

# HANDBOOK FOR ADVISED FUNDS



**This handbook is a guide to using your advised fund.**

The handbook also provides general information about other ways  
we can help you achieve your philanthropic goals.

Please feel free to contact us to learn more.

We look forward to working with you.

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# Using Your Advised Fund

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## **DonorCentral – Online Fund Management**

The easiest, most efficient way for advised fundholders to manage their funds is through DonorCentral, a secure website providing access to frequently used functions. You can make grant recommendations, search the database of over 1,000 nonprofit organizations, check fund balances, see grantmaking and gift history, access and print your fund statements, and more – all at your convenience.

DonorCentral also allows you to read about the proposals received by our community philanthropy department, providing you with an opportunity to learn about – and fund – the work that organizations around the state are undertaking.

In addition, it provides a means for like-minded philanthropists to learn about timely issues and initiatives, such as emergency heating assistance or seed funding for a community broadband project, and to come together to support them.

Registering is easy. Visit [www.vermontcf.org/donorcentral](http://www.vermontcf.org/donorcentral) to create your account.

If you want to learn more about DonorCentral, feel free to contact us with your questions.

## **A Few Things You Should Know Before Recommending a Grant**

We have compiled the following guidelines to make the grantmaking process easier for you. Please familiarize yourself with these guidelines before you make a grant recommendation. Your grantmaking strategy may involve any number of worthy endeavors, but please note that advised funds have some important limitations (see page 14).

### ***Eligible Grantees: You can recommend a grant to any of the following:***

- 501(c)(3) public charities, schools, municipalities, government entities, religious organizations
- Private foundations (if the private foundation was not established by the VCF advised fundholder or his/her family)
- Any other component fund of the VCF

***Prohibited Grantees: You cannot recommend a grant to any of the following:***

- Non-501(c)(3) organizations (unless they use a VCF-approved fiscal sponsor, as outlined in the section below)
- Individuals
- Any entity if the purpose is not charitable
- Organizations based outside the United States, unless using a VCF-approved fiscal sponsor
- Any entity to satisfy legally binding personal pledges of the advisor (see page 5)
- Any entity from which you or your family members will receive more than incidental benefits (see page 5)

***Fiscal Sponsors***

If you are recommending a grant to a project or group that does not have public charity status, it may be possible to use a fiscal sponsor. A fiscal sponsor is a 501(c)(3) public charity that sponsors a non-501(c)(3) project/group in order to receive grants.

The fiscal sponsor must be willing to accept money on the grantee's behalf and is ultimately responsible for overseeing the grant, ensuring the project's completion and filing required grant reports. The mission of the non-501(c)(3) project/group should serve the mission of the fiscal sponsor. The VCF will confirm and document the fiscal sponsor/grantee relationship prior to making the grant.

Please contact our grants associate if you think your grant recommendation may involve a fiscal sponsor. This will expedite grant processing.

***Multi-Payment Grants***

Multi-payment grants are paid in installments based on a schedule recommended by you. When the grant is approved by the VCF, the entire grant amount is applied against your fund balance.

## A Word About Pledges & Benefits

### **Personal Pledges:**

Occasionally a fundholder wants to use his or her VCF advised fund to fulfill a personal pledge made to an organization. However, the IRS does not allow advised funds to be used to fulfill personal pledges. What constitutes a personal pledge? A personal pledge occurs when a donor makes a financial commitment in writing to an organization he or she wishes to support. The donor is then legally responsible for fulfilling that commitment. From the perspective of the IRS, however, using an advised fund to satisfy that commitment results in an impermissible benefit – it's as if the donor were using the fund to satisfy a personal debt, such as paying a credit card bill or making a mortgage payment.

By ensuring that fundholders, family members of fundholders, and entities controlled by fundholders do not use advised fund grants to satisfy their personal pledges, the VCF protects you from paying IRS-imposed excise taxes equal to 125% of the benefit received (i.e., the pledged amount). For example, a fundholder makes a legally binding pledge of \$500 to XYZ College by signing a pledge card, and then requests that the VCF satisfy that personal pledge by making a grant from his or her advised fund. If the VCF were to make that grant, the fundholder would be subject to a \$625 excise tax.

