



Charitable Fund Proposal for City of La Crosse Arts Board

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MISSION

Connecting people, passion and giving in the La Crosse area forever

VISION

The catalyst for a vibrant, generous, and inclusive community

GUIDING PRINCIPLES

At all times, we strive to these principles for our donors, nonprofit partners, and the community:

- We open our doors to everyone and anyone who aspires to build upon the contributions of the past and present to shape our County's shared future.
- We exist to amaze those we serve through nurturing lifelong relationships that span generations.
- We believe diverse voices, engagement and participation are essential to building and sustaining thriving communities.
- We are flexible, responsive, open to innovative strategies and able to take prompt action with ease.
- We believe in the transformative power of partnerships around shared passions and objectives.
- We are dedicated to being trusted stewards of our community's past and future assets.

HISTORY & BACKGROUND

Community foundations are grantmaking public charities serving people who share a common interest – improving the quality of life in a defined geographic area. Any person, family, business, group, municipality, or nonprofit can start a charitable fund at a community foundation. The community foundation invests and administers the funds, usually in perpetuity, to make annual grants (or scholarships) based on the donors’ preferences and the defined geographic area’s current needs.

The first community foundation was established in 1914 in Cleveland Ohio, and today more than 800 community foundations exist in the United States. La Crosse Community Foundation (LCF) was established in 1930 at the urging of the La Crosse County Bar Association. Today we administer over 250 unique component funds with total assets more than \$56,000,000. We made our first grant in 1946 for \$200, and in 2020 we are on track to distribute nearly \$4,000,000 to hardworking community organizations through our noncompetitive and competitive grantmaking programs.

The 30,000 Foot View

GOVERNING BOARD (11 community volunteers) Set goals, direction, policy				
STAFF (3.4 FTEs) Provide management and program implementation				
<u>DONORS</u> <i>Who we serve...</i>	<u>GIFTS</u> <i>... to build permanent community capital...</i>	<u>FUND TYPES</u> <i>...through these services & charitable vehicles...</i>	<u>INVESTMENTS</u> <i>...with fiscally responsible oversight & stewardship...</i>	<u>DISTRIBUTIONS</u> <i>...to fulfill donor intent.</i>
-Individuals -Families -Businesses/Corps -Private Foundations -Nonprofits	-Cash, Check, CC -Appreciated securities -Real estate -Personal property -Life insurance -Retirement assets -Charitable trusts -Wills & bequests	-Donor Advised -Designated -Field of Interest -Scholarship -Agency -Fiscal Sponsorship -Special Project -Fiscal Sponsorship -Unrestricted	-Investment Policy -Spending Policy	-grants/scholarships for charitable activities - administrative fees to support operations
Through all this activity, La Crosse Community Foundation gains connections, visibility, knowledge, credibility, influence and resources to enhance the quality of life in La Crosse County.				

2019 At a Glance — 89 years serving La Crosse County!

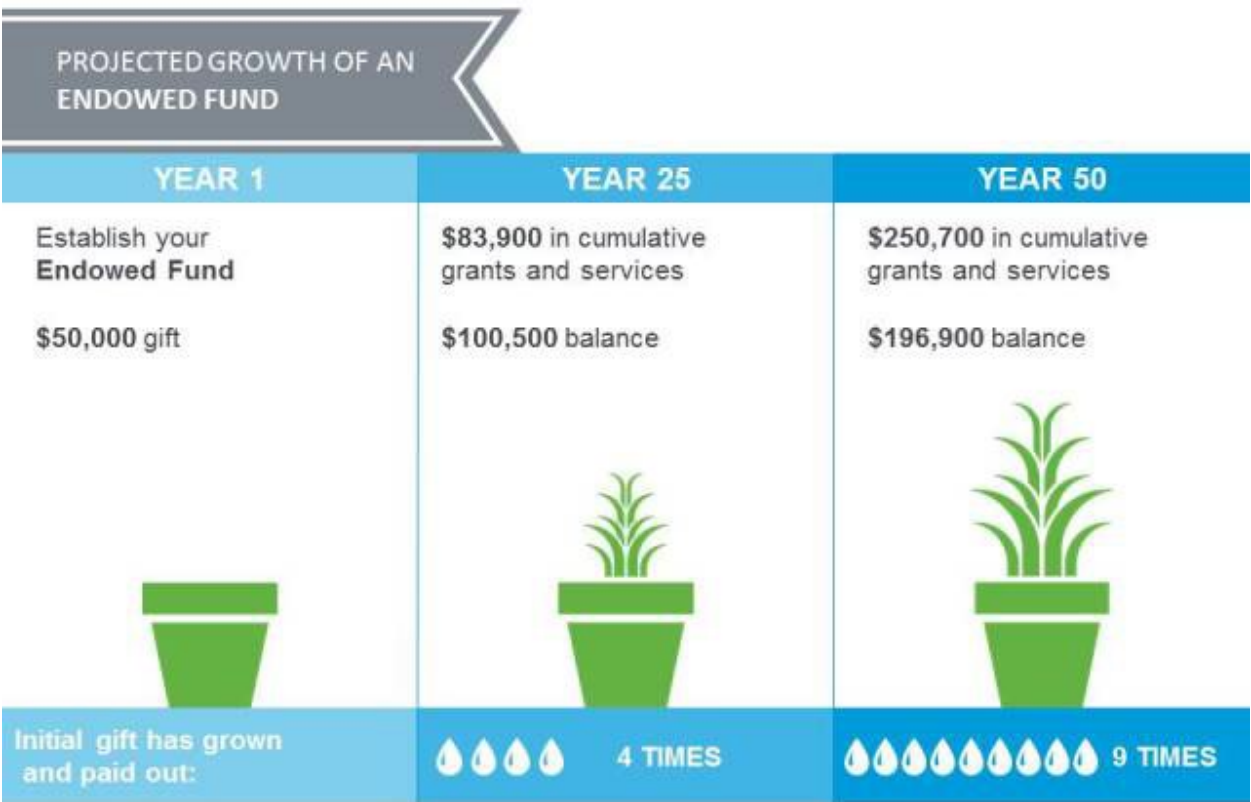
- Total Assets as of 12/31/19: \$57.4 Million
- Total Contributions in 2019: \$5,224,223 Million
- Total # of grants/scholarships awarded in 2019: 708
- Total value of grants/scholarships awarded in 2019: \$2,393,218
- Total new funds established in 2019: 18

