

Frequently Asked Questions

About the Community Foundation of Northeast Alabama

What is your Mission?

To achieve positive change through the generosity of donors, now and for generations to come.

What exactly do you do?

We make philanthropic dreams come true.

How do you do that?

We use donor gifts to grow funds that benefit our community forever.

We focus on three key areas

- Effective donor philanthropy
- Impactful grantmaking
- Collaborative community partnerships

Who do you serve?

The Community Foundation of Northeast Alabama serves nine counties including: Calhoun, Clay, Cleburne, Cherokee, DeKalb, Etowah, Randolph, St. Clair, and Talladega.

What are community foundations?

A community foundation is a tax-exempt, nonprofit, autonomous, nonsectarian philanthropic institution supported by the public with the long-term goals of:

- Building permanent, component funds established by many separate donors to carry out their charitable interests;
- Supporting the broad-based charitable interests and benefitting the residents of a defined geographic area, typically no larger than a state; and
- Serving in leadership roles on important community issues.

Are there other Community Foundations in Alabama?

There are 12 Community Foundations in Alabama and over 800 Community Foundations in The United States. Many more exist in the rest of the world. The oldest is over 100 years old and

the youngest is one year old. Each community foundation serves a specific geographic area—either a city, county, multiple counties, region, or state.

What is the difference between charity and philanthropy?

Charity is money given to meet an immediate need - food for hungry people, shelter for the homeless. Philanthropy also provides charitable funds but is more strategic, aiming for long-term improvements. It requires not just money but human resources, innovative thinking and effective follow-up.

Donations

Are Community Foundations only for wealthy people?

No. Anyone can have their own foundation within the Community Foundation. A fund can grow over a period of years or it can be created through a will. Some donors give to an existing endowment fund such as the Unrestricted Fund or to one of the many Institutional Funds already created by dozens of local nonprofit organizations including schools and religious institutions.

Is my contribution tax-deductible?

Yes. The Community Foundation of Northeast Alabama is a qualified 501(c)(3) public charity and all contributions are tax deductible to the fullest extent allowed by law. Our IRS Letter of Determination is available on our website.

We are a tax-exempt not-for-profit under Section 501(c)(3), a publicly supported organization under Section 170(b)(1)(A)(vi) and "not a private foundation" under Section 509 (a)(1) of the Internal Revenue Code. The Foundation operates in trust form under a 1998 Order and Judgment from the Circuit Court of Calhoun County, which was endorsed by the Office of the Alabama Attorney General and a Letter Ruling issued by the Internal Revenue Service.

Donors establishing a fund are making an irrevocable gift to the Community Foundation, which must have the unrestricted ownership of all gifts. Without this clear understanding, the gift cannot qualify for a charitable tax deduction. Moreover, revocable gifts can cause the charity to lose its charitable status with the IRS and the Office of the Alabama Attorney General.

What happens to a contribution?

There are several possibilities, depending on the donor's charitable goals. Again "donors" can be individuals, families, businesses, S corporations, civic groups, religious and educational institutions or other associations or clubs.

- If the donor contributes to our *Longleaf Fund* or unrestricted endowment, the contribution, together with previous and subsequent such contributions will generate income to award grants in areas that lack funding or emerging community needs yet unforeseen.
- Alternatively, the donor can specify that the contribution be applied to a defined ***Field-of-Interest Fund***, for example, a fund for education, scholarships, for children's health, for performing arts, for historic preservation, etc. Such funds produce annual income for grants to fulfill the donor's specific purposes within the defined field rather to specifically named charitable organizations.
- The donor can contribute to a ***Designated Fund***, which is a fund solely for the benefit of named nonprofit organizations, including religious institutions, universities, and any qualified charity. The income from designated funds can be distributed only to the organization(s) specifically named by the donor.
- The donor can specify that the annual contribution go to a ***Donor Advised Fund***. In this case, the donor, members of the donor's family, or others designated by the donor, may periodically recommend that specific amounts be distributed to selected nonprofit organizations. Donor-advised funds are especially suited to donors with a variety of charitable interests. They are a flexible mechanism to carry out charitable giving often in lieu of creating private foundations.
- The donor can also specify their contribution go to other funds held at the Community Foundation of Northeast Alabama.