### **Material and Incidental Benefits:**

Because donors receive charitable tax deductions for all gifts to an advised fund, the IRS does not allow additional material benefits, such as free admission to any grantee events, a discount at its retail shops, or a table at a benefit or fundraiser for the organization.

However, allowable incidental benefits can include coffee mugs, key chains, newsletters, etc.

Our staff is always happy to answer your questions about pledges or benefits in connection with advised funds.

## **Making a Grant Recommendation**

The minimum grant recommendation is \$250. Using DonorCentral (see page 3) is the easiest and most efficient way to submit your grant recommendation.

Alternatively, you may fax a grant recommendation form to 802-388-3398 or mail it to the Vermont Community Foundation, P.O. Box 30, Middlebury, VT 05753. Grant recommendation forms are available on our website or from our office.

*Once we receive your recommendation, we will*

- confirm that the grant matches the fund's stated purpose;
- confirm that the total grant amount does not exceed the balance of the fund;
- verify that the organization is an eligible grantee (see page 3);
- contact the charity, if necessary, for documentation or additional information about its mission, operation, and purpose;
- review any matters of concern with you;
- mail a grant award letter and check within 12 business days if the grant recommendation is approved.



**Year-end Alert:** Many advisors recommend grants at year-end. If you would like the organization(s) you wish to support to receive grant checks prior to December 31, please submit your recommendations to the VCF before December 15.

## Adding to Your Fund

You may add to your advised fund at any time. We accept most gifts, including cash, publicly traded and closely held stock, tangible personal property, and real estate. Making additional gifts to your advised fund provides income tax benefits and, for gifts of appreciated stock or real estate, avoids capital gains taxes.

Many advised fundholders want not only to give through their VCF fund during their lifetimes, but to direct some or all of their estate to their VCF fund (see pages 18-19).

Please contact our staff to make additional contributions. Contacting us prior to making your gift ensures that your fund is properly credited and helps you receive the maximum tax benefit.



**Year-end Alert:** Many donors make gifts to their funds at year-end. Gifts mailed to the VCF need to be postmarked by December 31 in order to be recorded for that tax year. To ensure that stock gifts are received into the VCF brokerage account before December 31, please allow up to one week to process stock gifts in December.

# Making The Most Of Your Fund

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In addition to managing the administrative details of your fund, the VCF provides you with many opportunities to learn, lead, and grow as a philanthropist.

## **Working With You**

As a VCF advised fundholder, you have a personal philanthropic advisor who is always happy to discuss your philanthropic goals and strategy. We can help you identify and evaluate nonprofit organizations and programs, connect you with other fundholders who share your philanthropic interests, and create a plan that involves your family in your grantmaking. We can also provide answers to technical questions about pledges, fiscal sponsors, challenge or matching grants, planned gifts, etc.

## **Philanthropic Leadership Fund**

The Philanthropic Leadership Fund (PLF) is an integral part of the VCF's strategy to engage philanthropists and continue building a philanthropic movement in our state.

The fund supports innovative programs, tools, and services that help Vermont-focused philanthropists *learn* about community needs, *lead* by cultivating promising ideas, and *grow* philanthropy by inspiring others.

When you contribute to the PLF, you have the opportunity to advise our work and increase the impact of philanthropy. PLF support has enabled us to establish the Understanding Vermont program and to publish *The Vermont Directory of Foundations*, key resources that benefit both fundholders and the nonprofit community.

We invite you to join the dozens of PLF supporters who are leaders in Vermont's philanthropic movement. Contact Peter Espenshade at 802-388-3355 for more information.

## **Understanding Vermont**

Understanding Vermont is a VCF program that provides useful information for philanthropists and other grantmakers interested in learning more about the issues that shape Vermont communities.

The program includes

- The *Understanding Vermont* publication, which is filled with information on some of the state's most pressing issues, as reflected in articles, studies, and conversations with Vermonters from all walks of life.
- A website, **[www.understandingvt.org](http://www.understandingvt.org)**, which is a companion to the publication. Updated facts, articles, studies, and events that supplement the information in the publication are posted on the website.
- The Giving Together program (described below), which shares grant proposals from the community with advised fundholders. The Giving Together bulletin identifies proposals related to *Understanding Vermont* issues, making it easy for fundholders to reference the information in the publication and on the website.