THE POWER OF ENDOWMENTS

What if an individual’s charitable giving could provide for community needs not just in their lifetime, but forever? Endowments can make this happen!

The power of an endowment is in its continuity. Endowments are permanent funds where the principal is invested to grow overtime, while a portion of the fund is distributed annually to charitable causes.

Gifts to endowments are preserved in perpetuity, with the funds pooled for maximum benefit and invested to achieve long-term capital growth. Endowed gifts become a part of the Community Foundation’s permanent trust, meaning they will benefit our community forever.



**Example assumes 5% annual distribution with 7.5% rate of return and includes annual fees.*

FUND TYPES

Donors to LCF can create a fund that supports a specific need or area of interest, or one that is multipurpose and flexible. The foundation administers the funds to serve the donors' interests and respond to community needs. Most fund types now offer both permanently endowed options, as well as temporary non or quasi—endowed options which can be spent down.

There are IRS rules specific to each fund type. A simple fund agreement document is drafted to outline these rules, and ensure the Foundation has all of the information it needs to administer a fund as close to donor interests and wishes as legally possible. Here are the types of funds we offer:

- **Donor Advised** — Donor advised funds allow donors the freedom to recommend grants to any charitable organization anywhere in the world. Most donor advised funds are endowed, yet we also offer the flexibility to spend them down. Donor advised fund holders can seek grantmaking advice from LCF staff with expertise in current community needs.
- **Donor Designated & Agency** — Designated funds allow donors to identify one or more charitable organizations or programs to receive annual support from the fund. Designated funds can be established by individuals, businesses or charitable organizations (agency funds).
- **Field of Interest** — Field of interest funds allow donors to identify and support a particular field of interest through the fund's annual distribution without designating a specific charitable organization or program. Field of interest fund grants are awarded through our competitive grantmaking program.
- **Community Giving Fund & Named Unrestricted Funds** — These funds support LCF's competitive grantmaking program. We host four annual grant competitions, giving local charitable organizations the opportunity to submit a proposal for funding support. Grants are awarded in a variety of focus areas.
- **Scholarship** — Scholarship funds provide financial support to deserving students. Donors establish the scholarship criteria (major, school, etc.), and the foundation's staff ensures awards are made in accordance with set guidelines.

LCF also offers the following additional fund types in special situations. Further discussion would be needed for these fund types.

- Special Project
- Fiscal Sponsorship

ESTABLISHING REQUIREMENTS, FEES & EXPENSES

There is no minimum gift amount to establish a fund, but a fund must meet the Foundation's minimum \$10,000 fund balance requirement before any distributions can be advised/taken. Donors can make a lifetime gift to establish a fund or designate a bequest gift to establish a fund upon their passing. For lifetime gifts, donors can take up to 10 years to build a fund to the minimum grantmaking balance.

