

JEFFERSON COUNTY COMMUNITY FOUNDATION

Frequently Asked Questions

We hope you find this section informative. Please [contact us](#) if you have further questions or would like to get involved.

QUESTIONS

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Jefferson County Community Foundation

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ANSWERS

Q: How does a Community Foundation work?

A: A community foundation is governed by a board of directors of community leaders and is typically administered by professional staff. Funds to operate the foundation are earned from management fees, through grants and partnerships with other local foundations and from investments specially designated by donors to cover foundation operating expenses.

Q: What is the Jefferson County Community Foundation?

A: A community foundation is a tax exempt, nonprofit, supported by donors, large and small, who care about the community and its future. It is a philanthropic organization with the long term goal of building permanent funds for the charitable benefit of the residents of Jefferson County.

The mission of the Jefferson County Community Foundation is to promote philanthropy throughout the county as an effective way to improve the quality of life now and in the future. Community foundations carry out their broad mission by building a permanent endowment fund and using the annual income to support a variety of local nonprofit organizations through grants and special projects.

Most community foundation assets are held in funds established by local individuals, families, businesses, or charitable groups. These funds typically have a special purpose, but the foundation board of directors, representing the community, oversees the funds. The special IRS tax status given to community foundations as public charities is given in part because they are supported by the general public and their boards broadly represent the community and the areas served.

Q: How do Community Foundations differ from private foundations?

A: Community foundations are a loosely coupled group of people who are connected through the desire to improve local communities. Many of the people who participate in giving to the community foundation may not know each other; they will represent individuals, families, corporations and foundations as well as local organizations.

Community foundations are public charities which mean they have a broad base of support. This IRS designation gives community foundations special tax advantages that private foundations do not have. Community foundations are also allowed to manage all the funds under their purview as part of a single corporation which gives them

administrative advantages as well. Private foundations on the other hand are supported by a single individual, family or business. Some of the larger foundations such as Gates, Kellogg and Ford are all private foundations.

In 1969, Congress enacted tax laws to prevent abuse and self-dealing by private foundations. These laws also impose various penalties and legal requirements on community foundations to protect the interest of donors and the community.

Q: How do Community Foundations differ from nonprofits?

A: Nonprofit organizations have a specific mission. The community foundation's mission is very broad, for example, to improve the quality of life now and in the future. This broad mission allows the community foundation to make grants in a wider range of interest areas as long as there is charitable benefit to the local community.

This flexibility allows the community foundation to serve a wider group of donors as well as a wider group of nonprofit organizations who are valuable community partners in improving local communities. The community foundation can help make connections between the people who want to give and the people who need their support.

Local nonprofits benefit from having a community foundation because the community foundation helps money stay in the community. Community foundations benefit the nonprofit sector in other ways, too: besides having local grant money, the foundation can manage agency endowment funds and can provide capacity building opportunities to strengthen nonprofit organizations.

Q: How do Community Foundations differ from United Way?

A: Both United Way organizations and community foundations have broad mission to serve a range of charitable activity in a given locale. The United Way and the community foundation may be serving the same geographic area and often will overlap in the kinds of agencies they aim to support.

United Way, however, generally is focused on social services and basic human needs, the community foundation may serve those same agencies but also support arts and culture, education, recreation and other special interest areas or projects.

United Way typically has an annual campaign where the community foundation does not have an annual campaign but rather seeks long-term donations. The grantmaking and operations of the community foundation are, for the most part, funded by annual income generated by the foundation's endowment.

Unlike United Way, the community foundation focuses on attracting and managing endowments and donor advised funds. Many times the United Way is referred to as the community 'safety net' and the community foundation the long term 'savings account'.

Q: How is a Community Foundation funded?

A: The major sources of support for the community foundation come from contributions of cash, securities, real estate, closely held stock, and other items of value such as those made by life or remainder trusts. The array of ways to give, make it possible for a wide range of donors to create charitable fund to support their favorite nonprofit causes.

