



## Guidelines for Establishing a Fund

The Cleveland Foundation was conceived and established in 1914 by Cleveland banker and attorney Frederick Harris Goff. The foundation revolutionized charitable giving. It was the first organization of its kind in the world; today, it is the model for more than 700 other community foundations around the world.

Created, pioneered and nurtured by Greater Clevelanders, the foundation invests the gifts it receives and uses the earnings to make grants. Each year, we award tens of millions of dollars to programs and projects that improve, strengthen and enhance all of our citizens' quality of life.

We are organized to ensure that anyone who gives a gift, in any amount, can be confident that their dollars will work for the people of Greater Cleveland, not only today, but forever.

Establishing a fund at the Cleveland Foundation is simple. We offer a variety of services and expertise to help you carry out your charitable giving goals. Our staff can assist with gift planning and grant-making. We can help ensure your family's tradition of giving back to the community. When you establish a fund, we will be your partner in philanthropy.

### **Types of Funds**

#### ***Named Fund: Unrestricted, Designated or Field of Interest***

You may create a Named Fund with a minimum gift of \$10,000 (no maximum) to carry out your charitable legacy forever. Your gift can be unrestricted, designated to a particular organization(s), or directed to a field of interest.

#### ***Donor-Advised Fund***

Many people like to use the foundation as a conduit for their charitable giving and establish a Donor-Advised Fund with a minimum of \$10,000 (no maximum). When you create a Donor-Advised Fund, you may make grant recommendations for gifts from the fund you establish. Please see the additional information about these funds on the next page.

#### ***Scholarship Fund***

Often, people establish scholarship funds -- either for young people or those who wish to continue education later in life -- to memorialize a loved one or honor a special person. With a minimum \$250,000 gift (no maximum), you can name the scholarship's advisory committee and the guidelines for candidate selection, requirements and use of the award.

#### ***Supporting Organization***

As an alternative to a Donor-Advised Fund, please call us for information about establishing a supporting organization, which has its own board and grantmaking identity and permits the donor's direct involvement in fund investment. A supporting organization enjoys public charity status and our professional services. You may establish a supporting organization with a minimum gift of \$5 million (no maximum).

## **Donors, Contributions and Tax Considerations**

### ***Eligible Donors***

We accept gifts from individuals, companies, organizations, trusts and estates. Multiple donors may pool their gifts into a single fund within the foundation.

### ***Donor Contribution(s)***

Cash, mutual fund shares, stocks, bonds and other securities, including certain restricted stock, stock of closely-held businesses and readily marketable real estate are eligible for contribution to the foundation.

### **Amount of Charitable Income Tax Deduction**

You are eligible to take an itemized deduction for your contribution to a public charity on the date that the contribution is made, subject to the following IRS limitations. All donors are encouraged to consult their legal or tax advisor regarding their personal situation.

### ***Cash***

You may deduct the amount of the cash contribution the foundation accepts, subject to IRS deduction limitations. See "Deduction Limitations" below.

### ***Publicly Traded Securities***

For publicly traded securities held for more than one year, your deduction is the mean of the high and low prices reported on the date the contribution is made. For mutual fund shares held for more than one year, your deduction is based on the closing price on the date the contribution is made. For securities or mutual fund shares held for one year or less, your deduction is generally limited to your cost basis.

### ***Securities that are not publicly traded***

In general, for securities that are not publicly traded and have been held for more than one year, you will be required to provide the IRS with a qualified independent appraisal for any such contributed property for which you claim a deduction of more than \$5,000. For securities held for one year or less, the deduction is generally limited to your cost basis.

### ***Deduction Limitations***

You are eligible for an itemized deduction for cash contributions to the foundation in an amount up to 50 percent of your adjusted gross income ("AGI") in the tax year in which the contribution is made. Deductions for contributions of appreciated securities held for more than one year are limited to 30 percent of AGI. Any excess amount *may be carried forward* and deducted over the following five-year period after the year of the contribution. Your deduction may be subject to certain other limitations.

### ***Estate Planning***

Your gift to the foundation, and any earnings related to your gift, are not included in your taxable estate and are not subject to probate administration. Gifts to the foundation are exempt from federal gift tax and federal estate tax.

### ***Testamentary Gifts and Gifts from Trusts***

A fund at the foundation may be named the beneficiary of a bequest of cash or securities, including mutual fund shares, Individual Retirement Account (IRA) and other retirement assets. In addition, the foundation may be named the beneficiary of a charitable remainder trust, charitable lead trust or life insurance policy. Please call us for suggested language for gifts through bequests, charitable remainder trusts, charitable lead trusts, IRAs and life insurance. You should seek tax and legal advice in setting up any testamentary gift or trust. We will provide you and your attorney or advisor confidential consultation at no cost.

### ***Tax Treatment of Fund Income and of Grants Made to Qualified Organizations***

Income that accrues to your fund is income of the foundation. It is not taxable income to you nor is it available as a charitable deduction. Income will be reflected in the value of the fund by the foundation.

### **Donor Funds and Investment Pools**

The fund you establish is an asset of the foundation which will maintain an accounting of your contribution, income earned by the fund and the foundation's grants to qualified charitable organizations.

