

Understanding How to Work With Community Foundations and the Role of Gift Planning

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Presenter – David L. Westcott



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- Currently Senior Vice President for Development at The Oregon Community Foundation, a position he has held since 1997. David oversees a development staff of 14 with offices in six cities throughout Oregon.
- Prior to joining the foundation, he was the Chief Financial Officer for the University of Oregon Foundation for 11 years, where he managed accounting, finance, endowment, and trust management operations.
- David has presented papers and conducted numerous consulting workshops for colleges, foundations, and non-profit organizations around the country, is a frequent speaker before civic groups, and currently serves as a member of the Council on Foundation's AdNet Steering Committee.



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The Oregon Community Foundation



WHAT IS A COMMUNITY FOUNDATION?

**NATIONAL
STANDARDS FOR
U.S. COMMUNITY
FOUNDATIONS**



Definition of a U.S. Community Foundation

A community foundation is a tax-exempt, nonprofit, autonomous, publicly supported, non-sectarian philanthropic institution with a long term goal of building permanent, named component funds established by many separate donors for the broad-based charitable benefit of the residents of a defined geographic area, typically no larger than a state.



Mission, Structure and Governance

1. Operated for public benefit and has a well-defined, articulated mission
2. Recognized by the Internal Revenue Service (IRS) as tax-exempt under Internal Revenue Code Section 501(c)(3), organized and operated exclusively for charitable purposes
3. Meets the public support test set forth in Internal Revenue Code Section 170(b)(1)(A)(vi) as modified by Treasury
4. Has an independent governing body broadly representative of the community it serves
5. retains variance power by which it may modify any restriction or condition on the distribution of assets, if circumstances warrant



Mission, Structure and Governance, continued

6. Serves a particular geographic area such as a municipality, county, state, metropolitan area or closely related aggregation of such areas that are considered for some purposes as a community, typically no larger than one state.
7. A community foundation's governing body:
 - a. Is responsible for the mission, direction and policies of the organization
 - b. ensures adequate human and financial resources and actively monitors and evaluates the organization's chief executive officer
 - c. approves policies to prevent perceived, potential or actual conflicts of interest
 - d. serves without compensation
 - e. is not controlled by any other nonprofit organization, or by any single family, business or governmental entity or any narrow group within the community



Mission, Structure and Governance, continued

- f. Reviews and adopts an annual operating budget
- g. Ensures that the governing documents include policies for size of the board, required number of meetings annually, limits of members' terms, and structure and responsibilities of standing committees
- h. Ensures that the community foundation reflects the diversity of the community it serves
- i. Ensures that the community foundation meets all laws and legal requirements
- j. Approves all grants



Resource Development

A community foundation has, or works to develop, broad support in the form of contributions from many separate, unrelated donors with diverse charitable interests in the community served by the community foundation.

Contributions to a community foundation represent irrevocable gifts subject to the legal and fiduciary control of the community foundation's governing body.

A community foundation has a long-term goal of securing resources to address the changing needs of the community it serves.

A community foundation accepts and administers a diversity of gift and fund types to meet the varied philanthropic objectives of donors.

A community foundation adopts gift and fund acceptance policies that address minimum fund size, types of fund options, types of gift mechanisms, and policies and procedures for accepting various types of assets, and makes these policies available upon request, disclosing all roles and relationships to the donor.



Stewardship and Accountability

A community foundation is a steward of charitable funds, investing and prudently managing funds and maintaining accurate financial records.

A community foundation is accountable to the community it serves and regularly disseminates information on its programs and finances.

A community foundation maintains a written record of the terms and conditions of each component fund and all such records must reference the variance power.

A community foundation honors the charitable intentions of its donors consistent with community needs and applicable laws and regulations.

A community foundation observes the balance between donor involvement and governing board control and complies with applicable laws and regulations.

A community foundation ensures that the foundation's financial resources are used solely in furtherance of its mission.



Stewardship and Accountability, continued

An annual audit (financial review when assets total less than \$1 million) is performed by an independent public accountant, reviewed and accepted by the governing body and made available to the public upon request.

A community foundation:

- has investment policies that include asset allocation guidelines, a spending policy and criteria for measuring investment performance.

- makes available to the public upon request the names of its investment managers, fees charged (including investment and administrative fees), governing body or appointees responsible for investment oversight and investment.



