate donor interest in your endowment fund. To provide these services, we are happy to meet with the prospective donor and/or any representatives. Please note that while the BCCF provides consultation, it does not take the place of external legal counsel for such items as charitable remainder trusts, estate settlements, and charitable gift annuities.

Fundraising and Marketing Resources

Marketing Materials: Our trained professionals can assist in preparing marketing materials or brochures for campaigns or drives.

Custom Endowment Flyers: Organizations may request a custom, desktop printable endowment handout. High quality images are requested in order to create these handouts.

Presentations: We are pleased to make presentations to any group such as a Board of Directors or set of prospective donors. Topics may include:

- ◆ Planned Giving (general)
- ◆ Specific planned giving tools and techniques
- ◆ Benefits of an endowment fund
- ◆ Estate planning (general)
- ◆ Fund Development

Donor Advised Newsletter: As a benefit to your organization for having an endowment fund at BCCF, you are eligible to apply for a grant each quarter through the Donor Advised Grant Application process. By completing the grant application, your requests appear in BCCF's Donor Advised Newsletter. The Donor Advised Newsletter is emailed to all fund representatives who have a Donor Advised Fund through BCCF. As an Organizational Endowment Fund Representative, you will receive a reminder each quarter to submit a grant proposal for this opportunity.



Marketing Your Endowment

1. Battle Creek Community Foundation Communication Efforts

The Battle Creek Community Foundation employs a variety of communication vehicles to help with ongoing fund raising, these can include:

Annual Report: The Annual Report highlights articles on individual funds, programs from within the foundation, strategic partnerships, and community impact investments.

Annual Meeting: The BCCF Annual Meeting takes place in August of each year with an average attendance of 350 individuals. This event serves as an annual opportunity to highlight the philanthropic accomplishments of the Community Foundation and to provide appreciation to the generous donors who make BCCF grantmaking a reality.

Annual Year End Appeal: This annual marketing piece, mailed in November, reaches approximately 3,000 members of our donor community. Along with the opportunity to donate to the Fund for Battle Creek, donors may designate their donation to a specific fund.

The BCCF Website: Online giving is available through the BCCF website at www.bccfoundation.org.

General Awareness: The Community Foundation continues to be involved in State, regional, countywide, and Battle Creek focused efforts that are designed to create an awareness and level of trust in the Battle Creek Community Foundation and the community foundation business in general.

2. Simple Ways to Market your Endowment

- Create space on your website to tell donors about your endowment
- Promote your endowment in your organization's newsletters at least once each year
 - i.e., include a brief statement, ad, or sample bequest language
- Promote your endowment through your organization's Social Media channels
- Add a one-liner about your endowment on your email signature
- Create an endowment marketing piece



Planned Giving Resources

One way to grow your endowment is through the acquisition of major and planned gifts. The Foundation has a variety of resources available to assist you with these efforts.

Gift Illustrations: We use the most current gift planning software so that we are able to answer computational questions on planned giving tools. We are glad to 'run the numbers' for you if a donor is interested in a charitable trust or charitable annuity. Donors may seek giving opportunities that provide capital gains savings, an income tax deduction and/or a lifetime income for the donor, donor's spouse or another individual. We can provide the tax deductions that are available to your donors, as well as illustrations, a brief description of the gift plan and annual cash flow projections.

Professional Advisors: We work with area professional advisors to keep them updated on what we are doing as well as other issues pertinent to their field. One way we correspond with professional advisors is through a weekly **GiftLaw eNewsletter through Crescendo**. Additionally, local financial advisors may elect to participate in our Local Financial Advisor program and retain management of certain charitable gifts.

IRA Gifts: BCCF is available to work with you, your donors, and professional advisors to accept Qualified Charitable Distributions from IRAs (also known as charitable IRA rollovers), as well as provide communication and marketing pieces targeted to eligible donors over the age of 70 1/2.