Why contribute to a community foundation?

Community foundations remind all of us that we have been served in life. Before us, others built the library, and the hospital, and gave the money to start a museum or community center. Generous leaders, volunteers, and donors bought the land for a scout camp, the house where a family can find refuge from abuse, or the new equipment installed at the YMCA. Contributions to a community foundation foster and continue this spirit of gratitude and giving. The community foundation is a vehicle to help a community capture or maintain wealth that often leaves through the relocation of a younger or older generation, the selling of a business, or paying estate tax into the Federal treasury. Migration of assets further limits the capital and resources once earned or held in an area. Community foundations leverage the giving of local donors, understanding that wealth has many definitions but combined it can maximize the resources, opportunities, and quality of life for all residents.

Another very significant reason to establish a fund or bequest with the Community Foundation is that your gift(s) are never subject to further probate costs. As needs change, trusts and private foundations can face legal costs as the court decides how best to use assets whose purposes can no longer be served. This process can erode assets and last for a lengthy period of time. Through a Community Foundation, donor's assets are never faced with this situation because the IRS has

granted, and insists that community foundations make the decisions to economically and prudently ensure that the donor's intention is fulfilled.

Why should I give to the Community Foundation of Northeast Alabama?

The Community Foundation of Northeast Alabama is your local resource to help capture local gifts and assets for the long-term benefit of this region. Most small southern communities have few permanent financial resources. In addition, many young people leave the area, which eventually results in local wealth being transferred to them, and in most cases, to regions that have far greater assets. Thus, more rural communities suffer from both limited assets and the migration of capital. A gift to the Community Foundation of Northeast Alabama enables past and current residents to invest in and sustain their communities today and in the years ahead.

How will you acknowledge my contribution?

We provide IRS tax receipts to all donors. A handwritten thank you note gratefully expresses our appreciation to all donors. We provide the IRS-required documentation to donors for all stock gifts. All first-time donors receive a personal thank you phone call from a Board Trustee.

What kind of assets do you accept?

We accept almost any type of gift: cash, checks, stocks, bonds, land (homes, farms, vacant lots, etc.), personal property (household contents, cars, jewelry, etc.), will bequests, retirement plans (traditional, Roth, SEP, & SIMPLE IRA's), life estate contracts, life insurance, Revocable Living Trusts, Trust Assets, Charitable Gift Annuities, Charitable Remainder Annuity Trusts, Charitable Remainder Unitrusts, and Charitable Lead Trusts.

Funds

How do I start a fund?

Donors establish a fund by having a conversation about what is important to them. Once a charitable plan is completed donors execute a fund agreement and provide a charitable contribution (we accept a wide variety of assets) to the Foundation. Donors select any name they desire for their fund—either in their own name or to honor or remember a loved one.

Is there a cost to set up a fund?

There is *no* "set-up" charge to establish a fund with the Community Foundation; all you have to do is complete a fund agreement and transfer assets to the Foundation. There is an annual administrative fee assessed against the fund's balance to cover the cost of donor services and grant administration. They differ depending on the type of fund and the services requested.

Is there a minimum amount required to start a fund?

The minimum fund amount is \$10,000; however, individual donors can start a Forging Fund for as little as \$1,000 a year and build towards a permanent endowment of \$10,000. Not-for-profit agencies can do the same.

Scholarship funds require a minimum contribution of \$50,000 before they can award scholarships. All funds must sustain the minimum balance to remain as a permanent fund.

Can the donor select the name for the fund?

