

TYPES OF FUNDS

As stewards of permanent charitable assets, the Viroqua Area Foundation is committed to meeting the needs of the community as well as responding to donors' specific philanthropic interests. We offer 8 types of funds: Designated, Designated Funds Serving as Agency Endowments, Donor-Advised, Field of Interest, Remembrance, Scholarship, Seedling, Unrestricted or Undesignated (General).

Undesignated or Unrestricted Funds (General): These are funds that have no restrictions as to how the gift is used. These funds allow the Viroqua Area Foundation the most flexibility in meeting the needs and priorities of the community. A community needs a reservoir of funds that it can draw upon to meet emergencies, give a start to new charitable organizations, or to help existing charities meet emerging needs.

Designated or Restricted Funds: Designated Funds are established to benefit specific charitable organizations that are named by the donor. There should be, as a matter of policy, a statement in the agreement to accept any designated gift, which stipulates that if the agency(s) that the donor supports no longer function(s) or the service(s) become obsolete, or there is malfeasance by the agency, these funds can then be applied to similar organizations, or become a part of the Discretionary (General) Fund. Designated Funds shall make annual grants of at least 5% of the fund balance, after the administration fee has been taken; or the annual earnings of the fund, after the administration fee has been taken.

The following Funds are specific types of Designated or Restricted Funds:

Donor-Advised Funds: These funds provide donors with maximum convenience and flexibility. Through a Donor-advised Fund, donors or advisors will be encouraged, but not required, to distribute 5% of the fund balance after the administration fee has been taken; or the annual earnings of the fund, after the administration fee has been taken. The Board of Directors may authorize exceptions to this grant amount. Regulations under the Internal Revenue Code require that the VAF board have the ultimate authority to make grant decisions. Individuals or families who would like to have input into where their donated funds are distributed usually establish Donor-advised Funds. Another source of Donor-advised Funds comes from private foundations that want to transfer funds and authority to the VAF, but still want input for the distribution of those funds. In general, a "Donor-advised Fund" is a fund or account that is: (1) separately identified by reference to contributions of a donor or donors (2) owned and controlled by a sponsoring organization, and (3) with respect to which a donor (or any person appointed or

designated by such donor (a “donor advisor”) has, or reasonably expects to have, advisory privileges with respect to the distribution or investment of amounts held in the separately identified fund or account by reason of the donor's status as a donor. All three prongs of the definition must be met in order for a fund or account to be treated as a Donor-advised Fund.

Field of Interest Funds: These are created by donor(s) with the primary purpose of benefiting a specified area of concern that is broadly stated such as arts, youth, environment, elderly, women, handicapped, education, etc. These funds are open-ended and can attract gifts from a wide range of donors with similar interests.

Scholarship Funds: This fund is created by donor(s) with the primary purpose of benefiting young people and providing financial assistance for the education of the youth in our area on one-time bases or over a time frame of many years. These funds are open-ended and can attract gifts from a wide range of donors with similar interests. Regulations under the Internal Revenue Code require that the donor(s) make up the minority of the scholarship committee choosing the recipients. Individuals or families who would like to have some input into the selection process are told to do so in accordance with the IRS code.

Designated Funds Serving as Agency Endowments: This type of fund can be established by an agency that wishes to establish an endowment fund, but may not have the staff or the expertise to build the fund over time. This type of fund is open-ended and thus can be augmented by the agency itself, or by other individual donors. These funds become part of the VAF, but are for the use of the agency for which the fund has been established.

The following Funds can be Undesignated or Designated Funds depending on how the donor would like to establish the Fund:

Remembrance Funds: This is a fund that is discretionary in nature and allows donors to make gifts in memory of deceased individuals or in honor of special occasions, individuals, or organizations and at the same time help the community.

Seedling Funds: This fund enables donors to pledge annual gifts toward an endowment fund goal of \$10,000 within 10 years of the first gift. Contributions may be made monthly, quarterly, semi-annually, or annually until the fund reaches the required \$10,000. Interest or dividends earned by the fund remain in the fund to help it grow. No fees are charged until the fund balance reaches \$10,000 and converts to a Donor-advised Fund, Field of Interest Fund, Unrestricted Fund, or Designated Fund.

A gift of \$10,000 is required to establish a Named Fund in all of the funds listed above.