### ***Investment Management Selection***

The foundation's Board of Directors has appointed a number of investment managers. At the time of your initial gift, you may choose among the available investment managers. The fund will be managed according to the investment performance standards of the foundation's investment policy. The performance is reviewed regularly by the Cleveland Foundation's Investment Committee. If you do not select an investment option preference, the Foundation will select The Cleveland Foundation Pool or an investment firm or bank.

Our investment managers include:

- The Cleveland Foundation Pool
- BDS Financial Services
- Baird Asset Management
- Carnegie Capital
- Cedar Brook Financial Services, LLC
- Fairport Asset Management, LLC
- Glenmede Trust Co., NA
- Hartland & Co.
- The Huntington National Bank
- JPMorgan Chase Bank, NA.
- KeyBank
- BNY/Mellon
- Merrill Lynch
- PNC
- Northern Trust Company
- UBS Financial Services
- U.S. Bank, NA
- Wells Fargo
- Winfield Associates
- The Cleveland Foundation Vanguard Pooled Fund
- Vanguard Socially Responsible Fund

An investment manager has the authority to invest the fund assets in securities and other investments. The foundation's Investment Committee decides, in consultation with the investment manager, the allocation of assets by investment managers and reviews investment performance.

### **Donor-Advised Fund Guidelines**

Advised funds offer you an opportunity to support and participate in the foundation's many charitable activities. You may also include your children as fund advisors under certain circumstances. Unlike a gift to a private foundation, the Cleveland Foundation donor-advised fund provides you with all the tax advantages of a gift made to a public charity, without the regulatory and tax responsibilities.

## ***Internal Revenue Service***

### ***Regulations***

All foundations must follow IRS regulations regarding the management of donor-advised funds. These regulations stipulate that a donor may not retain control over his or her donation. To satisfy these regulations, the foundation will exercise asset management of the fund. Donors advise the foundation on grant recommendations during their lifetimes. In compliance with IRS regulations, the foundation's Board of Directors retains the right to make final determinations with respect to distributions from the fund.

The Cleveland Foundation has seven priority program areas: arts and culture, civic affairs, economic development, education, environment, health, and social services. Grants are made to organizations recognized by the IRS as tax exempt charitable organizations under Section 501 (c)(3) of the Internal Revenue Code. Our grants to these charitable organizations are intended to fall within our broad objectives and priority program areas.

Grants from a Donor Advised Fund cannot result in the donors, advisors or any related parties receiving an exchange of goods or services or any personal or material benefit that is not provided to the general public (for example newsletters). Prohibited benefits include tickets, memberships, meals, preferred parking, preferred seating, discounted merchandise or other preferential treatment from a donee organization.

Advised Fund grants also cannot be used to satisfy all or a portion of a pre-existing personal pledge or other financial obligation of the donors, advisors or any related parties.

Provisions of the Pension Protection Act of 2006 prohibit Advised Funds from making any grants to individuals, such as scholarships, emergency hardship grants or disaster relief grants. This includes checks written directly to an individual or checks written to an entity for the benefit of a specified individual. For example, a grant to a university for the benefit of a designated student is prohibited.

Donors, advisors or any related parties may not receive grants, loans, compensation or similar payments (including expense reimbursements) from advised funds.

### ***Grant Recommendations***

Donor recommendations for grants are made in writing at any time to our Board of Directors and may be made for general support of the recipient organization or for a particular program or activity. We request minimum grant recommendations of \$250; grants may be made as often as you wish.

When we receive recommendations from advised fund donors, our staff carefully considers the donor's request and determines if the organization is a bona fide charitable organization recognized by the IRS. For those organizations with which we are unfamiliar, staff will gather information on their purpose, governance, exempt organization and financial status. If a recommended organization fails to provide this information or meet IRS requirements, IRS rules prohibit the Board of Directors from awarding a grant.

The foundation handles the grant recommendation process and issues checks to the charitable organizations in the name of the donor-advised fund. A letter specifically stating the name of the fund from which the grant is made in addition to the purpose of the grant accompanies all grant checks. Grants can also be made anonymously if the donor desires.

Once the foundation approves the grant, a check will be issued and a letter prepared for the donee organization. When the grant is \$10,000 or more, the recipient organization is asked to complete a grant report. We believe that it is also important to review a grant after it has been made.

If you establish a donor-advised fund, you are welcome to consult with our staff about distributions from the fund. We anticipate that you will develop a working relationship with members of our staff. From time to time, we will consult with you about specific proposals we receive that we consider deserving of support. We will also keep you and other advisors informed about fund activities through briefings, ongoing informal communications and periodic financial reports.

***Advisory Rights***

Only you, your spouse and other advisors designated at fund inception may advise on distributions from the fund. The advisory relationship terminates with your death or that of the appointed advisors. The fund will then become a permanent endowment fund, as you stipulate when the fund is established. Pour-over gifts from members' estates to the endowment fund will also perpetuate the fund's purposes.

**General Operating Expenses and Charges to Donor Funds**

Foundation funds are subject to fees in effect for each fiscal year. These fees are reviewed annually, as it is the Board's intention to keep costs to a minimum.

**Goff Society**

Persons who make a gift or establish a fund of \$10,000 or more are invited to join the Goff Society, named after our founder, Frederick Harris Goff.

**Legacy Society**

If you have planned a future gift to our community through a bequest, trust, pooled income fund, life insurance policy or charitable gift annuity, you are eligible for membership in the foundation's Legacy Society, to commemorate your commitment to benefiting others.