



FARIBAULT
FOUNDATION

COMMUNITY FOUNDATION Fund Types and Definitions

The **Faribault Foundation** provides a variety of component Fund Agreement options to meet the needs of the donors and the organizations it serves.

TYPES OF FUNDS

Discretionary Fund

Donors that establish a discretionary or unrestricted fund allow the Foundation Board discretion to use the funds to best meet the greatest needs of the community each year.

Donor Advised Fund

A donor advised fund allows donors to organize their charitable giving activities through one expertly managed, cost-effective charitable vehicle. Gifts qualify for an immediate tax deduction and donors advise the foundation on making their fund distributions.

Scholarship Fund

A donor creates a named scholarship fund to support students who are pursuing training or education. The Foundation works with a scholarship fund committee to implement a professional and competitive scholarship application and award process that meets legal and ethical requirements of the IRS and the Council on Foundations.

Field of Interest Fund

A field of interest fund may be established by an individual donor or by a group of like-minded individuals that share interest in making a difference in the quality of life for a defined group. Annual Grants are awarded through a professional, competitive grant-making process.

Designated Fund

A donor establishes a named donor designated Fund for a specific named charitable organization for the purpose of providing long-term annual support. Donors often do this to ensure the charities that they care about have a predictable stream of income in perpetuity.

Agency Fund

A non-profit organization initiates and establishes an agency fund to support general or specific areas of the organization. Anyone may contribute to the fund, including the organization and/or individual donors.

FUND INVESTMENT OPTIONS

The donor chooses whether to invest as an endowment or to use the fund as a pass-through fund.

An **Endowed Fund** is when the total amount of the gift is invested. Each year, only a portion of the income earned is spent while the remainder is added to the principal for growth. In this respect, an endowment is a perpetual gift. The principal value of the endowment fund is essentially kept intact, while the investment earnings can be distributable dollars used for charitable grants to nonprofits. Thus, an endowment fund can be held permanently, allowing donors to support causes they care about in perpetuity.

Endowment Funds are permanent component funds of the Foundation with an annual distribution of no more than 5%, based on a 12-quarter rolling average. Each fund must have a minimum of \$10,000 to have a distribution. Distributions are typically available in March of each year.

Non-Endowed Funds (also known as “Flexible Funds”) the principle may be distributed. The Foundation recommends a minimum \$25,000 fund balance. A donor or an organization may choose to create a non-endowed fund for the purpose of providing short term charitable support.

Donor gifts may qualify for tax deductions as allowed by the IRS and may advise the foundations on making their fund distributions. Donors should contact their tax advisor for information regarding available tax deductions or credits. BOD approved 08.2023