

Why Choose a Community Foundation

Community foundations such as ours exist to make it easy for people to be philanthropists and to build an endowment to meet changing community needs over time.

They were started in 1914 by a Cleveland banker who felt that the practices of the day were needlessly eroding charitable funds. It was expensive to administer charitable trusts in banks, which knew more about investing money than giving it away. And it was expensive to go to court when charitable funds had outlasted their purposes and needed to be changed to stay useful.

The banker proposed an organization, governed by civic leaders, that would handle permanent funds for charitable individuals and distribute grants to good causes in their names, forever. The community foundation would benefit from economies of scale, offering professional management to affluent and modest donors alike. Banks would continue to manage the investment of principal and the civic leaders would see to it that donors' wishes were carried out.

Today, more than 700 community foundations serve thousands of donors in all 50 states. Some continue to use the original trust model and others are organized as charitable corporations, using professional investment advisors to manage their assets. In addition to managing funds established through wills, community foundations today also offer services to donors during their lifetimes.

Why Donors Choose LICF

Donors today have many options for their philanthropy - community foundations, private foundations, commercial gift funds, large nonprofits, and trust companies. So why choose the Long Island Community Foundation?

- **We're experienced.** Our parent organization established our first fund in 1924 and made our first grant the same year.
- **We're experts.** Our staff and that of The NYCT is nationally respected for its grantmaking, financial management, and excellent service.
- **We're here for the long haul.** We honor the legacies of past donors forever, making grants for today's problems from funds set up many years ago.
- **We know Long Island.** Our grant staff works with hundreds of local nonprofits, walks our neighborhood streets, and joins with other foundations and government to get things done. And, if you have interests outside Long Island, we can help through our networks around the country.
- **We're flexible.** Whether you want to do your giving now or leave a legacy for future generations, we can help you start a fund that meets your needs.

How to Set Up a Fund

Think about your charitable passions. Do you want to fight poverty? Support green jobs? Help children forge a better future? Nurture the arts? Make Long Island a better place? Whether your interests are broad or narrow, you can support them through a fund in the Long Island Community Foundation.

Decide when to give. Do you want to establish a fund for giving today? Would you like to defer your gifts through a will or planned giving vehicle? You can do either or both.

Decide what to give. We accept cash, publicly traded stock, retirement plan assets, closely held stock, copyrights, and life insurance. We also have significant experience accepting charitable remainder trusts and charitable lead trusts.

Choose a fund. LICF offers various types of funds: Field-of-Interest, Unrestricted, Donor-Advised, and Designated.

Set up a fund. When you've made your decisions, you name the fund. Donor-advised funds can be set up in a day. You will want to talk with your legal or financial advisor about a bequest or deferred gift. We're happy to help and can provide the legal language to your advisor. We have funds that were started with millions, but our minimum is \$5,000.

Types of Funds

LICF Offers Four Types of Funds:

Unrestricted / Community Response Unrestricted / Community Response funds leave discretion to the LICF's governing board to use the donor's gift to meet contemporary needs, forever. The donor allows the Foundation to direct the fund proceeds to critical Long Island needs through its professional grantmaking program.

Predicting the future is a risky business. If you want your philanthropy to continue after your lifetime, you're probably concerned whether your gift will meet the unimagined needs of generations to come.

An unrestricted fund is your insurance that your generosity will remain relevant. Future LICF boards and staff – who have a tradition of excellence to stand on – will make grants in your name in perpetuity that effectively deal with contemporary problems.

You can also set up an unrestricted fund now. If you want to give back to Long Island, but don't have the time to research the thousands of nonprofits that work here, our grantmaking staff is happy to do the legwork for you. We know the many needs on Long Island, and we know where private money can make a real difference. After our board approves grants, we'll let you know where they went.

Field-of-Interest Funds Field-of-interest funds, we make grants to nonprofits to tackle issues of concern to the donor. The donor selects the general areas in which grants should be made (e.g., housing, the elderly, the Town of Hempstead, etc.) and leaves the selection of specific grant recipients to the Foundation's professional staff based on their knowledge of current issues and organizations.

Field-of-interest funds are for people who have a particular area of charitable interest. They name the area – such as troubled youth – or choose a more specific focus – such as drug abuse or prevention of teen pregnancy.

Then LICF goes to work, researching and preparing a grant spending plan for that field of interest. The board double-checks proposed grants against your fund's purpose and any other guidelines you've provided. After each grant is made (with a voucher bearing the fund's name), our staff carefully monitors the results.