*****NEW** Pass-Through Gift Options: Donors can make gifts to simultaneously build their fund balance and pass-through for immediate grantmaking. Additional admin fees may apply for this option.***

There is no fee charged to establish a charitable fund. Once gift assets are received to a fund, an annual fee is assessed quarterly on the fund's balance to cover Foundation operating expenses. This flat fee includes the following services to the donor/fund representatives:

- Maintenance of financial records
- Professional investments services
- Professional annual audit & filing of annual state and federal reports
- Gift acknowledgements sent to donors
- Maintenance of permanent file
- Technical assistance
- Online credit card giving accessibility
- Ability to accept even the most complex gift types (stock, mutual funds, Qualified Charitable Distributions from IRAs, real estate/real property, gift annuities, etc.)
- Secure online viewing of fund activity
- Fund advertising and marketing
- Knowledgeable and professional staff assistance to help as needed

In addition to these services, our competitive fee also supports ALL the good works of LCF, including offering the region's largest competitive grantmaking program for nonprofits in La Crosse County. This program awarded nearly \$1.2 M in 2019 from our unrestricted and board advised funds.

Other recent examples of LCF's "good works" include:

- Initiating/funding the Alliance to HEAL collaborative which is working to address the local opioid crisis
- Administration of the La Crosse Area Emergency Response Fund established in response to the COVID—19 pandemic. Since March 18, LCF has received over \$1,000,000 in contributions to the fund and has awarded \$750,000 to local nonprofits serving individuals who have been economically impacted. *We are not taking a fee on this fund.*
- Free, quarterly training and education for area nonprofit professionals
- Backoffice fiscal sponsorship services for La Crosse SOUP and La Crosse Jazz Orchestra
- Community-wide Giving Tuesday program

I know many donors choose LCF over another fund administrator because they feel like their charitable gifts are serving double duty. They can achieve their unique charitable goals through their fund AND support the overall improvement of this wonderful place we call home through the fund's administrative fee. This is why we say gifts to LCF are "For Good. Forever."

Fees on fund balances (for permanent funds):

- Calculated MONTHLY*, as 1/12 of noted % of month-end balance
 - 1% for Agency, Designated and Field of Interest Funds
 - 1% for Donor Advised Funds (with fee breaks for funds over 2 million—1% on first 2 million, .5% on next 1 million and .25% on balance over 3 million)
 - 1.5% for Permanent Scholarship Funds

Fees based on contributions or another basis (for temporary or quasi—permanent funds):

- Calculated monthly, based on gifts for the month to the related funds
 - 3% of contributions for Special Projects Funds, minimum annual fee of \$250
 - Fiscal Sponsorship- fees will be determined based on the complexity and size of the project, with a minimum annual fee of \$500
 - 5% of contributions for temporary (passthrough) scholarship funds
 - 2% or minimum \$500 for passthrough gifts from Non-Fund Holders, with ED discretion to wave (No fees for current fund holders)

SPENDING RATE POLICY FOR ENDOWED FUNDS

Funds that are endowed for perpetuity benefit from the Foundation's spending policy, which determines how much money is available each year for distribution. The Foundation's spending policy ensures that funds generate money to spend on grants each year, whether the market is good or bad, while preserving (and growing) the inflation-adjusted principal value of your fund over time. The Board determines a spending rate each year, *typically* between 4-5%. The 2020 board approved spend rate is 4.75%. The board has maintained a 4.75% spend rate since 2015. Prior to that it was 4.5% (2008—2014).

The Foundation's current Investment Policy Statement indicates our investment goals/objectives for assets in our long term (endowed) pool is to provide a total return that after investment expenses should equal or exceed an average annual rate of return of the Foundation's spending rate (historically 4—5%) + LCF admin fee (1—1.5%) + inflation (as measured by the CPI—U).

In October 2020, LCF's Board of Director's approved a new Spending Policy for its permanent funds. This policy states: The Foundation will use a total-return spending policy. Each year in November the Finance & Investment Committee will recommend to the Board of Directors for approval the annual distribution percentage to be applied uniformly to all endowed funds. The percentage will typically range between four and five percent. The annual grantmaking distribution amount for each fund will be calculated by applying this percentage rate to the average market value of each fund on December 31 over the preceding 12 quarters (or less in the case of newer funds).

2020 Spend Rate: 4.75%

2021 Proposed Spend Rate: 4.75%

RECOMMENDATION

Establish a quasi-endowed designated fund. The fund would need to maintain a \$10,000 minimum balance for no less than five years from the date the \$10,000 minimum balance is met. Any amount above and beyond the minimum \$10,000 balance would be available for distribution/use per direction from the Arts Board.

The fund's agreement would indicate the purpose of the fund and its distributions could only ever be City of La Crosse Arts Board needs. The Arts Board chair would hold the authority to request distributions.

