



## **General Definitions for Fund Classification**

1. **Fund Distribution:** The part of the fund that may be expended for distribution.

### **Income and Principal or Annual Net Income.**

**Net income** shall be defined as an amount that shall be computed annually based upon the current spending policy of the Community Foundation (currently 5% of the average past three year-end Fund balances). If any portion of the net income is not distributed in a particular calendar year, the undistributed net income for such year shall be added to principal.

**Annual Net Income** It is not our intention to make distributions from the principal of the Fund. However, in the event of extraordinary circumstances, the principal of the Fund, up to the entire Fund balance, may be distributed. Recommendations for distributions of the Fund's principal shall be in writing to the Board of Directors of the Community Foundation and shall contain a copy of the Organization's minutes of a board meeting showing that that the request is made with the approval of at least a two-third (2/3) vote of the Organization's board of directors.

## **Fund Class**

0. **Administrative.** Operating funds. Generally utilized for expendables.
1. **Endowment:** The principal amount of gifts and bequests that are accepted subject to a requirement that the principal be maintained intact and invested to create a source of income for a foundation. Donors may require that the principal remain intact in perpetuity, or for a defined period of time or until sufficient assets have been accumulated to achieve a designated purpose.
2. **Quasi-Endowment.** In this case the donor-advisor designates a portion of the fund as spend-able, provided the fund minimum, as determined from time to time by the Foundation's board, is always maintained. Currently \$10,000 is the required minimum to start and maintain in the fund. Donor-advised funds become permanent endowment funds after the advisement period ends.

3. **Non-Endowment.** Unlike an endowment fund, a non-endowment fund does not operate in perpetuity. This means that the assets generated by these gifts are not permanent and may or may not be invested.

### **Type of Funds - Classifications**

#### **0. Administrative.**

- a. **Donor Advised Donor Designated/Advisory Fund:** A fund held by a community foundation where the donor has specified that the fund's income or assets be used for the benefit of one or more specific public charities. These funds are sometimes established by a transfer of assets by a public charity to a fund designated for its own benefit, in which case they may be known as grantee endowments. The community foundation's governing body must have the power to redirect resources in the fund if it determines that the donor's restriction is unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community or area served.

- d. **Designated Funds:** A type of restricted fund in which the fund beneficiaries are specified by the grantors.

Donor Designated Fund: A fund held by a community foundation where the donor has specified that the fund's income or assets be used for the benefit of one or more specific public charities. These funds are sometimes established by a transfer of assets by a public charity to a fund designated for its own benefit, in which case they may be known as grantee endowments. The community foundation's governing body must have the power to redirect resources in the fund if it determines that the donor's restriction is unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community or area served.

- f. **Field of Interest** Enables a donor to specify an area of interest, such as education or the arts. The foundation board of directors' reviews community needs and makes distributions to benefit projects or causes in that specified area.
- e. **Scholarship – Education Fund.** Classification typically used for a benefit to an educational institution. For instance, a fund for the benefit of XYZ High School for general use for student programs.
- g. **Organizational/Agency.** Established by a 501 (c) (3) entity for their sole purpose.
- s. **Scholarship.** Established to support individual students in their educational endeavors. As the donor, you may help designate the criteria used in selecting recipients of the scholarship funds.

**u. Unrestricted Funds:** Normally found at community foundations, an unrestricted fund is one that is not specifically designated to particular uses by the donor, or for which restrictions have expired or been removed.