Sample Common Bequest Language

Bequest of a Specific Dollar Amount

I hereby give, devise and bequeath _____ and No/100 dollars (\$DOLLARS) to Battle Creek Community Foundation, a nonprofit organization located at 32 W. Michigan Avenue, Suite 1, Battle Creek, MI, 49017, Federal Tax ID # 38-2045459, for the **NAME OF ORGANIZATIONAL ENDOWMENT FUND**

Percentage Bequest

I hereby give, devise and bequeath ____ percent (____%) of my total estate, determined as of the date of my death, to Battle Creek Community Foundation, a nonprofit organization located at 32 W. Michigan Avenue, Suite 1, Battle Creek, MI, 49017, Federal Tax ID # 38-2045459, for the **NAME OF ORGANIZATIONAL ENDOWMENT FUND**

Residual Bequest

I hereby give, devise and bequeath to Battle Creek Community Foundation, a nonprofit organization located at 32 W. Michigan Avenue, Suite 1, Battle Creek, MI, 49017, Federal Tax ID # 38-2045459, ALL OR A PERCENTAGE of the rest, residue and remainder of my estate to be used for the **NAME OF ORGANIZATIONAL ENDOWMENT FUND**



Ways to Give/ Major Donor Gifting Options

There are many different ways for a donor to contribute to an endowment fund. Each type of charitable gift is unique in what it does, the tax advantages it offers and the most appropriate time to use it. The following lists the most popular ways to contribute to an endowment fund and some of the advantages of each. For more detailed information on these giving options, please contact Battle Creek Community Foundation or a professional advisor.

Direct Gifts

A direct gift is when a donor gives an asset, such as cash, stock, or real estate, directly to the endowment fund. All potential donors can use this method, regardless of age, the size of the estate, or the amount of the gift. A donor who makes a cash contribution is eligible for an income tax deduction, while a donor who makes a gift of an appreciated long-term capital asset, such as stock, is eligible for an income tax deduction and can avoid paying capital gains taxes on the asset's appreciation. A donor must itemize his or her deductions to receive a charitable income tax deduction.

1. On-line giving

On-line giving is available for all funds through BCCF's website.

2. Recurring Gifts

The BCCF can accept recurring gifts via credit card and ACH.

3. Securities

The BCCF can accept both publicly traded and closely held securities.

4. IRA Rollover Gifts

The IRA Charitable Rollover, also known as Qualified Charitable Distribution (QCD), provides donors over the age of 70 ½ with the opportunity to make gifts directly from a qualified IRA plan to a charity without being taxed on the distribution.

Deferred Gifts

There are a variety of planned giving vehicles that donors may use to augment your organizational endowment fund. It is important to remember that in all cases it is the Foundation, not your agency, which must be named as the beneficiary. However, if the donors specify that their gift be for the benefit of your organization, the proceeds will be applied to your endowment fund. All donors completing a deferred gift to the Foundation for benefit of a particular agency should consult their own financial, legal, and tax advisors.

The types of deferred gifts described in brief below include bequests, gift annuities, charitable remainder and lead trusts, gifts with a retained life estate, and other trusts in which gifts to the Battle Creek Community Foundation may be documented.

1. Bequests

Your endowment fund can increase dramatically if a donor makes a bequest to the Foundation through a will or trust.

A Bequest may be specific, in which a donor gifts a specific dollar amount or property to the Foundation, or it may be based on a **percentage** of the donor's estate. In a **residual** bequest, a donor leaves the Foundation all (or part) of his/her estate after debts, taxes, expenses, and other bequests are discharged. A **contingent** bequest provides for a distribution to the Foundation *only* if the named beneficiaries do not survive the donor.

2. Qualified Asset Beneficiary Designation

A donor may name the Battle Creek Community Foundation as a beneficiary of a qualified retirement investment (401(k), TSA, IRA, etc.). Similar to a bequest a donor may specify a specific endowment fund within the Foundation as the ultimate beneficiary.

3. Life Insurance

Donations of life insurance can be made in the following ways:

- Purchase or transfer a life insurance contract to BCCF on behalf of the endowment fund as the irrevocable owner and beneficiary
- Designate the organization as the beneficiary of a life insurance contract they continue to own.
- Cash out a current policy and give the proceeds to the organization

4. Charitable Gift Annuities

Charitable gift annuities are a way for donors to make a significant gift to the Community Foundation (and enjoy considerable tax deductions), while ensuring themselves or their loved ones a reliable stream of income for life.

Formally, a charitable gift annuity is a contract between the Foundation and a donor (the "annuitant"). In exchange for a donation, the Foundation agrees to make fixed payments to the donor and/or his income beneficiary. The fixed rate of payment is guaranteed for the life of the donor or his chosen income beneficiary. The payout schedule is available at the Foundation basically, the older the donor/beneficiary, the greater the payout amount will be.