Grantmaking and Community Leadership

A community foundation operates a broad grants program to multiple grantees that is limited neither by a single focus or cause nor exclusively to the interests of a particular constituency.

A community foundation awards some grants from its discretionary resources through open, competitive processes that address the changing needs of the community.

A community foundation widely disseminates grant guidelines to ensure the fullest possible participation from the community and performs due diligence to ensure that grants will be used for charitable purposes.

A community foundation works to identify community issues and opportunities and acts as a leader and convenor, using its resources to address immediate and long term community issues and opportunities.



Donor Relations

A community foundation informs and educates donors about community issues and grantmaking opportunities.

A community foundation actively involves donors in identifying and responding to community issues and opportunities.

A community foundation promptly and accurately acknowledges gifts.

A community foundation provides fund statements, at least annually, to those donors who wish to receive them.

All private information obtained with respect to donors and prospects is kept confidential to the fullest extent possible.



Communications

A community foundation communicates openly and welcomes public scrutiny.

A community foundation has a communication strategy that includes a report, widely distributed at least annually, which describes the community foundation's mission, activities and financial operations.



QUESTIONS ON COMMUNITY FOUNDATION STRUCTURE?



FUND TYPES



Unrestricted Funds

The donor chooses to establish a fund to provide broad general support to a charitable organization with the board determining how best to use the fund.

Designated Funds

The donor chooses to establish a fund to support a specific purpose or purposes within the organization.

Scholarship Funds

A type of designated fund specifically structured to provide scholarships.

Field of Interest Funds

Funds that support a broad interest of the donor, whether geographic, programmatic, or both.

Advised Funds

This type of fund is most often associated with a community foundation. The donor retains the right to recommend distributions from the fund to his or her favorite charity or charities.



CHANGES IN THE WORLD OF DONOR ADVISED FUNDS (PPA 2006)

Definition of Donor Advised Funds

Exceptions (there are some)

Grants from Donor Advised Funds

Penalties and Problems



QUESTIONS ON ADVISED FUNDS?



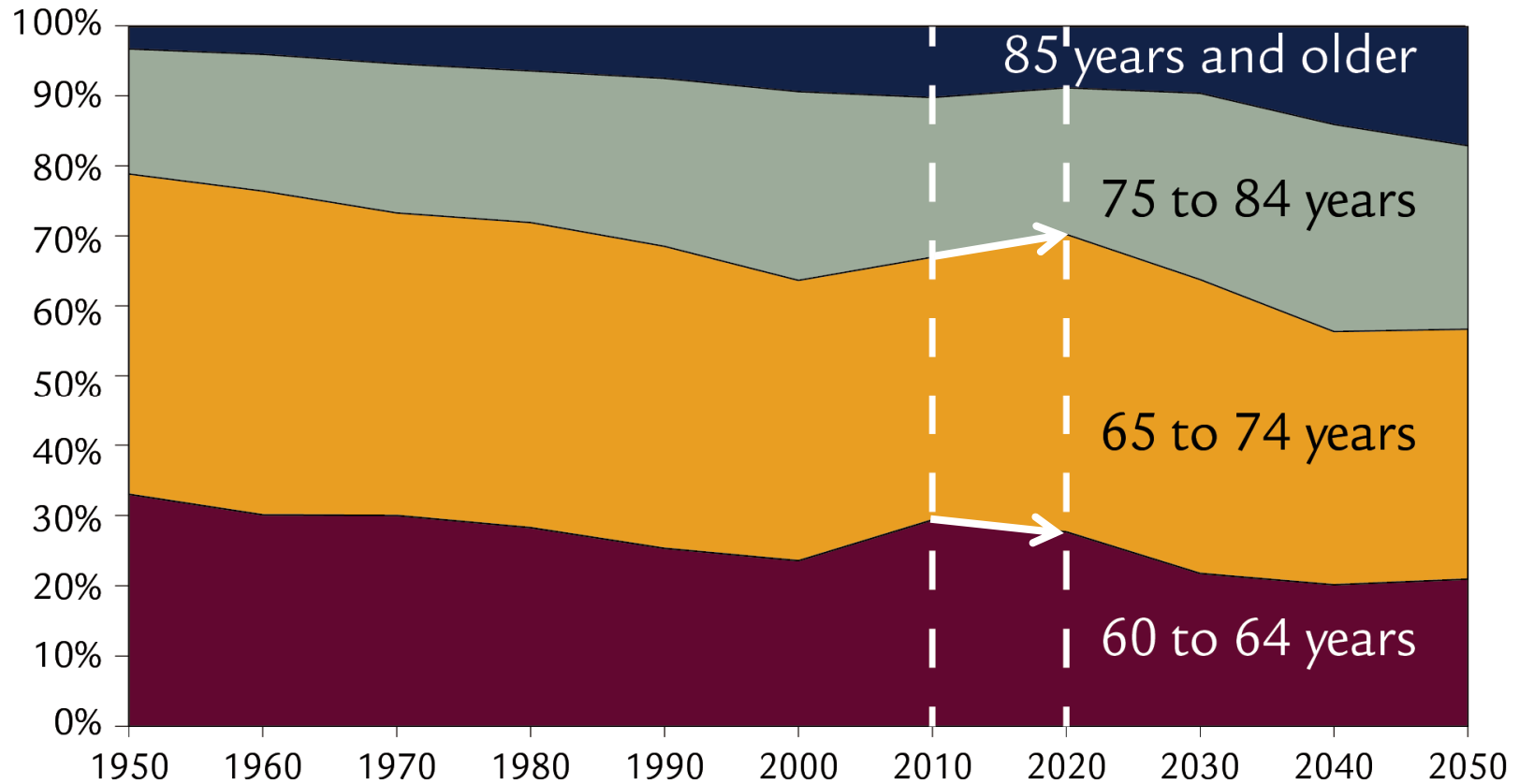
So, How Do Non Profits Connect With Donor Advised Funds For Grants?



