

Endowment Glossary



Philanthropy is personal. Each donor decides what issues and causes are meaningful to them and how they want to invest in their impact on those issues. The Jewish Community Foundation is your partner in discovering and investigating your philanthropic goals. An important role in that partnership is ensuring that you understand all of your options and can articulate your intentions.

General Terms:

ADMINISTRATIVE FEES: Expenses incurred in managing funds and serving donors in the community.

ASSETS: The amount of capital or principal; money, stocks, bonds, real estate, or other resources controlled by a foundation. Assets are invested and, in general, a percentage of the resulting income is used to make grants.

CAPITAL CAMPAIGN: A substantial fundraising effort to raise a specific sum of money within a given time frame above and beyond an annual campaign. Capital campaigns are intended to provide for major organizational needs such as buildings or other major expenses. It may include an endowment component.

COMMUNITY FOUNDATION: A tax-exempt, nonprofit, autonomous, publicly supported, philanthropic institution composed of the long-term diverse, charitable benefit of the residents of a defined geographical area or special interest group. Typically, a community foundation serves an area no larger than a state. Community foundations provide an array of services to donors who wish to establish endowed funds without incurring the administrative and legal costs of starting independent foundations. There are more than 750 community foundations across the united states today.

ENDOWMENT: Any asset donated to and for the perpetual benefit of a nonprofit organization. The donation is usually made with the requirement that the principal remain intact and money earned from investing the principal be used for a specific purpose.

ENDOWMENT CAMPAIGN: A fund-raising campaign that raises money for an organization to invest for spending needs in perpetuity. The proceeds from an endowment campaign are placed in an endowment fund, the income from which is used by the organization to meet ongoing expenses, cover capital expenditures, or fund special projects and programs.

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FORM 990: The IRS form filed annually by public charities. The IRS uses this form to assess compliance with the Internal Revenue Code. The form lists the organization's assets, receipts, expenditures, and compensation of officers. Organizations are required to make this form available to the public.

FUND: Created by a donor or an organization for the charitable purposes identified by the donor or organization. An endowed fund [at the Jewish Community Foundation] is part of a pool of funds that are invested and subject to a spending policy as determined by the trustees with the input of the investment committee. Donor intent is paramount when creating a fund.

FUND AGREEMENT: A document created and signed by both the donor and Foundation leadership which outlines the parameters by which the fund is governed. Each type of fund has its own agreement that includes the purpose of the fund, how often grants are made from the fund, and what should happen to the principal and earned income of the fund should the organization(s) you wish to support cease(s) to exist.

GENERAL/OPERATING SUPPORT: A grant made to further the general purpose or work of an organization, rather than for a specific purpose of the project. It may also be called an unrestricted grant.

GRANTS: Distributions which the Foundation makes to organizations and institutions that are beneficiaries of its funds. Grants must be made to a qualified 501(c)(3).

PHILANTHROPY: It means "love of humanity" in the sense of caring, nourishing, developing, and enhancing "*What it means to be human*" on both the benefactors' (in their identifying and exercising their values) and beneficiaries' parts.

SPENDING POLICY: An annual calculation to determine the amount available for grant making and for support to the Foundation's annual budget.

TAX-EXEMPT ORGANIZATIONS: Organizations that do not have to pay state and/or federal income taxes. Organizations seeking recognition of their status as tax exempt under Section 501(c)(3) of the Internal Revenue Code must apply to the Internal Revenue Service. Charities may also be exempt from the state income tax, sales tax, and local property tax.

Fund Types:

DONOR ADVISED FUNDS: A fund created by a donor and held at a community foundation or other qualified organization, where the donor, or a committee appointed by the donor, may recommend eligible charitable recipients for grants from the fund. The Foundation's governing body must be free to accept or reject the recommendations. A minimum of \$10,000 is required to create and maintain a donor advised fund at the Jewish Community Foundation.

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DESIGNATED FUNDS: A fund that benefits one or more specific charitable organizations as named by the donor, or the founder of the fund. They are created in perpetuity and subject to the spending policy of the foundation. Disbursements are usually made annually, either automatically or upon request from the beneficiary organization. The donor will designate what should happen to the funds if an organization ceases to exist in the form originally intended. A minimum of \$5,000 is required to create and maintain a designated fund at.

UNRESTRICTED FUNDS: Funds that flow into the general grant pool of the Foundation and allow the Foundation to determine where grants will do the most good. They offer maximum flexibility to react to the changing need of the community. Often, these funds allow for capacity building to happen in community organizations as well as strategic and visionary programs.

SCHOLARSHIP FUNDS: Established to provide financial assistance to students who meet specific criteria as determined by the donor. The recipient of the scholarship must be unknown to the donor prior to the award. A minimum of \$25,000 is required to establish and maintain a scholarship fund at the Jewish Community Foundation.

CUSTODIAL FUNDS: Funds created by an organization that the Foundation manages and invests on behalf of another organization who solicits, creates, and tracks the funds themselves. There are limited restrictions from the Foundation on an organization's ability to use these funds. Often, an organization has internal parameters for the use and approval of these funds.

FIELD OF INTEREST FUNDS: Funds that support an area of charitable interest such as youth or human services. Generally, grants from these funds are made at the discretion of the Foundation through its Grants committee with approval from the Trustees.

Ways to Give:

APPRECIATED ASSETS: Assets, such as stock, that have increased in value since they were acquired. Such assets are usually subject to capital gains tax if sold, unless sold by a nonprofit organization. The donation of appreciated assets by a donor to a nonprofit can potentially result in substantial tax benefits for the donor.

TRUST: A legal device used to set aside the money or property of one person for the benefit of another person or organization. Typically, this means that a person transfers assets to a trust, which, for tax purposes, is a separate legal entity.

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CHARITABLE REMAINDER TRUST (CRT): An irrevocable trust that generates a potential income stream for you, as the donor to the CRT, or other beneficiaries, with the remainder of the donated assets going to a qualified charity. A charitable tax deduction may be taken for the present value of the charitable remainder.

BEQUEST (OR LEGACY): A gift or donation made through one's will, trust, or estate plan, usually in the form of money made available upon the benefactor's death. Bequests may establish new funds or add to existing funds. When a donor creates the bequest they can establish the intended use of the funds.

CHARITABLE GIFT ANNUITY (CGA): A contract between a donor and a charity with the following terms: As a donor, you make a sizable gift to charity using cash, securities or possibly other assets. In return, you become eligible to take a partial tax deduction for your donation, plus you receive a fixed stream of income from the charity for the rest of your life. If it is funded with cash, part of the payments will be taxed as ordinary income and part will be tax-free. If funded with appreciated assets owned more than one year, part of the payments will be taxed as ordinary income, part as capital gain, and part may be tax-free. The donor receives an income tax charitable deduction equal to the amount of the contribution less the present value of the payments to the donor and/or other beneficiary.

LIFE INSURANCE (GIFT OF): An existing policy or establishment of a new policy may be used for this gift. Individuals may name a charitable organization as the owner and/or beneficiary of a life insurance policy. Donors may receive an income tax deduction during one's lifetime. To determine the value of life insurance policy deduction, please speak with the charitable organization.

The above terms defined as used by the Jewish Community Foundation of Greater Hartford and may not pertain to every Community Endowment. These terms are not intended to represent legal and/or financial advice.



The Jewish Community Foundation of Greater Hartford unlocks the transformative power of individual and collective philanthropy to solve problems, strengthen community organizations, and provide permanent support for our Jewish community.