

# AGENCY FUND FAQ

## WHAT IS AN AGENCY FUND?

An Agency Fund is established by a nonprofit organization to provide support for the organization. The fund is held and managed by the Community Foundation on behalf of the nonprofit organization. Distributions from the fund are made upon request to the organization to be used at the discretion of its governing board.

## WHAT TYPES OF ORGANIZATIONS CAN ESTABLISH AN AGENCY FUND AT THE COMMUNITY FOUNDATION?

A public charity under Section 509(a)(1), 509(a)(2), or 509(a)(3) as well as a unit of government may establish an Agency Fund at the Community Foundation.

## WHAT IS THE DIFFERENCE BETWEEN AN ENDOWED, NON-ENDOWED AND QUASI-ENDOWED FUND?

Nonprofit organizations can establish their Agency Fund as an endowed, non-endowed or quasi-endowed fund.

### **Endowed Fund**

An endowed fund is a permanent fund established to help ensure the long-term sustainability of the nonprofit organization by providing a permanent source of support. An endowed fund is pooled and invested to achieve long-term growth by balancing principal protection with distributions. Contributions to an endowed fund may be eligible for Endow Iowa tax credits.

### **Non-Endowed Fund**

Unlike an endowed fund, a non-endowed fund does not operate in perpetuity. The assets are not permanent nor invested. A non-endowed fund can become an endowed fund at any time upon request. Contributions to a non-endowed fund are not eligible for Endow Iowa tax credits.

### **Quasi-Endowed Fund**

A quasi-endowed fund offers flexibility while still being exposed to the market for investment purposes. Quasi-endowed funds are a good option for organizations that plan to distribute the funds within a 3 – 10 year time horizon. A quasi-endowed fund can become an endowed fund at any time upon request. Contributions to a quasi-endowed fund are not eligible for Endow Iowa tax credits.

## WHAT ARE THE BENEFITS TO HAVING A FUND AT THE COMMUNITY FOUNDATION?

Partnering with the Community Foundation allows nonprofit organizations with endowed or quasi-endowed funds to invest in a larger pool of assets, which can lead to greater growth, greater income and lower investment fees. All gifts to the organization's fund are tax deductible and donors may benefit from the Endow Iowa tax credits for gifts to endowed funds.

## WHO MANAGES THE FUND?

The Community Foundation's Investment Committee, under the oversight of the Board of Directors, has responsibility to manage and oversee the investment portfolio. The Community Foundation works with Fund Evaluation Group, an investment consulting firm specializing in community foundations.

## WHAT KIND OF RETURN CAN WE EXPECT?

The Community Foundation's long-term investment objective is to achieve a total return in excess of the sum of the distribution rate, the long-term inflation rate, and the aggregate costs of portfolio management. The goal is to earn a return that allows nonprofit organizations to receive a distribution while maintaining the endowment's future giving power. The current target for long-term total return for the endowed pool is 7-7.5% per year.

## WHAT TYPES OF GIFTS CAN BE MADE TO THE FUND?

We accept a wide variety of contributions including cash, securities, real estate, and more. The Community Foundation can facilitate the most complex forms of giving. Through planned gifts of life insurance, estates or retirement assets, your donors can establish a fund at the Community Foundation to provide a perpetual source of support for your organization.

## HOW OFTEN WILL WE RECEIVE STATEMENTS FOR THE FUND?

Statements detailing your fund activity, including investment performance as well as contributions and grants made to your organization, are posted to Donor View, a secure online portal at [www.gcrfc.org](http://www.gcrfc.org) to access fund information anytime. The statements are available monthly.

## WHAT FEES DOES THE COMMUNITY FOUNDATION CHARGE?

The current fee schedule is as follows:

Up to \$1 million	.50%
Next \$1 million	.25%
Over \$2 million	.10%
Family fees apply	
Minimum annual fee of \$125	

## WHAT HAPPENS IF OUR ORGANIZATION CLOSES SOMEDAY?

The law requires that the Community Foundation, through its variance power, find the most similar and appropriate use for the fund. This is specified in the fund agreement. If possible, the Community Foundation will work with your Board of Directors to determine the most appropriate re-allocation.

## HOW IS OUR FUND TREATED IN OUR ORGANIZATION'S ACCOUNTING?

The fund is owned by the nonprofit organization and should be shown as an asset on the organization's Statement of Financial Position. The fund is shown as both an asset and a liability on the Community Foundation's Statement of Financial Position.

## CAN THE COMMUNITY FOUNDATION USE OUR ASSETS FOR ANY OTHER PURPOSE?

No, the fund exists to permanently benefit your organization as long as your organization exists.

## WILL THE COMMUNITY FOUNDATION HELP US RAISE ENDOWMENT FUNDS?

While we cannot directly ask donors to contribute to your organization's fund, we can promote the fund on our website, in the Annual Report, and through other marketing materials when appropriate. Fundraising events create liability, accounting, and deductibility issues which the Community Foundation must address with you in advance if the fund name and/or Community Foundation's name or logo is used.

**Questions? Please feel free to contact us at any time! We are here to help.**

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