Gift annuities may be funded by cash or securities and can result in important tax deductions for the donors. Part of the gift qualifies for a federal income tax deduction. If appreciated assets are used to fund the annuity, capital gain taxes are reduced or deferred. Since such assets are no longer part of the donor's estate, estate tax burdens are lowered as well.

Donors who wish to create a gift annuity now, but receive payments later in life, may opt for a **deferred gift annuity**. This estate-planning vehicle is particularly attractive to younger donors planning for their retirement, or donors who need the tax deductions – but not necessarily the income – at the present. Donors and/or their beneficiaries will receive a higher rate and a lifetime income, depending on when they choose to begin receiving payments.

5. Charitable Trusts

In a **Charitable Remainder Unitrust**, a donor sets up an *irrevocable trust* with a fiduciary, usually a bank or trust company. While cash may be used to establish a Unitrust, more often, appreciated securities form the basis of the corpus.

In this agreement, the donor (or his/her named beneficiaries) is guaranteed income from the Unitrust for life, or a specific term of year (if beneficiaries other than the donor are income recipients, the trust is limited to a 20-year term). At the death of the donor (or income beneficiaries), the Foundation becomes the legal owner of the “remainder interest.” In other words, the assets of the Unitrust are distributed to the Foundation for the benefit of your organization.

Because the donor selects a fixed percentage (minimum 5 percent) of the assets in the trust to receive in payment form, the income stream will vary from year to year depending on market fluctuations. Should the market value of the trust assets increase, the extra income stays in the trust. However, since the corpus has grown, the annual payments to the donor will increase correspondingly. Likewise, if the trust earns less than the percentage specified by the donor, the donor will still receive the percentage-based annual payment, but the balance of the corpus may erode.

A **Charitable Remainder Annuity Trust** is similar to a Unitrust, with the exception that the income payments are fixed, not variable. An Annuity Trust pays a lifetime income based on the initial value of the assets funding the trust. The payout rate must be at least 5 percent of the initial fair market value of the gift.

The Annuity Trust is the perfect vehicle for donors who desire a *steady* stream of income. Tax benefits include a deduction for the present value of the charitable remainder interest when the trust is established, plus the avoidance of capital gains tax on the transfer of appreciated long-term securities.

In a **Charitable Lead Trust**, the income generated by assets placed in a trust is paid to the endowment fund for a designated period of years, after which the corpus passes to other beneficiaries (often family members) named by the donor. Generally, the trust term is 10 years or more. During that time, the trust assets are managed by a third-party fiduciary (with the income payable to the Foundation). The payout rate is based on either a fixed percentage of the trust assets (as valued annually) or a fixed dollar amount.

A Lead Trust is an option for a donor who wishes to provide a dependable stream of income for a period of years, while ensuring that the remainder interest (the balance of the trust corpus) gets passed along to his/her (non-charitable) beneficiaries eventually. While the donor cannot receive an income tax deduction for the value of the assets placed in the trust, the yearly income paid to the Foundation is excluded from the donor’s taxable income during the trust term. And if the donor becomes deceased during the trust term, the assets placed in a charitable lead trust are removed from his/her estate for tax purposes.

Note: BCCF generally does not serve or act as a trustee for any trust including charitable remainder trusts, charitable lead trusts, revocable or irrevocable trusts, nor does the BCCF generally serve as co-trustee to any trust.



Fund Agreement and Fees

1. Understanding the Organizational Endowment Fund Agreement

Please read your fund agreement carefully. A copy of your Organizational Fund Agreement was provided to you when your fund was established.

That agreement specifies, in part, that:

- Legal ownership of all of the assets of agency endowment funds remains with BCCF and gifts to this fund, once accepted by the Foundation, are transferred irrevocably.
- The Board of Trustees of the Battle Creek Community Foundation retains a **variance power** – the authority to redirect the use of assets transferred to BCCF by the donors. This includes the power to modify or override any restriction or condition placed on the distribution of funds by donors, if the Trustees conclude that such a restriction becomes obsolete or inconsistent with the charitable purposes of the donor. It also includes the power to redirect the funds to another beneficiary if the agency (on whose behalf an endowment fund was established) ceases to exist or if distribution to the agency “otherwise becomes unnecessary, impossible, or inconsistent with the needs of the community.”