The donor may choose most any name for the fund. For instance, they may use a family name, as in the Stanley and Beth Johnson Scholarship Fund; or, the name may reflect an interest such as the City of Hope Cultural Arts Fund. Also, funds can be named in honor or in memory of someone.

What type of fund can I create?

This depends on many factors, including whether or not you would like to have ongoing involvement in the distribution of grants, and whether your charitable interests are broad or specific. It also depends on how long you wish your fund to exist. Click [here](#) to see descriptions of the various definitions of funds available.

What is the difference between a permanent fund and a pass-through fund?

In a permanent endowment fund, the principal remains in the fund to generate earnings for distributions year after year. A pass-through or non-endowed fund permits principal as well as earnings to be distributed. You can always change a non-endowed fund's status to endowed (but not the other way around).

What are the advantages of establishing a fund with the Foundation?

There are several advantages. With us, you can establish a perpetual fund without establishing a private foundation or incorporating it with the IRS. You receive the maximum charitable deduction since our foundation is a qualified public charity. You benefit from professional administrative and investment services, have access to knowledgeable local resources that review and monitor all grant and scholarship recipients, and give back to the institutions and organizations that served you in life.

Additional Benefits of Establishing a Fund

- Your fund will be professionally managed by a staff dedicated to your best interests and responsible for ensuring donor intent is fulfilled.

- Donors can easily add to your fund at any time. Memorials and honorariums are especially helpful in growing your fund.
- Partnering with the Community Foundation provides high-net-worth donors the comfort level they need to make substantial gifts.
- We promote your fund on our website, in our annual report, in our quarterly newsletters and to our donors.
- Fund holders can utilize the Community Foundation's sales tax exemption.
- We host special events and not-for-profit seminars for fund holders, including: strategic planning, Standards for Excellence® accreditation, board training, donor development and retention, and more.
- Your partnership helps support our work in Northeast Alabama.

Why do I see a Fund-1 and a Fund-2 in my fund statements?

Accounting rules require the Community Foundation of Northeast Alabama (CFNEA) to record donations made to CFNEA by a not-for-profit organization (NFP) separately from those made for an NFP. Both Fund-1 and Fund-2 benefit the NFP.

Fund-1 means the NFP receives contributions from donors, keeps track of donations, and sends thank-you letters and tax receipts to donors. The NFP then sends a check to CFNEA for the account they started. CFNEA sends a thank-you note to the NFP.

Fund-2 means the donor contributes directly to CFNEA for the benefit of the NFP's fund. CFNEA keeps track of donations and sends thank-you notes and tax receipts to donors.

For accounting purposes: Fund-1 is an asset to the NFP and appears on the NFP's financial statements as a permanently restricted asset. It is recorded as a liability held for others on CFNEA's financial statements. Fund-2 appears on CFNEA's financial statements as an asset.

In our Fund Portal under Contributions, only the name of the NFP will show up as a donor in Fund-1. The names of the donors will appear in Fund-2.

Grants

How can an organization apply for a grant from the Community Foundation?

All funding from the Foundation is made through an application process. No assets are distributed as discretionary grants or sponsorships. The Foundation awards grants through Special Initiatives and Grants. Funding for the Foundation's Special Initiatives is based on community needs and the Foundation's chosen funding criterion. The Foundation proactively selects not-for-profit agencies

whose mission and services fall within the Foundation's initiative objectives. Grant amounts for initiatives vary from project to project. The Foundation's grant-making process and review is done online. Complete grant guidelines are available at the Community Foundation office or on our Website at www.yourcommunityfirst.org.

Where can I find grant information?

Click [here](#) to go to our Grants page which provides information about all the grants available to not-for-profit organizations in northeast Alabama.

Although Donor-Advised Funds make grant recommendations throughout the year, not-for-profits may not apply to them directly for funding.

How does the Community Foundation select grant recipients?