We look forward to developing more Understanding Vermont programming, such as funder forums and donor education events that build the knowledge, tools, and skills of Vermont-focused philanthropists and foundations.

## **Funding Opportunities — Giving Together**

The VCF's Community Fund provides grant awards at the discretion of its staff through annual competitive grant rounds. Our Giving Together program invites advised fundholders to participate in supporting proposals that the VCF receives through its Community Fund grant rounds. A Giving Together bulletin is mailed and posted on DonorCentral approximately one month prior to the decision date for each grant round. In addition to the bulletin, we provide a summary report on the previous grant round.

By combining the grantmaking power of advised funds with our discretionary resources, we substantially increase the impact of our Community Fund grants and provide fund advisors the opportunity to learn about meaningful work in the community.

## **Events & Gatherings**

Throughout the year we offer opportunities for philanthropists to share experiences and discuss topics of common interest. These include informal dinners and receptions, forums to learn about specific topics, and focus groups. We hope you will be able to join us for one of these events. Please be in touch with us if you have an idea for an event or gathering.

## **Estate and Charitable Gift Planning Advice**

We can help you create a charitable plan for the future, whether you are interested in developing a strategy for meeting charitable goals while preserving the value of your estate, planning for retirement, or minimizing tax liability. For more information on estate planning and life income gifts, please see pages 18-19.

# How Your Fund Supports Our Work

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## **VCF Supporting Fee**

The revenue generated from supporting fees covers the cost of our core services, which include philanthropic advising, grantmaking, gift and grant processing, investment and asset management, planned giving services, agency endowment management, new fund development, and communications.

The VCF is a comprehensive resource for Vermont-focused philanthropists. We help you understand the most pressing issues facing Vermont, and point you to where your grants can make a difference. We can help you find organizations that are doing outstanding and innovative work. We spearhead statewide initiatives and invite you into the fold. We connect you with other Vermont-focused philanthropists and help you signal others to build the state's charitable capital.

In short, we go far beyond transacting grants and managing your charitable investment wisely. Our "business" is helping Vermont-focused philanthropists like you have lasting and meaningful impact.

## **How the Supporting Fee is Assessed**

For a fund invested in a VCF investment pool, a supporting fee is assessed quarterly. A passthrough fund is assessed a fee each time a gift is made to the fund.

## **Investment Fees**

Funds invested in the primary pool, the socially responsive investment pool, or the money market pool are charged an investment management fee by the VCF's underlying third-party investment managers, custodians, and investment consultants. These fees are assessed according to your fund's invested value and represent the actual cost incurred by the VCF to maintain a well-diversified investment portfolio. Passthrough investments are not charged an investment management fee. The VCF investment returns are reported net of investment fees.

Please see page 23 or go to [www.vermontcf.org/fees](http://www.vermontcf.org/fees)  
for our current fee schedule.

## Frequently Asked Questions



### **Q. How many grants may I recommend in a year?**

**A.** You may recommend as many grants as you wish, amounting to the total of your fund balance. The minimum grant recommendation amount is \$250.

### **Q. Is there a fee for processing grants?**

**A.** Every fund at the VCF contributes a supporting fee that covers core fund administration costs and helps further the VCF's mission of building healthy and vital Vermont communities. Grant processing is included in your supporting fee. To learn more about VCF supporting fees, please see page 11.

### **Q. How often are grant recommendations processed?**

**A.** Grant checks are typically mailed within 12 days of receiving a recommendation.

### **Q. I recently made a personal, legally binding pledge to support my favorite charity. Can I use my advised fund to make payments?**

**A.** No. The IRS does not allow an advised fund to be used to fulfill a personal pledge. As part of the grant recommendation process, we require you to acknowledge your understanding of this policy. Please refer to page 5 for a complete explanation.

### **Q. Who can recommend grants from the advised fund I established?**

**A.** Anyone listed as an advisor in the fund agreement can recommend that grants be made from the fund. If you would like to add an advisor to the fund, please submit a written request to the Foundation.