(**Note:** While all community foundations are required under the rules of the Federal Accounting Standards Advisory Board (FASAB) to disclose the variance power provisions to donors, the provisions are a failsafe, and the exercise of the power is not a standard practice.)

- Investments are pooled for maximum return; funds are not segregated as separate property in a separate trust. However, to the extent that your fund (and the interest it earns) represents a percentage share of the Foundation’s general assets, we provide quarterly reports showing the gains or losses to your fund balance.

2. Understanding Our Fee Structure

By signing the Fund Agreement, you have consented to our fee structure, which may be amended by our Board of Trustees at any time. Your fund will be assessed a fee that is utilized to maintain the programs and services of the Battle Creek Community Foundation.

The current BCCF Fee Structure for endowment funds is as follows:

<u>Fund Balance Graduations</u>	<u>Management Fee</u>	<u>Geographic Affiliates</u>
Organizational Endowments	1.0%	2.0%
Organizational Named Funds	1.0%	2.0%
Organizational Support Funds	1.0%	2.0%



Organizational Endowment Fund Alternatives

1. Organizational Support Funds

Many organizations wish to accumulate funds for long-term objectives, but do not wish to give up the access to principal as is necessary in the traditional endowment. The Organizational Support Fund, formerly referred to as Organizational Endowment Type II Fund, is designed to provide this type of flexibility. Please note that this fund, which requires a separate fund agreement for its establishment, provides for distribution of the earnings AND principal at the organization's request. The assets of the Organizational Support Fund are invested in the same manner as all other endowment funds, therefore, BCCF staff recommend a 30–45-day period for liquidating a large balance held within an Organizational Support Fund.

Important Information regarding the Organizational Support Funds:

1. An organization must establish an Organizational Endowment Fund prior to establishing an Organizational Support Fund.
2. It is appropriate to book the entire Organizational Support Fund value as a receivable on the nonprofit organization's audit (BCCF classifies these funds as liabilities in its annual audit.)
3. Principal and spendable are not tracked for Organizational Support Funds since no assets are restricted.
4. Only the organization itself may contribute funds to an Organizational Support Fund.



Frequently Asked Questions

1. We are in a huge budget crunch. Can we invade the principal of our fund?

BCCF's spending policy complies with UPMIFA, as such there is no such thing as "principal" when considering spending from a fund and distributions are made annually based on your spendable election.

2. One of our donors handed us a check made out to our agency. In the memo section or on accompanying correspondence, the donor indicated that they wanted the funds to go into our endowment fund at BCCF. What do we do?

Generally, the bank will let us cash the check, so we recommend that you sign off and forward the check, and we will deposit and receipt the donation. You may also cash the check and send us a donation in the amount of the gift received by your organization.

3. We are doing great this year financially – do we have to take the distribution?

Distributions will be made automatically, however you may elect to have your distribution go to your support fund, rather than being distributed directly to your organization. The support fund is invested in the same manner as the endowment fund, but is fully accessible in future years.

4. Some of our donors seem concerned about contributing to our endowment fund because the funds legally belong to BCCF rather than our organization. What should we tell them?

It is true that the funds in your organizational endowment fund legally belong to BCCF. While the funds are co-mingled with the assets of other funds for investment purposes, the separate identity for each fund is maintained. Further, the fund agreement provides for the legal designation or use of all distributions from the fund.

5. We opened an endowment fund a year ago, but we have not launched a formal "Plan for Building the Endowment Fund." What is the best way to start?

First, meet with us. We can share information and materials with you. We will want to ensure that the written material that you prepare for your prospective donors contains the necessary language. We also have materials we can make available to you.

6. As a nonprofit agency, we have been having financial problems for several years. What happens to the assets in our endowment fund if we go out of business?

Most fund agreements provide an alternative designation for this situation. If no alternative clause was included in your fund agreement, BCCF has the discretion to select the next most similar and appropriate charitable cause. (This is normally done in cooperation with the existing nonprofit organization.)



Appendix Listing

APPENDIX A

BCCF Organizational Fund Agreement Sample

APPENDIX B

BCCF Gift Acceptance Policy Summary

APPENDIX A - BCCF Organizational Fund Agreement Sample

Agreement to Establish the

Organization Name Endowment Fund

(An Organizational Endowment Fund)

within the

Battle Creek Community Foundation

This Agreement is between **Organization Name** (the "Organization"), a Michigan nonprofit corporation, which is exempt from taxation under section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code") and is not a private foundation as described in Code section 509(a), and the Battle Creek Community Foundation (the "Foundation"), a Michigan nonprofit corporation.