The Foundation uses trustees, area residents with special expertise, and staff to review grant applications online. All grants and scholarships have a numeric ranking process to foster impartiality and fairness, which includes statistical analysis to screen outlying scores. These representatives are members of the Grants Committee, who make written recommendations to the Board of Trustees. Ultimately, the Board must allocate dollars and make final distributions based on available funds.

What grant areas are looked upon most favorably?

The Community Foundation makes it clear in the application that there is a priority to fund projects or initiatives that include collaborations among nonprofit partners, financial support from the organization's board of directors, a strong research or data basis that supports the need, qualified staff or professionals to manage the project, a realistic and comprehensive budget, an evaluation methodology and a clear sustainability plan. Foundation dollars are public assets and therefore are awarded for the maximum return on investment.

Scholarships

Do you offer scholarships?

We have more than 45 scholarship funds with awards ranging from \$500.00 annually to four-year awards totaling up to \$32,000.

Where can I find scholarship information?

Visit the Scholarship section at cfnea.org. Each Foundation Scholarship Fund has guidelines and an application which are available on our website, along with national, state, and local links to universities and other helpful links. Applications are due on March 1 of each year, with reviews and awards finalized in April.

How does the Community Foundation select scholarship recipients?

The Foundation uses trustees, area residents with special expertise, and staff to review grant applications online. All grants and scholarships have a numeric ranking process to foster impartiality and fairness, which includes statistical analysis to screen outlying scores. These representatives are members of the Scholarship Committee, who make written recommendations to the Board of Trustees. Ultimately, the Board must allocate dollars and make final distributions based on available funds.

Investment Management

How much money does the Foundation manage?

We manage over \$45 million in assets for over 250 funds. Each year we award over \$1 million in grants and scholarships. Since its inception in 1999, we have distributed over \$30 million in grants and scholarships. In addition, we steward approximately \$10 million in planned gifts.

How does a community foundation invest its funds?

Community foundations commonly invest their funds in a diversified portfolio, including, fixed-income vehicles such as corporate and government bonds and publicly traded stocks allocated in various size companies and business sectors. There is a written policy drafted by a Finance & Investment Committee, under the supervision and control of the Board, stating the goals of the foundation and actions to be taken if an investment manager fails to meet the goals. The investments are reviewed quarterly and the policy guidelines are given a thorough review annually.

Who manages the funds?

Our current investment manager is Mason Investment Advisory Services based in Reston, Virginia. Mason was founded in 1982 and manages over \$4.7 billion for institutional & private clients nationwide. All gifts and funds are invested in a diversified portfolio to reduce risk and achieve a return that is benchmarked with other foundations. Investment reports from our investment manager are published on our website quarterly. View these reports on our website under financials.

How are the funds invested?

Every fund is invested and professionally managed to minimize market risk and maximize returns according to the Investment Policy established by the Board of Trustees. Click [here](#) to see our Investment policy.

We have five distinct and separate investment objectives (Pools) to accommodate the differing

time horizons and risk and return requirements. The primary investment objectives are:

Income Pool: Preservation of principal. Non-endowed funds are invested in this pool.

Long Term Pool: Provide a relatively stable, inflation-adjusted, annual payout to support the Foundation's defined spending rate. Because Endowed Funds are intended to last forever they are invested in this pool.

Growth Income Pool: Provide returns that exceed the required fixed dollar annuity payments over the expected life expectancies of the annuitants. This pool is used for charitable gift annuities.

Socially Responsible Investing (SRI) Pool: Provide a relatively stable, inflation-adjusted, annual payout that avoids certain investments such as alcohol, tobacco, weapons, etc.

Environmental, Social, Governance (ESG) Pool: Provide a relatively stable, inflation-adjusted, annual payout that focuses on companies that are good to the environment, socially caring about their communities, and are well managed and good to their employees.

How do you decide on how much to distribute from a fund?