The advantage of a field-of-interest fund is that it keeps up with the times. Many of the issues now facing Long Island were not around 40 years ago, and neither were many of the nonprofit organizations addressing these new issues. Therefore, rather than locking your charitable contribution into a few specific charities, a field-of-interest fund will always be able to meet contemporary needs.

Donor-Advised Funds Donor-advised funds are legally unrestricted funds, but the donor recommends the organizations to receive grants.

Donor-advised funds allow donors to recommend that grants be made to charities of their choice. While the recommendations cannot be binding (under Internal Revenue Service rules the NYCT board has the final say), we take the suggestions very seriously. Under board guidelines, our staff reviews basic information provided by the charity to ensure that its fiscal affairs are in order and that it is actively serving the public. The NYCT board has established broad guidelines for suggestion approval, assuring rapid processing of each grant, which bears the name of your fund. We take care of all the record keeping and reporting.

Donor-advised funds offer several advantages. They give you:

- the services of professional grantmaking, financial, and investment staff of a \$2 billion institution.
- an immediate tax deduction without having to make quick decisions about which charities you want to support.
- the maximum deduction allowed by law.
- the opportunity to build an endowment over time.
- very modest fees.

Designated Funds Designated funds name specific nonprofits to receive grants, subject always to the variance power of The NYCT, which ensures that the fund remains relevant over time.

If you are firmly committed to supporting specific charities, you can make your gifts directly to those charities, but a designated fund may be preferable for some donors. You may name the charity or charities you'd like to benefit; we take care of the investments, and regularly pay grants to the charities you've named. If the charity goes out of business, changes its mission, or should a future board determine that circumstances have changed so as to "render unnecessary, undesirable, impractical, or impossible continued support," we'll redirect funds to other charities without losing time or depleting the fund through expensive court proceedings. This authority of our board, called the variance power, is an attractive feature to donors who have established funds in perpetuity and donors who have set up funds for narrow purposes but understand that the future is unpredictable. A committee of The NYCT board will carefully review the facts before recommending any change to the full board.

Note: Combinations of these fund types are also possible. And donors can elect to devote a percentage of fund proceeds to the LICF's community response grantmaking.

Frequently Asked Questions

What is a community foundation?

A community foundation is a tax-exempt public charity made up of funds that have been established by individuals, families, and businesses. The community foundation invests the assets to generate income and then distributes the income to bona fide charities according to donors' suggestions, areas of interest, or through competitive grants made by the Foundation. One special appeal of a community foundation is its ability to respond quickly, effectively, and flexibly to both the donor's interests and the community's needs, now and in the future. Another is the maximum tax advantage afforded to donors. Donors can use the Foundation to achieve virtually any charitable objective anywhere in the United States or around the world through qualified nonprofit organizations.

What is the Long Island Community Foundation?

LICF is an operating division of The New York Community Trust (NYCT) – one of the country's oldest and largest community foundations, with assets of nearly \$2 billion and consisting of almost 1,800 individual charitable funds. The NYCT has been helping charitable individuals, businesses, and private foundations with their philanthropy since 1924. We make philanthropy convenient, professional, and lasting.

The Long Island Community Foundation is one of more than 700 community foundations around the nation:

We manage and administer charitable funds for individuals, families, and businesses, allowing donors to focus on their philanthropy, not on the paperwork.

We award millions of dollars in grants to support nonprofit organizations located throughout the country.

Why Consider A Fund In The LICF?

Charitable giving through a fund in the LICF offers donors maximum tax benefits without the bother of administration. The LICF staff performs all of the administrative work – bookkeeping, accounting, and check writing – and assures that only bona fide charities are supported. The New York Community Trust oversees investment of the LICF funds in order to generate income for charitable giving now and into the future.

A fund in the LICF accepts a broad range of assets and it only takes a gift of \$5,000 or more to start a fund.

In addition to cash and publicly traded securities, the LICF accepts contributions of closely held or restricted stock, copyrights, and paid up life insurance interests upon a case-by-case review of those assets. In addition, through one of our bank trustees, we will consider gifts of real estate. Transfers of assets held in IRA's and Keoghs also will be accepted.

More economical than a private foundation – When the costs of establishing and maintaining a private foundation outweigh its philanthropic and tax benefits, a fund in the LICF might make better sense for a client.

As a public charity, the LICF can receive a broader array of assets and affords greater tax benefits.

LICF fees are low, much lower than the costs of administering a private foundation, and The New York Community Trust oversees the investments of the funds.