**Q. Can I recommend grants anonymously?**

- A.** Yes. The following recognition options are available for each grant recommendation:
- *fund and advisor named*
  - *fund and advisor named, with advisor address*
  - *fund and advisor anonymous*
  - *fund named, advisor anonymous*
  - *fund anonymous, advisor named*
  - *fund anonymous, advisor named, with advisor address*

**Q. Can I name successor advisors to my fund?**

- A.** Yes, advised fundholders can designate their children or others as successor advisors to recommend grants from the fund. This is usually for one generation.

**Q. Can I request a change to the name of the advised fund I established?**

- A.** Yes. The VCF can change the name of a fund. Please submit your request in writing.

**Q. Can I request a change to the purpose of the advised fund I established?**

- A.** Advisors to the fund can make a request to broaden the fund purpose or convert it to a less-restricted fund. Per IRS restriction, the fund purpose can not be narrowed from its original intent. Therefore, the VCF encourages

fundholders to establish advised funds with as broad a purpose as possible, to accommodate both advisors' changing grantmaking interests over time and the ever-changing needs of our communities.

**Q. Can I encourage others to give to the fund?**

- A.** You can informally solicit family and friends. However, organized fundraising activities (events, mailings, websites, etc.) on behalf of the fund are not permitted.

**Q. Can I serve on the board of an organization and recommend a grant to it from my advised fund?**

- A.** Yes. You can recommend grants from advised funds to organizations where you, your spouse, or family members serve on the board and/or volunteer. We ask you to acknowledge that neither you nor your relatives will receive any personal benefit from the grant.

**Q. What happens to the fund when there is no longer an advisor to the fund?**

- A.** Upon the death of the last advisor, an advised fund becomes a discretionary fund, allowing the VCF to make grants within the fund's purpose that meet current community needs. In this way the VCF ensures that your generous gift remains relevant over time.

# Important Information About Your Fund

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## **Control of Assets / Material Restrictions**

A fundamental concept of advised funds is the transfer of donor control. When you make a gift to establish a fund or add to your fund, the gift becomes the property of the Vermont Community Foundation, which means that the VCF has exclusive legal control over the contributed assets. Furthermore, Treasury regulations require that all component funds of community foundations be free from material restrictions (or “conditions”) imposed by donors. This means that while you, as an advisor, may recommend grants, the VCF is not legally bound by your advice. However, if a grant recommendation meets the requirements on page 3, we will approve your recommendation.

## **Variance Power**

All contributions to the VCF are subject to the Foundation’s variance power, as stated in your fund agreement. Variance power, though rarely invoked, gives the VCF the right to redirect the use of any fund if we determine that distributions from that fund have become unnecessary, can not be fulfilled, or are inconsistent with the charitable needs of the community. All funds accepted by the VCF are subject to this variance power, and all community foundations have this policy, which allows them to remain flexible and relevant as grantmaking organizations over a long period of time.

## **Fund Statements**

Statements show your fund balance and report year-to-date activity, including all contributions to and grants from your fund, investment returns, and assessed supporting fees. They also include an explanation-of-terms section. DonorCentral users receive quarterly fund statements online and may request paper statements be mailed. A statement is automatically mailed to all other fundholders annually, and you may request that statements be mailed more frequently.

## **Spending Rate Guideline**

Based on your philanthropic goals, you may choose how much to grant out of your fund (up to the fund balance). For advised fundholders interested in preserving the value of their fund over the long term, the Foundation has established an annual spending rate guideline of 3.5%. This rate seeks to maintain the inflation-adjusted value of the fund over time.

For funds in a VCF investment pool, we calculate the annual spending amount each February by multiplying 3.5% by the 36-month trailing average balance of the invested portion of your fund on December 31 of the previous year. The annual spending amount is then transferred from your fund's invested account to your fund's grants account.

If you choose to grant more, money will be transferred from your fund's invested account to your grants account to pay the grants awarded. If you choose to grant less, the money will remain in your grants account unless you let us know that you would like the money reinvested. Interest generated from your grants account supports VCF operations and does not accrue to the fund.