Who Are Establishing Donor Advised Funds, And Why Do We Care?

(It's the Boomers, and that's where the money is.....)

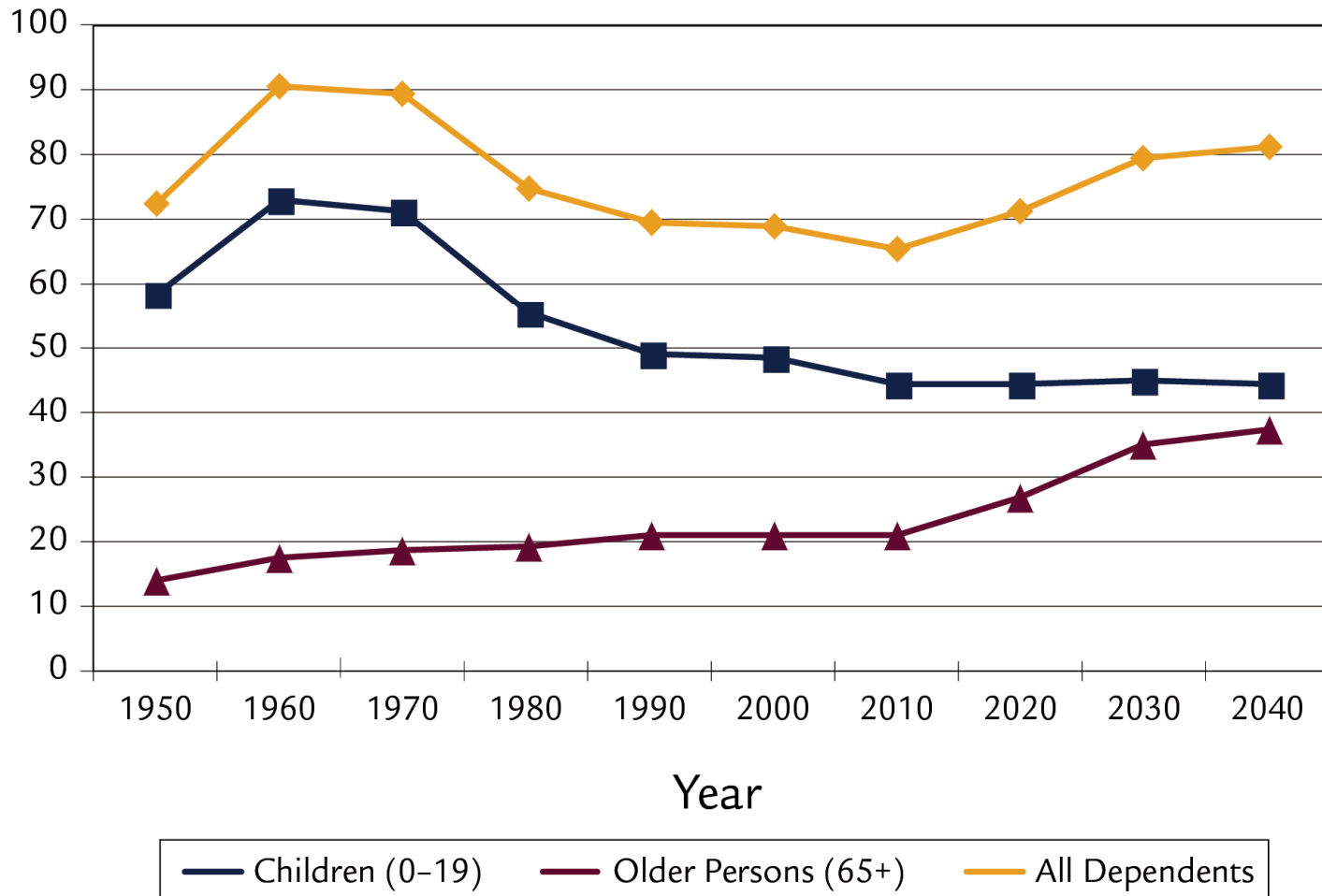
Composition of Older Population



Source: Projections for 2010 through 2050 are from: Table 12. Projections of the Population by Age and Sex for the United States: 2010 to 2050, Population Division, U.S. Census Bureau; Release Date: August 14, 2008.

Old Age Dependency Growing

Dependency Ratio (number of dependents per 100 persons of working age)



Source: Congressional Research Service (CRS).