No matter the size of the initial gift, whether \$5,000 or \$5 million, the donor gains access to the LICF and Trust staffs to perform all administrative functions associated with philanthropy, including due diligence to ensure that only bona fide nonprofit organizations are supported.

The LICF offers a range of fund types that afford varying levels of donor participation to suit your client's inclinations.

Donors may appoint successor advisors to carry philanthropy into the next generation.

In a year of unprecedented gain, a client may open a fund that allows charitable giving from both income and fund principal. By authorizing use of both income and principal for grantmaking, donors can enjoy the benefits of philanthropy even in sparer years.

Unlike the time and effort required to establish a private foundation, setting up an LICF fund can be accomplished by a simple letter agreement. The savings to donors are considerable, both in set-up and on-going administrative fees. The benefits of charitable giving through an LICF fund accrue, no matter the size of the initial gift. All LICF donors gain: immediate and favorable tax advantages; investment and management of funds by The New York Community Trust; freedom from the burden of filing annual reports with the IRS and New York State Office of Charities; and relief from excise taxes, penalty taxes, and a mandatory annual payout.

Investment options – LICF donors benefit from the affiliation with The New York Community Trust with investment management services to assure that assets are wisely invested. Managing nearly \$2 billion in assets allows The New York Community Trust to keep its administrative fees low, much lower than commercial philanthropic funds. Donors are given investment choices – preserving fund size, anticipating growth of the endowment, or making funds immediately available for grants. (See attached New York Community Trust and Community Funds, Inc. Investments)

What is a fund?

A fund is the basic building block of a community foundation; it acts as a foundation within a foundation. Funds are named for their donors, for their purposes, to afford anonymity in giving by using a name unaffiliated with an individual donor or family, or as memorials. Most funds operate as permanent endowments, distributing only their net income and a portion of principal; some allow for distribution of income and principal over a period of five years or more. Funds may have broad charitable purposes, providing unrestricted income to address community needs identified by the Foundation, or allow donors the privilege of suggesting grants when they wish to support particular organizations. Funds may support specific nonprofit organizations designated by the donor, or offer scholarship support through local high schools. Funds may even allow for a combination of these purposes.

How do funds work?

Establishing a fund can satisfy a number of financial and estate planning concerns. Any of a variety of assets, including cash, securities, life insurance, IRAs, real estate, rights in intellectual property, and limited partnership interests, can be used to establish a fund in the LICF. Additional contributions may be made to the fund at any time. A donor can establish a fund at any point during his or her lifetime and enjoy the pleasure of watching your good intentions turn into steady support for charitable organizations. You can establish a fund through a bequest in your will, or even arrange, through a trust, for income to be provided to someone for a length of years before the fund is established. Contributions to the LICF receive an immediate tax deduction, the maximum allowed by law, and can yield significant income and estate tax savings.

What are the options for creating a fund?

LICF donors can establish a fund during their lifetime through outright gift, a variety of deferred payment plans, and by will or trust. This flexible timing maximizes tax benefits and tailors giving to fit into an overall planning strategy. LICF accepts a variety of deferred giving instruments, including a charitable remainder trust as well as gifts of paid up life insurance policies and IRAs. We are glad to discuss proposed contributions with you. We may not be able to accept assets that cannot readily be converted to the financial benefit of charity or that carry unusual potential liability.

What kinds of funds can I set up?

We offer four types of funds:

Unrestricted funds leave discretion to The Trust's governing board to use the donor's gift to meet contemporary needs, forever.

In a **field-of-interest fund**, we make grants to nonprofits to tackle issues of concern to the donor, such as child and family welfare, youth, education, or health policy.

A **donor-advised fund** is an unrestricted fund legally, but the donor recommends the organizations to receive grants.

Designated funds name specific nonprofits to receive grants, subject always to our board's variance power, which ensures that the fund remains relevant over time.

How do I open a fund?

It's easy to set up a fund at LICF. You decide the type of fund that's best for you. You think about your charitable priorities, how much you want to give, and name the fund. Then you establish the fund. The gift may be made now or by will.

How much do I need to set up a fund?

We have funds that were started with \$75 million, but our minimum is \$5,000, which is also the minimum amount that must be maintained in the fund. There is no maximum. We do not charge a set-up fee.

What kind of assets may I use to open a fund?

Funds may be established with the following:

- Cash,
- Securities traded on major exchanges,
- Closely held stock,
- Mutual fund shares,
- Retirement plan assets,
- Interests in limited partnerships,
- Literature copyrights, and movie and television rights.
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We are skilled at evaluating unusual assets and have the flexibility to accommodate them when suitable for charity.