**Please Note:** No spending calculations apply to funds invested in the money market pool or in the passthrough option.

# How We Manage Your Fund Assets

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## **Investment Options**

When you establish a fund, your gift is pooled with other funds and invested. We recognize that donors have different time horizons, risk tolerances, and other criteria that influence their choice of how to invest their fund. To meet these needs we offer the following investment options:

***If your goal is to maximize long-term growth while providing for a steady stream of grants, we offer a Primary Pool.*** This is our most diversified pool, and the one expected to produce the highest long-term returns. The investments are a mix of equities, alternatives, and fixed income, with considerable exposure to the equity markets. We believe this exposure is an important quality for strong, long-term returns, although this pool will periodically produce weak results over shorter periods.

***If your goal is to achieve long-term growth that provides for a steady stream of grants while blending social values with investments, we offer a Socially Responsive Pool.*** This pool pursues long-term returns while evaluating companies' social criteria. Investments tend to include companies that foster positive relationships with their employees and shareholders, the community, and the environment. In addition, these companies typically provide life-enhancing products or services and have guidelines regarding human rights. This pool also maintains considerable exposure to the equity markets, which we consider an important quality over long periods, although this pool will periodically produce weak results over shorter periods.

***If your goal is to secure your fund's value while providing a steady stream of grants, we offer a Money Market Pool.*** This pool provides limited market risk. It will have the lowest risk of capital losses as compared to the primary or socially responsive pools, and during periods of market gains this pool's investment return will have the lowest returns as compared to the other VCF investment options.

***If your goal is to make periodic gifts to the VCF for immediate grantmaking in the community we offer the Passthrough Option.*** This option is optimal for those donors who do not maintain a fund balance, but rather continuously gift and grant out the value of their fund. This option is not assessed an investment or custodial fee, and the funds are invested in a risk-free account.

### **Mission Investing**

Mission investing continues to gain momentum in this country, and in recent years our efforts have received national recognition. The VCF is committed to aligning our investments with our mission; our activities include being active shareholders, offering a socially responsive investment pool, investing 5% of our pooled investments in Vermont, and continuing to explore additional options.

### **Vermont Investments**

The Foundation has committed to investing 5% of its invested pooled assets in Vermont. These investments are made up of low-interest community development loans, high-quality bonds made up of low-income mortgages, and start-up business ventures. By establishing an advised fund at the VCF and choosing the Primary or SRI Pool as your investment option, you contribute to Vermont Investments.

### **Proxy Voting**

The VCF has developed a set of socially responsible guidelines for proxy voting that it distributes to its investment managers to use when voting on behalf of the VCF as a corporate shareholder. Recommendations take a stand on four key areas: good corporate governance, environmental stewardship, community well-being and citizenship, and workplace diversity and equity.

For more information regarding investments at the VCF, please visit [www.vermontcf.org/investment-management](http://www.vermontcf.org/investment-management) or call us at 802-388-3355.

# Planned and Legacy Giving

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Many of our advised fundholders enjoy giving through the VCF now and also want to direct some or all of their estate to their VCF fund. We offer several planned giving options, and careful planning can reduce income, estate, and capital gains taxes. Gifts to the VCF that provide life income to the donor can be a valuable component of a broader retirement income strategy.

Brief descriptions of some VCF planned giving options are listed below. For more detailed information, please contact our staff by calling 802-388-3355. Additional information is also available on our web site at **[www.vermontcf.org/options-for-giving](http://www.vermontcf.org/options-for-giving)**.

## **Bequests and Bequest Alternatives**

A provision in your will or living trust can enable you to grow your VCF fund without diminishing the assets available to you during your lifetime. All such provisions avoid estate taxes, both on the federal and state levels. Sample bequest language is available on our website, or you may contact us for more information.

If you have a retirement plan, you may direct those assets to your fund by naming the VCF as a full or partial beneficiary of your plan (be sure to list your fund name). Simply contact your plan administrator for a change-of-beneficiary form. An added advantage is that your gift to the VCF will not be diminished by federal or state income taxes, which may not be the case if you leave your retirement plan assets to heirs. As with a bequest, you can change your beneficiary designation at any time, if you so desire.