Recitals

- I. The Organization has an interest in the welfare of the Battle Creek community, and is serving charitable, scientific, literary, or educational purposes for the benefit of Battle Creek and the surrounding region.
- II. The Foundation was established to receive and administer funds as endowments for various charitable, scientific, literary, or educational purposes and organizations in the City of Battle Creek and surrounding region.
- III. Various interested persons and the Organization have expressed a desire to establish a fund in the Foundation in the nature of an endowment to provide current income and long-term protection for the operations of the Organization, and the Organization desires to have the benefits of such a fund.

Accordingly, the Organization and the Foundation agree as follows.

Terms

1. Establishment of Fund. A Fund will be established on the books of the Foundation which will be known as the **Organization Name Endowment Fund** (the "Fund").
2. Property of the Fund. The Fund will include all property as may from time to time be transferred to the Foundation by Donor unless otherwise specified in writing by the Donor at the time of transfer, all property as may be transferred from any other source for inclusion in the Fund and all undistributed income from the property. All gifts to the Foundation are irrevocable. The donor relinquishes all rights, title, and interest to the contributed assets. The Foundation may, in its discretion, refuse to accept any gift offered to the Foundation.

3. Status of Fund. The Fund will be the property of the Foundation, held in its corporate capacity, and will not be deemed a trust fund held by it in a trustee capacity. It is intended that the Fund will be a component fund of the Foundation. The Foundation will have the ultimate authority and control over all property in the Fund, and the earnings derived therefrom, in accordance with the Articles of Incorporation, By-Laws, and other governing instruments of the Foundation (as they may be amended from time to time), and the terms of this Agreement applied in a manner not inconsistent with the Articles, By-Laws, and other governing instruments.
4. Designation of Purposes. The Fund will be used for support of the charitable, scientific, literary, or educational purposes of the Organization and its affiliated agencies, as determined by the Foundation, under this Agreement, and as otherwise provided in this Agreement.
5. Investment of Fund. The Foundation will have final authority and discretion as to the investment and reinvestment of the Fund. The Fund will be held by the Foundation as part of the general investment assets of the Foundation. The overall investment guidelines, objectives, and performance of the Fund will be provided to the Organization on the request of the Organization.
6. Distributions. The Donor intends to create a fund that is permanently endowed. Distributions from the fund shall be limited to the fund's distributable amount determined in accordance with the Foundation's spending policy.
7. Dissolution of the Organization. Except as provided otherwise in this Agreement, on the dissolution of the Organization, the Fund will be converted into a field of interest fund to support programs and projects that most closely mirror the mission of the original organization.
8. Publicity. The Foundation may use materials submitted by the Organization and the name of the Organization in the Foundation's promotional efforts, printed materials, newsletter, annual report, website, social media, and special communications to prospective donors, as determined by the Foundation. The Foundation, in its discretion, may publicize that the Foundation holds the Fund.
9. Fees. The Foundation will charge its customary and usual fees for its management, accounting and investments services for the Organization and the Fund. The Foundation is authorized to charge the Organization with special expenses incurred in connection with the Fund, as determined by the Foundation from time to time. If such fees and charges are not paid directly by the Organization, then the Foundation is authorized to pay such fees and charges from the Fund.
10. Dissolution of the Foundation. If the Foundation ceases to be exempt from taxation under Code section 501(c)(3) or if the Foundation proposes to dissolve, then the assets of the Fund will after payment or making provision for payment of any liabilities properly chargeable to the Fund, be distributed to the Organization. If the Organization is then (i) not exempt from taxation under Code section 501(c)(3) or (ii) a private foundation under Code section 509, then

such assets will be distributed in such a manner and to such organization or organizations in the Battle Creek community as are (i) exempt from taxation under Code section 501(c)(3) and (ii) not a private foundation under Code section 509 and serve purposes similar to those of the Organization, all in the discretion of the Foundation.

11. Amendments. This Agreement may be amended at the written consent of the Organization with the approval of the Foundation. Upon the dissolution or other termination of the Organization, this Agreement may be amended by the Foundation, acting alone.

12. Variance Power. The Foundation has 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 governing body, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of Battle Creek and the surrounding region.

Signed this ____ day of _____, 20____.