What are the fees?

All funds in The Trust, regardless of type or size, are assessed the same annual administrative fee. Currently, the fee is 2.5 percent of grants paid or 1/2 of one percent (or 50 basis points) of the fund's market value, whichever is greater. The fee is based on market value and taken in quarterly installments. If the fee collected by the end of the year is less than 2.5% of grants paid, then the difference will be withdrawn during the first quarter of the following year.

We also use another mechanism to keep our fees low. The income generated by each fund is put into the fund's grantmaking account (disbursing account). However, the interest earned on balances waiting to be distributed to grantees is used to defray The Trust's administrative expenses. The minimum annual fee is \$100.

The fee on an individual grant of \$500,000 or more is 1%. Investment fees are modest.

I need to set up a fund quickly. How long will it take?

We can open a donor-advised fund in less than one business day.

May I select the name of the fund?

Of course. The donor always chooses the name of the fund, typically using their own names or names of individuals to be honored or memorialized. Donors who prefer anonymity can choose a general name.

How long does the fund have to remain open?

Five years is our minimum, but we hope that donors will consider making their funds a permanent resource for charity.

Can I change how my fund is invested?

From time to time, as circumstances warrant, you may request us to change the investment, but please remember, as personal as our service may seem, the money you have given us to establish a fund legally becomes our money, and while mindful of your interests or concerns, our decision on appropriate investment vehicles must remain the final one. For more information on how we invest, please see attached New York Community Trust and Community Funds, Inc. Investments.

Selecting the appropriate vehicle for your philanthropic giving is as important as the issue(s) you decide to support.

Starting a Fund in the Long Island Community Foundation may be more advantageous than starting a private foundation!

Simplicity

Flexibility

Effectiveness

Increased Tax Savings

Reduced Start Up and Operating Expenses

Fund vs. Foundation Benefits Comparison

Fund in the LICF

- ✓ Fund can be established in less than a day
- ✓ Inexpensive to establish and administer
- ✓ Appropriate for any size assets
- ✓ No annual tax return
- ✓ No annual audit
- ✓ No annual payout requirements
- ✓ No excise tax
- ✓ Income Tax Deductions
 - ✓ Up to 50% of adjusted gross income for cash
 - ✓ Fair market value up to 30% of adjusted gross income for publicly traded securities
 - ✓ Fair market value up to 30% of adjusted gross income for appreciated property
- ✓ Low annual administration and management fees
- = Fund name chosen by donor
- = Donor can involve family and heirs in grantmaking
- ✓ Anonymity can be maintained, if desired
- ✓ No penalty taxes
- ✓ Professional staff available for grantmaking consultation
- = Can be established during lifetime or through trust or estate

Private Foundation

- ✗ Takes months to establish
- ✗ Expensive to establish, plus ongoing accounting and recordkeeping costs
- ✗ Typically established with substantial assets
- ✗ Annual tax return must be prepared and filed
- ✗ Annual audit must be performed
- ✗ Requires 5% of assets to be paid out annually
- ✗ 1%-2% annual excise tax on net investment income
- ✗ Income Tax Deductions
 - ✗ Up to 30% adjusted gross income for cash
 - ✗ Fair market value up to 20% of adjusted gross income for publicly traded securities
 - ✗ Cost basis up to 20% of adjusted gross income for appreciated property
- ✗ Costly ongoing administration and management fees
- = Foundation name chosen by donor
- = Donor can involve family and heirs in grantmaking
- ✗ Requires public disclosure
- ✗ Penalty taxes may be imposed for excess business holdings or self dealing
- ✗ May need to obtain expert advice for effective grantmaking
- = Can be established during lifetime or through trust or estate

Enabling individuals of all means an opportunity to create and perform social good.

If you or your family would like to...

- establish a permanent legacy to memorialize a loved one
- create a family tradition of giving for generations to come
- organize and simplify your charitable giving
- free yourself from administrative paperwork and receive flexible and personalized service to support your grantmaking
- maintain anonymity with your personal grantmaking
- receive the maximum charitable tax deduction allowable under IRS regulations
- receive an immediate tax deduction, but want flexibility in the timing of recommending grant distributions
- avoid capital gain taxes on donations of appreciated securities
- reduce estate taxes, resulting in greater transfer of wealth to loved ones

Incorporating charitable giving into your overall financial plan can produce significant tax advantages while enabling you to support the causes that are important to you.