Life insurance policies make good gifts to your fund as well. Simply ask your life insurance agent or company for a change-of-beneficiary form. If you would like to enjoy an income tax deduction from a gift of your life insurance policy, you should also ask your agent to provide you with a change-of-ownership form. When you name the VCF as the irrevocable owner of your policy, the cash surrender value or the cost of a replacement policy is deductible as a charitable contribution. Any future premiums you pay on the policy also qualify as additional charitable gifts.

## **Gift Options That Provide Income for Life**

We offer several options that entitle you, or someone you designate, to receive income for life in return for a gift to the VCF. That income can be a fixed dollar amount or an amount based upon the annual value of the underlying investments. Additional benefits are a charitable income tax deduction when the gift is arranged, full or partial avoidance of capital gains taxes if you fund your gift with appreciated property, and tax-favored income paid to you each quarter. Contact us for details and a specific gift-vehicle recommendation for your situation.

## **Gift Options to Transfer Assets to Heirs at Reduced Transfer Costs**

An interesting way to add to your fund and ultimately transfer assets to your heirs at reduced transfer costs is called a charitable lead trust. This is a sophisticated trust vehicle used by individuals to provide annual support for a number of years to their favorite charities, while reducing or eliminating gift and estate taxes on transfers to the next generation. Please ask us for a detailed description of how these trusts work.

## **Gifts of Real Estate, Closely Held Stock, and Similar Assets**

Often the most advantageous assets to add to your fund from an income tax savings perspective require special handling. We are experienced in dealing with different types of real estate gifts, gifts of closely held securities, gifts of mutual funds, gifts of tangible personal property, and other similar assets. Please take advantage of our expertise in these areas by contacting one of our senior philanthropic advisors.

## **The VCF Bequest Society**

By arranging for a bequest or life income gift to be added to your fund, you automatically qualify for membership in our VCF Bequest Society. We will send you our special membership materials when you qualify.

## **Planned Giving Partnership Program for Nonprofits**

We also offer a program for Vermont nonprofits that enhances their fundraising capacity and builds long-term sustainability. Our turnkey planned giving program for agency fundholders features charitable gift annuities, charitable remainder trusts, and charitable lead trusts. The program requires no upfront investment by the organization, no additional staff training, and no organizational liability. Our staff will work with the nonprofit and its donors to arrange any of these gift vehicles.

# Glossary of Terms

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**501(c)(3):** Section of the Internal Revenue Code that designates an organization as charitable, tax-exempt, and nonprofit. Organizations qualifying under the code include religious, educational, charitable, amateur athletic, scientific, or literary groups; organizations testing for public safety and organizations involved in prevention of cruelty to children or animals. Most organizations seeking foundation or corporate contributions have a 501(c)(3) status. The VCF's due diligence on grants includes verifying 501(c)(3) status.

**Advised Fund:** A fund through which the donor (or person or committee designated by the donor) can advise the Foundation on grant recommendations.

**Advised Fundholder:** The primary contact(s) for the advised fund.

**Advisor:** Person(s) identified in the fund agreement or subsequent documents as having advisory privileges for a fund.

**Community Foundation:** A tax-exempt, nonprofit, autonomous, and publicly supported philanthropic institution comprised of funds established by many separate donors for the long-term, charitable benefit of the residents of a defined geographic area. Typically, a community foundation serves an area no larger than a state.

**Community Fund:** The VCF's discretionary grants program. It provides grant awards to nonprofit organizations through annual competitive grant rounds. These grants support our mission to build healthy and vital Vermont communities. Additionally, grants are awarded on an as-needed basis through a Special and Urgent Needs program. All grant applications are reviewed by VCF staff, which makes awards at its discretion.

**Component Funds:** Multiple funds that comprise the resources of a community foundation. A VCF advised fund is a component fund and an asset of the Foundation, and, as such, any contribution to a component fund is automatically treated as a gift to a public charity.

**Designated Fund:** A fund from which distributions are restricted to one or more public charities named by the donor at the time the fund is established. The VCF oversees the annual distribution process, ensuring that the organization has not changed its legal status and that its purpose remains charitable in nature. In the event the organization ceases to operate or changes its purpose, the VCF will ensure that the fund is used to continue the donor's charitable intent.