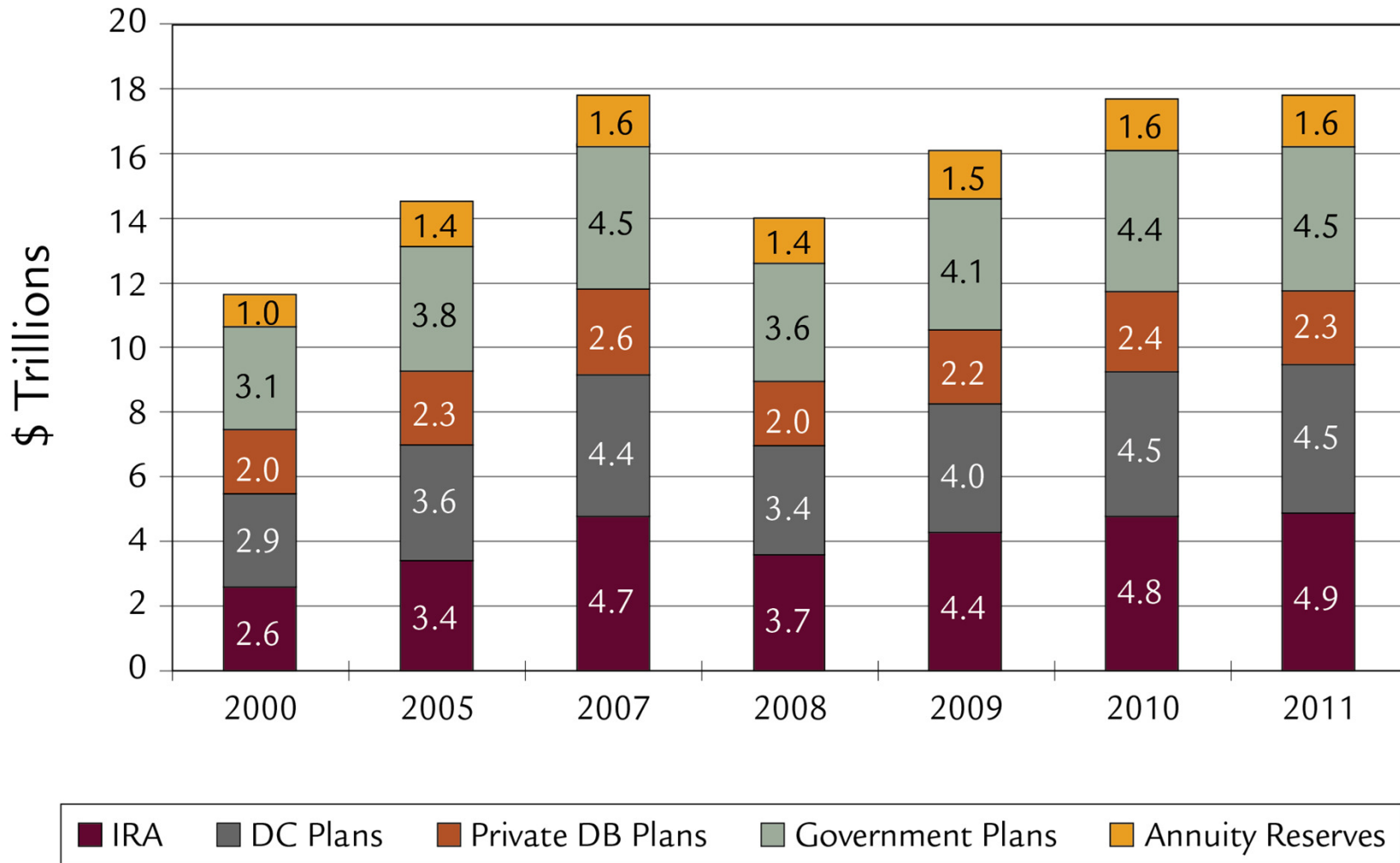
Life Expectancy Is Increasing

	At Birth	At Age 65
1900	47.3	n/a
1950	68.2	13.9
1960	69.7	14.3
1970	70.8	15.2
1980	73.7	16.4
1990	75.4	17.2
2000	76.8	17.6
2007	77.9	18.6

Source: CDC/NCHS, National Vital Statistics System.

Funds Held in Retirement Assets

U.S. Total Retirement Market



Source: Investment Company Institute.



79 million

10,000 a Day

\$7 - \$9 Trillion

**85% of All Savings and Loans
Cash**



Implications for Fundraising and Planned Gifts

Lots of Uncertainty Means...



- Desire to keep more assets
- Longer decision process for making major gifts
- Blended gifts, longer pledge periods
- Delays; waiting before taking action

Observations for Fundraising

- Control
 - Boomers Want Involvement
 - Boomers Expect Results
- Connecting to Community
 - Less and Less Trust in Institutions
 - High level of Volunteerism
- Dependents
 - Children Moving Home with huge Debt
 - Parents Require Financial Assistance
- Advised Funds – Pay and Play as You Go

Observations for Fundraising

- Bequests
 - Charities build relationships
 - Donors keep flexibility
- Connecting to Community
 - Less and Less Trust in Institutions
 - High level of Volunteerism
- Dependents
 - Children Moving Home with huge Debt
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- Advised Funds – Pay and Play as You Go

Observations for Fundraising

- **Bequests**
 - Charities build relationships