Establishing a Fund in the Long Island Community Foundation provides a simple and effective way for you to manage your charitable giving, while creating a legacy for yourself or loved ones. Through our flexible and personalized services we work with you to achieve your philanthropic goals.

Whether you wish to make an immediate gift of cash, property and/or securities, or are planning a future gift through your Will from your estate, our professional staff will work with you to ensure that your gifts have the greatest impact on the causes you care about most.

Establishing a Fund at LICF enables you to...

- name a fund and create a family legacy
- determine and choose your level of grantmaking involvement
- simply and effectively make grants locally and nationally
- donate a large variety of assets to start or add to a fund including closely held stock and other securities not publicly traded
- receive the maximum tax deduction available under IRS regulations, including market value deductions for appreciated property
- give anonymously if you desire, or with full recognition if you prefer
- eliminate the public reporting of your grants and the value of your fund
- achieve your charitable goals as we provide the tools and resources that make giving easy, flexible and effective
- include loved ones in your giving
- reduce your tax burden in years of unprecedented earnings from the sale of real estate or appreciated stock
- avoid the costly start-up fees and operating expenses associated with a private foundation
- receive numerous advantages over a commercial fund

Working for you, LICF...

- ensures distribution of charitable gifts according to your wishes over the course of your lifetime and beyond
- provides you with full access to a professional staff with expertise in the local community
- provides you opportunities for donor learning, peer networking and donor collaborations
- acts as a resource that closely monitors community issues and opportunities in order to make your giving as effective as possible
- enables you to become part of an organization that acts as a community catalyst, convening diverse voices and groups to effectively work on solutions to local issues
- understands your need to remain flexible as your grantmaking motives may shift over time
- improves the likelihood that your gifts will positively affect society

Establishing a Fund enables you to focus on your charitable giving and we take care of the rest...

- You benefit from economies of scale by being part of The New York Community Trust (NYCT), one of the oldest and largest community foundations in the nation with over \$2 billion in assets
- Your fund is invested and managed by nationally acclaimed investment managers
- You have online access to your fund through *Advisor Express*
- You receive quarterly reports on your fund
- Our administrative fees are modest, especially when considering the services available to LICF donors
- We maintain sound internal fund accounting procedures with clean audits and unqualified audit opinions
- We can manage all types of gift transactions including cash, stock and various types of property

Is your company looking to ...

- enhance its reputation and brand in order to increase revenues
- obtain a competitive advantage in attracting and retaining employees
- maintain public trust through a good corporate reputation
- meaningfully differentiate itself — with competitors, employees, customers, lawmakers, regulators, news media, etc.
- free itself from administrative burden and high costs associated with operating a charitable giving program or a foundation

In today's competitive marketplace, financial results have become increasingly important, while shifts in social expectations are requiring businesses to take an active role in the community.

Establishing a corporate fund in the Long Island Community Foundation provides a simple and effective way for your company to gain an advantage in attracting and retaining customers as well as employees.

The Long Island Community Foundation's professional staff can help you create and operate a customized charitable giving program to enhance your business. Our flexible and personalized services enable you to determine and choose your level of grantmaking involvement, allowing you to focus on your core business while demonstrating your commitment to corporate social responsibility.

You determine your focus and level of involvement ... and we will take care of the rest. The benefits to your company include:

- a flexible and economical means to support nonprofit organizations and causes your company, its employees and customers care about most
- an opportunity to involve employees in corporate social responsibility, often resulting in improved morale and employee retention
- the ability to direct your philanthropy locally, nationally and/or internationally
- the ability to reduce your company's tax burden in years of unprecedented profit or from the sale of real estate or appreciated assets

- a structured means for your corporate philanthropy without the expense of starting and operating an internal community relations program or private foundation
- positive public recognition at the time a fund is established, as well as additional visibility each time a grant is made from the fund to a nonprofit organization
- the maximum tax deduction allowable under IRS regulations for all contributions made to your fund

Funding through a community foundation is often perceived as being more altruistic as it provides a level of independence

As an operating division of The New York Community Trust, one of the oldest and largest community foundations in the nation, the Long Island Community Foundation provides unparalleled service.

- Funds are invested and managed by nationally acclaimed investment managers
- We maintain sound internal fund accounting procedures with clean audits and unqualified audit opinions
- You benefit from economies of scale by being part of the New York Community Trust
- You gain access to a professional staff that performs all of the desired research and site visits to build your knowledge base on which good philanthropic decisions can be made
- Support of a professional staff with expertise in the local community and access to similar resources around the country