**Discretionary Fund:** Discretionary funds enable donors to carry out their charitable intentions by giving grantmaking discretion to the Foundation. The VCF responds to proposals received from community nonprofits through its Community Fund grants program. Discretionary funds may be *unrestricted* or *field of interest*. (Please see definition for *unrestricted* and *field of interest funds*.)

**DonorCentral:** A secure website where donors can manage their funds. Donors can make grant recommendations, check fund balances, see grantmaking and gift history, access and print their fund statements, and more – all at their own convenience.

**Field of Interest Fund:** A discretionary fund that restricts distributions to a charitable purpose specified by the donor (for example, the arts, education, the environment, or a specific geographic region).

**Fiscal Sponsor:** A 501(c)(3) public charity that sponsors a non-501(c)(3) project in order to receive grants from an advised fund.

**Giving Together:** A VCF program that shares a list of proposals from each Community Fund grant round with advised fundholders. The VCF invites fundholders to partner with it in funding these proposals.

**Incidental Benefits:** Benefits that an advised fundholder, a family member, or an advisor are allowed to receive from an organization to which their fund has made a grant. Examples include coffee mugs, key chains, and newsletters with the organization's logo.

**Material Benefits:** Benefits that an advised fundholder, a family member, or an advisor are not allowed to receive from an organization to which their fund has made a grant. Examples include free admission to the organization or its events, discounts at retail shops, and a table at a benefit or fundraiser.

**Philanthropic Leadership Fund (PLF):** A fund at the VCF that supports innovative programs, tools, and services that help Vermont-focused philanthropists learn about community needs, lead by cultivating promising ideas, and grow philanthropy by inspiring others. Contributions to the fund are voluntary.

**Private Foundation:** A foundation that receives most of its income from, and is subject to control of, an individual or other single or limited source. Also the technical IRS term for an organization that is tax-exempt under Section 501(c)(3) but does not have to meet a public support test; therefore it is classified as a private foundation under the Internal Revenue Code.

**Private Non-Operating Foundation:** A private foundation that grants money to other charitable organizations.

**Private Operating Foundation:** A private foundation that distributes funds to its own programs that serve charitable purposes.

**Public Charity:** A charitable organization that has broad public support, actively functions to support another public charity, or is devoted exclusively to testing for public safety. Many public charities rely on contributions from the general public. Donations to public charities are tax deductible.

**Spending Rate Guideline:** The rate set by the VCF as a guideline for fundholders who are interested in preserving the long-term value of their fund. The rate works in conjunction with the VCF's investment strategy and seeks to maintain the inflation-adjusted value of the fund over time.

**Unrestricted Fund:** A discretionary fund that is most responsive to communities' changing needs over time and enables the VCF to make grantmaking decisions.

**Variance Power:** The ability of a community foundation to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to any specified organization 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 the community or area served.

# Supporting Fee Schedule

*effective as of October 2008*

The supporting fees outlined in the table below are calculated as an annual percentage of the market value of each component fund and are assessed quarterly. There is a \$10,000 minimum to establish a fund.

<b>Fund Type</b>	<b>VCF Annual Supporting Fee</b>	<b>Minimum Annual Fee†</b>
<b>Discretionary</b>	2.00% on first \$3M	\$500
<b>Advised*</b>	1.50% on assets \$3M – 5M	
	0.50% on assets over \$5M	
<b>Designated</b>	0.80% on first \$3M	\$200
<b>Agency</b>	0.50% on assets \$3M – 5M	
	0.30% on assets over \$5M	

\* Advised funds that are not actively invested are considered passthrough funds and are assessed a supporting fee of 2.00% of gifts rather than an annual supporting fee.

† Given the minimum annual fee, it is important to note that funds with a balance below the effective minimum of \$25,000 will erode over time.

*Individual funds are charged an investment management fee based on the investment option.*

## NOTES

Do you have questions?

We are here to help you.

Please visit [www.vermontcf.org/contact](http://www.vermontcf.org/contact)

for complete staff list or

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