

Common Foundation Language – Reference Handout for Terminology

Purpose *This guide provides shared terminology to ensure clarity and consistency in how we talk about the work, structure, and impact of our community foundation.*

1. Foundation Structure & Role

Community Foundation A tax-exempt public charity that supports charitable giving, manages endowed and non-endowed funds, and invests in long-term community impact.

Public Charity Status (501(c)(3)) Unlike private foundations, community foundations receive broad public support and pool resources to support community needs.

Board of Directors Governs the foundation, sets policy, oversees fiduciary responsibilities, and ensures mission alignment (CKCF). Affiliate Advisory Boards serve with local decision-making authority and make recommendations to the CKCF board.

2. Fund Types

Endowed Fund A fund where the principal is invested permanently. Only the **spendable** portion is available for grants/distributions each year which is based on the foundation's **spending policy**. Current policy includes a 20 Q moving average with surplus/deficit tier for determination of 0-5% spendable balance calculation. There is not an automatic 5% distribution. \$10,000 minimum with target balance closer to \$14,000.

Non-Endowed (Expendable) Fund A fund fully available for use; not invested long-term. Minimum balance target \$5,000.

Donor-Advised Fund (DAF) A fund where the Donor recommends grants to charities while the foundation provides due diligence and final approval.

Designated Fund Supports one or more specific nonprofit organizations chosen by the donor.

Field-of-Interest Fund Supports a particular cause or area (e.g., education, health, the arts).

Scholarship Fund Supports educational awards according to established criteria and the IRS's scholarship regulations (competitive). Education funds designated to educational institutions with qualifying criteria for candidate or department support.

3. Financial & Investment Terms

Investment Pool Collective investment of many funds to maximize returns and minimize costs. 1) MM-Short Term. 2) SST – Pool B. 3) Balanced – Pool D.

Spending Policy Formula determining how much of an endowed fund is available for annual distribution (e.g., 0–5% of the trailing 20-quarter average).

Spendable Balance The amount currently available for grants or scholarships, based on the spending policy and fund activity.

Administrative Fee Fees assessed by funds to support central office foundation operations. Investment Management fee for investment managers are separate fees.

4. Grantmaking Language

Grant A distribution made from a fund to a qualified 501(c)(3) or eligible entity, this includes scholarships to higher education institutions.

Grant Recommendation (for DAFs) A donor's request to issue a grant; subject to verification and approval.

Due Diligence Foundation review process used to ensure an organization is eligible and the grant aligns with IRS rules and falls within Foundation policy and procedure guidelines.

Grant Cycle A scheduled period for applications, review, and awards (commonly used for competitive grantmaking or scholarships).

5. Donor & Community Engagement Terms

Establishor The *originator* or *founder* of the fund. May be individual, family or business.

Fund Advisor An individual authorized to recommend grants from a specific charitable fund. May be Establishor or Donor

Donor An individual, family, business, or organization that makes a voluntary charitable contribution—such as cash, securities, property, or other assets

Gift A contribution to a fund (cash, check, stock, etc.).

Legacy or Planned Gift A future charitable gift often made through an estate plan. Desire having a Donor Advised Memorandum on file with instructions for their intentions.

Community Impact Outcomes and changes created through the foundation's strategic grantmaking, partnerships, and leadership.

6. Compliance & IRS Concepts

Charitable Purpose IRS-defined activities that benefit the public (education, relief of the poor, community development, etc.).

Variance Power Legal authority that allows the foundation to modify fund purposes to remain responsive to evolving community needs

Quid Pro Quo Prohibition against donors receiving benefits in exchange for a charitable gift.

7. Key Principles of Community Foundation Work

- **Permanence** – Endowments create long-term charitable resources.
- **Stewardship** – The foundation manages donor intent, investments, and community trust.
- **Community Leadership** – Convening partners, addressing needs, guiding philanthropic activity.
- **Accountability** – Transparent operations, clean audits, strong policies, and IRS compliance.