Each year the Finance & Investment Committee reviews the spending rate and determines if the rate should change for the next fiscal year. The committee uses a specific calculation stated in our Spending Policy to make their decision for endowed funds. Click [here](#) to review our Spending Policy.

Distributions from all funds are governed by the fund agreement and some may not be subject to the Spending Policy.

Administrative Management

Who administers the funds?

All of the Community Foundation's assets are under the sole authority of the Board of Trustees. Responsibility for monitoring the investment policy and investment manager selection is held by the Finance & Investment Committee. Click [here](#) to meet our Board of Trustees. We strive to have board representation from each county we serve. Click [here](#) to learn about the Foundation staff.

How are fund distributions handled?

- Donor Advised funds are distributed upon recommendation by the fund holder
- Scholarship funds are distributed to the institutions of higher education each fall
- Non-endowed fund distributions are available at any time.
- Endowed funds distributions to not-for-profit organizations are available each March.

- For Endowed funds the not-for-profit beneficiary decides if they:
 - Wish to receive the distribution;
 - Wish to return the distribution to the principal to enable the fund to grow; or
 - Wish to hold the distribution is available to spend for access in the future
 - The beneficiary may choose a different distribution option each year.
- Checks are prepared every Tuesday so there is no delay in accessing available distributions.

How much does it cost?

There are no legal or set-up fees to establish a fund. Each fund is charged an annual fee as follows:

- Administrative Management (assessed monthly)
- Investment Management (assessed quarterly)
- Click [here](#) to see our Fee Policy.

There are no hidden fees or expenses. Neither the Community Foundation, nor our investment manager, benefit from any particular investment product.

What information do donors receive?

Donors receive the Community Foundation's Annual Report and quarterly newsletters. Fund holders receive quarterly fund statements that include all donations, investment earnings, and grant/scholarship distributions. Customized reporting is available if desired.

Is the Foundation financially accountable?

Yes. An independent financial audit of the Community Foundation is conducted annually and presented to the Board of Trustees for discussion and approval. Click [here](#) to see our most recent audited financial statement. We file a tax return annually which is available for public inspection. Click [here](#) to see our most recent tax return. Aggregate financial information is publicly disclosed; however, individual donor financial information remains confidential.

Is the Foundation transparent?

Yes. You should be able to find anything you need on our website. If you cannot find what you are looking for, please contact the President & CEO, Jennifer S. Maddox at (256) 231-5160 x 25 or via email at jmaddox@cfnea.org.

Are there any standards for Community Foundations?

Yes. National Standards for U.S. Community Foundations were designed to demonstrate transparency and financial responsibility. In addition, they also guide governing boards to adopt sound policies and practices and help build the capacity of community foundations to carry out their missions. The Community Foundation of Northeast Alabama has maintained compliance since 2006.

We have the highest rating from GuideStar: a platinum level participant demonstrates our commitment to transparency. GuideStar is a 501(c)(3) public charity that collects, organizes, and presents information about not-for-profit organizations worldwide. Its mission is to revolutionize philanthropy by providing information that advances transparency, enables users to make better decisions, and encourages charitable giving.

To reach the Platinum level, the Community Foundation added extensive information to our profile: basic contact and organizational information; in-depth financial information; quantitative information about goals, strategies, and progress toward our mission. We shared the impact of our grantmaking by measuring and reporting the total dollar of grants awarded, the average grant award, and the total number of grants awarded since 2014.

Planned Giving

What is a planned gift?

A planned gift is simply a gift you plan to give in the future such as a designation in a will or named as a beneficiary of a life insurance policy.

Can you help me make a planned gift?

Yes! We provide planned giving assistance to donors. We have experience in planning charitable legacies. We will work with you to identify your charitable objectives, understand planned giving options and select the most appropriate giving vehicle. Individuals who designate a planned gift to the Community Foundation become members of our Anvil Society. Click [here](#) to learn more about planned giving and becoming an Anvil Society member.