Organization

Battle Creek Community Foundation

by: _____

by: _____

its: _____

its: President and CEO

Dated: _____

Yearbook Description

(Purpose of fund/organization. This description is the write-up for New Fund Plaques, as well as other advertising for the fund.)



-SUMMARY-
Gift Acceptance Policy
of the
Battle Creek Community Foundation
(hereinafter referred to as "BCCF")

As of February 2023

General Information

The BCCF encourages the solicitation and acceptance of gifts for purposes that will assist it in accomplishing its charitable mission. These policies are intended to assist the Board, staff, and committees of the BCCF as gift acceptance decisions. These policies may also be used by a donor and/or the professional advisor in making charitable gifting decisions. The BCCF will provide a copy of its Gift Acceptance Policy to any individual, foundation, corporation, business, government entity, or organization requesting it.

Gift acceptance policies and procedures are approved by and will apply to the Battle Creek Community Foundation, its geographic and educational affiliates, and to supporting organizations of the Battle Creek Community Foundation, including but not limited to: Encourage BC! and the Battle Creek College Access Network.

The following represent key points of the BCCF Gift Acceptance Policy:

- To assist staff in the evaluation and acceptance of gifts, the Executive Committee of the BCCF will serve as a Gift Acceptance Committee.
- Gifts of some complex assets, such as real estate, must be approved by the gift acceptance committee prior to acceptance.
- The BCCF reserves the right to refuse any gift.
- In accordance with the BCCF Confidentiality Policy, except as required by law, the BCCF will not disclose information about a donor or a donor's gift. Though, the BCCF may publish the names of individual donors in the BCCF's Annual Report and other reported listings.
- In the case of memorial gifts, the BCCF will provide the names and addresses of donors to members of the immediate family unless the donor has requested anonymity.
- The BCCF will not disclose the amount of any gift without the donor's consent, with the exception of reporting to Fund Advisors.
- The BCCF does not accept donations, grants, or other funding from entities or individuals known to directly derive most or all of their funding from conducting cannabis-related activities that are illegal under federal law.
- Donors are encouraged to seek outside professional advice. All information concerning gift planning from the BCCF is to be for illustrative purposes only and is not to be relied upon in individual circumstances.
- The BCCF will accept unrestricted gifts and gifts for specific programs and purposes, provided that such gifts are consistent with its stated mission, purposes, and priorities. The BCCF will not accept gifts that are too restrictive in purpose.
- All gifts are irrevocable and subject to the variance power of the Battle Creek Community Foundation.
- It is the policy of the BCCF as a fiduciary to liquidate publicly traded securities as soon as possible after receipt to avoid unnecessary market fluctuation.
- The direct costs of administering gifts are generally paid out of the assets of the individual funds.
- Costs associated with the acceptance of a gift, such as the donor's attorneys' fees, accounting fees, and appraisal and escrow fees, are borne by the donor, where possible. The BCCF may, on occasion, provide a limited amount of support to help defray these costs

- The BCCF generally does not serve or act as personal representative of any estate or as trustee for any trust including charitable remainder trusts, charitable lead trusts, revocable or irrevocable trusts, nor does the BCCF generally serve as co-trustee to any trust.
- The Board of Trustees must approve any changes or deviations to the policies.

Types of Gifts

The BCCF accepts gifts in the form of outright gifts, pledges, planned gifts, and endowment gifts. A minimum of 51% of any deferred or planned gift must remain in funds at the BCCF.

Donors are encouraged to make bequests to the BCCF under their wills, and to name the BCCF as the beneficiary under trusts, life insurance policies, commercial annuities, and retirement plans.

The following types of gifts and gift properties will typically not require review by the gift acceptance committee.

- Cash/ Cash Equivalents
- Tangible Personal Property
- Publicly Traded Securities and Mutual Funds

Acceptance of the following gifts can only be made with the approval of the Gift Acceptance Committee, or the Board of Trustees of the Battle Creek Community Foundation.

- Closely Held Securities/ Business Interests
- Real Estate
- Oil, Gas and Mineral Interests
- Life Insurance
- Bargain Sales
- Digital Assets (such as Cryptocurrency)

The following types of deferred gifts and planned gifts may be accepted

- Charitable Gift Annuities/ Deferred Charitable Gift Annuities*
- Bequests and Beneficiary Designations
- Charitable Lead Trust Designations
- Charitable Remainder Trusts/ Unitrust Designations

*Typically, the BCCF will accept only gifts of cash or marketable securities to establish a charitable gift annuity.