 - Donors keep flexibility
- **“Younger older” donors are growing**
 - Concerned about outliving retirement assets
 - Want to maintain control
- **Dependents**
 - Children Moving Home with huge Debt
 - Parents Require Financial Assistance
- **Advised Funds – Pay and Play as You Go**

Observations for Fundraising

- Bequests
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- **Advised Funds – Pay and Play as You Go**

Leave Tax-Burdened Assets to Charity

\$1,000,000 Retirement Plan Asset Given at Death

	Distribution to Family	Distribution to Charity
Retirement Plan Asset Value	\$1,000,000	\$1,000,000
Income taxes @ 35%	(\$350,000)	0
Federal estate taxes @ 35%	(\$350,000)	0
Savings from §691(c) Deduction*	\$98,000	N/A
Net gift	\$398,000	\$1,000,000

*IRC §691(c) allows an income tax deduction for estate taxes paid on IRD assets.



Donor Profile for Flexible Deferred CGA

- Between ages 50 and 65
- In peak earning years; could benefit from a charitable income tax deduction
- Have seen retirement plan assets decrease in the downturn
- Looking for ways to supplement their future retirement plan income
- Unsure when they might retire



Flexible Deferred CGA—How It Works

- Payments deferred to the future
- Multiple start dates written into the contract
- The later the date, the higher the payout rate
- Immediate income tax deduction based on the earliest start date for payments



QUESTIONS ON BOOMERS AND PLANNED GIVING?