Please note: this would be a unique hybrid fund unlike any other we've administered before. For this reason, we will need to negotiate a special fee structure. I am anticipating the fund's assets will be divided between our long—term investment pool (the first \$10,000 minimum) and our short-term money market account (for gifts made for a specific Arts Board project like a new mural or art piece that planned in the near future).

SEE THE APPENDIX FOR A DRAFT DESIGNATED FUND AGREEMENT TEMPLATE

FINAL COMMENTS

Many people look to give back to the community that they have been a part of and that has supported them and their loved ones. The La Crosse Community Foundation ensures that heartfelt giving—however and whatever one chooses to give—will have an impact. Notably, an impact that is lasting and sustainable, and will make a profound difference now and for generations to come.

When you choose to partner with LCF you become part of something bigger than any one individual or organization—you join a family of people who care deeply about the greater La Crosse area and are committed to doing great things together for their community.

Thank you for your consideration of LCF! It would be an honor and a privilege to help the City of La Crosse Arts Board build and steward charitable assets for its work.

APPENDIX

AGREEMENT ESTABLISHING THE **NAME OF FUND** AT THE LA CROSSE COMMUNITY FOUNDATION

This agreement is made by and between **DONOR NAMES** (hereinafter referred to as “Donors”) and the La Crosse Community Foundation (herein after referred to as LCF or the “Foundation”), a charitable organization described in section 501(c)(3) of the Internal Revenue Code, operating in La Crosse, Wisconsin, bearing Federal Tax I.D. # 39—6037996.

CONTRIBUTION We, **DONOR NAMES**, hereby deliver to the Foundation an irrevocable gift as described in Attachment A. It is our request this gift, together with any additional gifts from us or other donors to the Fund hereafter described, be used to establish and maintain a **DESIGNATED** component fund (the “Fund”) of the Foundation.

NAME OF FUND This charitable fund shall be known as the **NAME OF FUND** and shall be identified as such in the course of its administration and distributions, and is hereby established according to the following terms and conditions:

1. **Purpose** The designated purpose of the Fund is to provide annual distributions to: **LIST DESIGNATED ORG/S**
2. **Investment Pool** The Fund will be maintained in a Foundation corporation account. The first \$10,000 will be invested according to the Foundation’s investment policy as in effect from time to time. Assets above and beyond the minimum \$10,000 balance will be held in a money market account with no risk of loss in value.
3. **Distributions** All distributions from the Fund shall be made in accordance with the Foundation’s distribution policy as in effect from time to time, including the following:
 - a. No distributions can be made from the fund until it has a balance of at least \$10,000 and the \$10,000 minimum balance must be maintained for no less than five years. After five years, this minimum balance can be invaded.
 - b. No grants can be made that provide more than incidental benefit to the donor or other third party. Donors cannot and do not expect to receive personal benefit for any grant distribution from the Fund.
 - c. All grants must be made for charitable purposes.
4. **Administration** In connection with the establishment of this fund, I/we hereby acknowledge and represent that:
 - a. Additional gifts to the fund are welcome at any time.

- b. Once the fund is established, the donor does not maintain any advisory capacity, and may not add or remove designated charities or change any other parameters of the fund. **WILL NEED TO DEFINE MORE HERE FOR SUCCESSION PURPOSES IF THE ARTS BOARD EVER GOES AWAY**
- c. All assets of the Fund shall be assets of the Foundation. The Foundation has exclusive legal control over the assets of the Fund.
- d. The assets of the Fund may be commingled for purposes of investment with other assets of the Foundation.
- e. The Fund will be charged an annual administrative fee consistent the Foundation's fee schedule as in effect from time to time. **NEED TO NEGOTIATE THIS**
- f. The Foundation's Board of Directors has variance power and duty to modify any donor direction, restriction, condition or limitation set for the Fund's purpose in the event the purpose becomes unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community or area served by the Foundation. Board variance power ensures that this fund will never become obsolete. The exercise of such power will never be done without first consulting any living and/or actively involved fund representatives.
- g. A copy of this agreement will be kept on file at the Foundation.

The undersigned have caused this agreement to be executed as set forth above. This document will constitute our agreement concerning the **NAME OF FUND** at La Crosse Community Foundation.

Dated this ____ day of _____, 2020.

By: _____
Full Name, Donor

Full Name, Donor

The La Crosse Community Foundation hereby accepts the forgoing agreement and agrees to hold, administer and distribute the Fund upon the terms and conditions herein contained. Thank you for a gift that will impact generations to come ***For Good. Forever.***

By: _____
Full Name, Board Chair

Date: _____

Full Name, Executive Director

Date: _____