Types of Funds

A donor may establish a named endowed or non-endowed fund, subject to the BCCF's endowment, investment, and spending policies, for the general purposes of the BCCF or for restricted purposes approved in accordance with these policies and the other policies and procedures of the BCCF. Funds may be established with current or planned gifts.

There are different types of funds available at the BCCF to address a variety of philanthropic interests and opportunities of interest to donors. Each fund type has slightly different guidelines to best support the charitable purpose of the fund.

Fund Type and Description	Fund Minimum Requirement*	Fee	Geographic Affiliates
Unrestricted Funds (named): These funds do not address a specific area, their purpose is to meet changing community needs, support the creation of innovative responses to community problems, and enhance the quality of community life.	\$10,000	2%	2%
Donor Advised Funds (DAF): With a DAF, fund advisors retain the ability to make grant recommendations to a charitable organization or cause, even if it serves a population outside the greater Battle Creek area, if made during the donor's life. Donors establishing a DAF can recommend the engagement of one successor generation as advisors to the fund. Please see Gift Acceptance Policy for additional rules regarding DAFs.	\$10,000 (All fund assets in excess of \$10,000 are available to make grants)	1.5%	2%
Field of Interest Funds (FOI): These funds provide permanent support for a specific field of interest where funds are not committed to a particular organization. A donor may choose to support a specific area such as the arts, education, health, human services, or other. Where appropriate, the BCCF may create an advisory committee to make recommendations for distributions.	\$25,000 Custom \$5,000 Recognition	2%	2%
Scholarship Funds: A scholarship is financial support awarded to an individual, based on academic achievement or other criteria that may include financial need, for the purpose furthering one's education or training. Any scholarship fund at BCCF must comply with the "Battle Creek Community Foundation Scholarship Policy" as the same may be amended from time to time.	\$25,000 Custom \$10,000 Recognition	2%	2%
Organizational Endowment Funds: These funds are established by the nonprofit organization for which they benefit. These permanent endowments are designed to maintain the purchasing power of the gifts made to the endowment fund as the fund grows over time but allow the nonprofit to use a portion of the fund to support its mission annually.	\$5,000	1%	2%
Named Organizational Endowment Funds: These funds established by a donor in support of a nonprofit organization. At the request of an individual, their gift may carry the individual's or family name with the designation that all grant distributions be designated to a selected nonprofit organization for general operating support or for a particular program or activity of the nonprofit organization.	\$10,000	1%	2%
Organizational Support Funds: These funds are invested as endowed funds but allows for the distribution of up to the entire value of the fund at the organization's request and subject to the approval of the BCCF. Only an organization may establish this type of fund. Note: An Organizational Endowment Fund must be established prior to establishing an Organizational Support Fund.	N/A	1%	2%

*Fund minimums are an intent to build dollar amount, however no distributions may be made from a fund until the fund minimum is met.

Note: Investment Returns are net of Investment Manager Fees are assessed as a percentage of total market value. Fund may also be charged for direct costs incurred by the fund, such as appraisal fees, legal fees and probate cost.

The Donor Bill of Rights

Philanthropy is based on voluntary action for the common good. It is a tradition of giving and sharing that is primary to the quality of life. To assure that philanthropy merits the respect and trust of the general public, and that donors and prospective donors can have full confidence in the not-for-profit organizations and causes they are asked to support, we declare that all donors have these rights:

- I. To be informed of the organization's mission, the way the organization intends to use donated resources, and its capacity to use donations effectively for their intended purposes.
- II. To be informed of the identity of those serving on the organization's governing board, and to expect the board to exercise prudent judgement in its stewardship responsibilities.
- III. To have access to the organization's most recent financial statements.
- IV. To be assured their gifts will be used for the purposes for which they were given.
- V. To receive appropriate acknowledgement and recognition.
- VI. To be assured that information about their donation is handled with respect and with confidentiality to the extent provided by law.
- VII. To expect that all relationships with individuals representing organizations of interest to the donor will be professional in nature.
- VIII. To be informed whether those seeking donations are volunteers, employees of the organization, or hired solicitors.
- IX. To have the opportunity for their names deleted from mailing lists that an organization may intend to share.
- X. To feel free to ask questions when making a donation and to receive prompt, truthful and forthright answers.

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