One of the services of the community foundation is to refer potential donors to investment managers or legal experts who can assist them in developing individual planned giving portfolios or estate planning. Some important reasons for donors to consider investing in a community foundation are:

- A philanthropic planning process may increase effectiveness of your giving and bring more satisfaction.
- You will receive maximum allowable tax deductions for your contributions.
- You may realize savings on capital gains.
- A donor advised fund can be developed over time which allows you to recommend grants to your favorite causes and organizations on your own timeline. Unlike private foundations, donor advised funds do not require enormous sums of money to begin a fund.
- The funds benefit the local community.
- You leave a legacy for future generations.

Operating expenses are generated by charging a small annual fee of 1 to 1.5% to each fund under management. Some funds are garnered through donations that are designated for operating costs or grants.

Q: Can anyone give to and be part of the Jefferson County Community Foundation?

A: Anyone can make a donation of any size to the Jefferson County Community Foundation. The mission of the Community Foundation is to promote philanthropy – to make giving easy and accessible to everyone. Investments in the Community Foundation contribute to the quality of life for county residents now and in the future.

Q: What is an endowment?

A: An endowment is a type of fund that produces income for charitable purposes. Typically only the income generated from the investment is distributed. The principal remains intact in perpetuity. A rule of thumb is a distribution rate of between 3% and 5% per year. Distributions must be carefully planned to match the long-term patterns of investment.

Q: What are the different ways of giving to a Community Foundation?

A: The basic types of funds utilized by community foundations include but are not limited to the following:

- **Unrestricted Funds** which allow the JCCF board of directors to support the broad needs of local communities. These funds support the core mission and expand the community grant program.

- **Area of Interest Funds** help expand community grant giving in specific areas of interest to donors. A donor can give to an existing fund or create and name a new fund.
- **Designated Funds** allow interested donors to support a specific community need, provide endowment support to one or more local nonprofits or create a new program to support a local cause.
- **Donor Advised Funds** enable donors to get and stay involved in local philanthropy in an easy and cost effective way. The JCCF keeps donors informed of local giving opportunities while allowing the donor to make gifting recommendations.
- **Scholarship Funds** can be custom designed to match specific donor goals.

Q: What is the benefit of giving to the Jefferson County Community Foundation vs. giving directly to an organization that I support?

A: The community foundation provides donors with professional fund management and the gift goes on in perpetuity. It is the gift that continues to give! There may be times when a donor gives both to the community foundation and to a favorite charity. Generally, however, donations directly to a charity are used in that calendar year and do not have the same lasting power to give.

Q: Who are the members of the Jefferson County Community Foundation organizing committee?

A: The organizing committee is comprised of community members from the County. The committee is a group of highly talented individuals who want to make a lasting difference in the quality of life in Jefferson County.

Q: How are board members chosen?

A: The inaugural board will be selected by the organizing committee based on criteria developed by the committee. The criteria are representative of the wide array of knowledge, skills and characteristics needed by the Foundation to effectively operate and broadly represent the entire community. The inaugural board will develop and adopt a board policy for board member selection.

Q: Who are the board members?

A: Currently a slate of candidates is under consideration by the organizing committee. The inaugural board will be selected by June of 2005.

Q: When will the Jefferson County Community Foundation fund grants?

A: The community foundation is currently in its formative phase. It is likely the foundation will have donor advised funds before the endowment is large enough to develop a grant program. The organizing committee has set a goal to have the Jefferson County Community Foundation fully operational by the end of 2006.

Q: How will the Jefferson County Community Foundation select grant recipients?

A: The inaugural board will develop a process for deciding on the grantmaking policies of the foundation. The process will include input from a wide variety of constituents and will be vetted in the community.

Q: What are the potential sources of funding for grant applications?

A: The Jefferson County Community Foundation will have donor advised funds. Some grants are made from donor advised funds at the recommendation of the funds' advisors. In other cases, the advisors may appoint a grants committee to make recommendations. Eventually, a grant may be funded through the expenditure of interest from the community endowment. A grant may come from one or more funds held by the community foundation.