



\_\_\_\_\_ **Long Term Fund (5+ Years)** – The primary investment objective of this Fund is preservation of purchasing power to provide a relatively stable, inflation adjusted, annual payout to support grant-making or other donor missions. This Fund is appropriate for endowed funds or non-endowed funds with time horizons beyond five years. There will be some inevitable volatility in principal value from this strategy, but it may offer the potential for a sustainable payout plus inflation protection, understanding that this may result in a less stable payout from year to year.

3. Distributions will be made from the fund in accordance with the Foundation’s spending rule for endowment funds as stated in the Investment, Distribution & Fee Guidelines, which may be modified by the Board of Trustees from time to time *(Please initial the following)*:

- \_\_\_\_\_ on an annual basis
- \_\_\_\_\_ on a quarterly basis

*Note: All distributions are subject to the variance power contained in Article II (1) of the Articles of Organization of the Foundation.*

4. I/We hereby acknowledge that I/we have been offered copies of and have reviewed the following documents:

- a. The Foundation’s Investment Policy Statement *(initial)* \_\_\_\_\_
- b. The Foundation’s Articles of Organization *(initial)* \_\_\_\_\_
- c. The Foundation’s By-Laws. *(initial)* \_\_\_\_\_
- d. Performance Report of three fund options *(initial)* \_\_\_\_\_

5 Administrative Fee charges will be assessed on an annual basis as per the Foundation’s Guidelines, which are subject to reasonable modification by the Board of Trustees.

6. Distributions can be taken from the fund once it has reached \$10,000, and at least one year has passed from the date the fund was established. (See the Foundation’s Investment, Distribution and Fee Guidelines). If for some reason the fund is not funded with a total of at least \$10,000, the Foundation will meet with the donor or the advisors to discuss dissolving of the fund and distributing the entire fund for charitable purposes.

7. Timeframe of the Fund: (Check One)  On-Going (Endowed)  \_\_\_\_\_ # of Years

8. The donor hereby authorizes the Foundation to pay its administrative fees and investment management expenses from the fund in accordance with the Investment, Distribution and Fee Guidelines of the foundation in effect from time to time. . *(initial)* \_\_\_\_\_

9. The gift or property described above will be transferred to the foundation using the following method: *(Please initial one of the following)*

- \_\_\_\_\_ Check \_\_\_\_\_ Securities-Gift Account Transfer \*
- \_\_\_\_\_ Securities-Certificates Transfer \* \_\_\_\_\_ Other \_\_\_\_\_
- \_\_\_\_\_ Securities-Electronic Transfer \* \_\_\_\_\_

*\*(Please contact the Community Foundation for instructions on securities transfers)*

10. The donor understands that the gift described above will become an asset of the Foundation and is irrevocably committed for charitable purposes. *(initial)* \_\_\_\_\_

11. The donor understands that, upon the death of the advisors and successor advisors named (if any), the assets of the fund created by this document will be added to the Foundation’s General Fund. *(initial)* \_\_\_\_\_

12. Contributions are Irrevocable. All gift contributions made to the Foundation become assets of the Foundation and are irrevocable as tax deductible gifts. All gifts to the Foundation must further the charitable purpose and mission of the Foundation. The Foundation reserves the right to review and approve all contributions.

13. Estate Plans: Do you plan to name this fund as a beneficiary in your estate plan? If so, please indicate the type of planned gift:

- Bequest
- IRA/retirement plan assets
- Charitable remainder trust
- Life insurance
- Charitable lead trust
- Other \_\_\_\_\_

14. Amendments. This agreement may be amended from time to time by a document in writing signed by the Foundation and by the donor(s) if they are living or the acting fund advisors.

**Signatures:**

**For the donor (s):**

**For Community Foundation of North Central Massachusetts:**

\_\_\_\_\_  
Signature Date

\_\_\_\_\_  
Philip M. Grzewinski Date  
President

\_\_\_\_\_  
Signature Date

\_\_\_\_\_  
Linda Mack Date  
V.P. of Development and Donor Services

**PLEASE READ AND SIGN THE INVESTMENT, DISTRIBUTION AND FEE GUIDELINES.**

**DONOR RECOGNITION:**

- \_\_\_\_\_ Please publish my fund name in your publication(s) as it appears at top of Page 1.
- \_\_\_\_\_ Please do not publish my name in your publication(s).
- \_\_\_\_\_ Please do not publish my name in your publication(s), however, you may use my name to invite others to join the Foundation.

Quarterly Statements are available online.

Person(s) will be using the online access to your fund and making grant distributions:

Name: \_\_\_\_\_

Email: \_\_\_\_\_

Name: \_\_\_\_\_

Email: \_\_\_\_\_

Person who can have read only access;

Name: \_\_\_\_\_

Email: \_\_\_\_\_

What are your charitable interests?

- Arts and Culture
- Education
- Environment
- Health and Human Services
- Housing and Community Development
- Civic Engagement
- Workforce Development
- Nonprofit Sector
- Other \_\_\_\_\_

# The Community Foundation of North Central Massachusetts, Inc.

## Investment, Distribution and Fee Guidelines

### Investment Options

The donor may select an investment objective that best suits the fund's intended purpose. The Foundation provides information on performance, asset allocation, and fees for each of the three investment options. An explanation for each option follows:

**Short Term Fund (Less than 3 years)** – The primary investment objective of this Fund is stability of principal. This fund is appropriate for non-endowed funds or other situations where funds can be withdrawn with little or no advance notice, and/or in situations where only minimal fluctuations to principal can be tolerated. Agencies and donors with time horizons under three years should consider this strategy.

**Medium Term Fund (3-5 Years)** – The primary investment objective of this Fund is to provide payouts with moderate year to year volatility. This Fund may experience some reduction of purchasing power over time due to inflation. This fund is appropriate for endowed funds that require minimal, or no, real growth after payouts, or non-endowed funds that have a time horizon that is between three and five years. This fund will most likely experience moderate fluctuations to principal.

**Long Term Fund (5+ Years)** – The primary investment objective of this Fund is preservation of purchasing power to provide a relatively stable, inflation adjusted, annual payout to support grant-making or other donor missions. This Fund is appropriate for endowed funds or non-endowed funds with time horizons beyond five years. There will be some inevitable volatility in principal value from this strategy but it may offer the potential for a sustainable payout plus inflation protection, understanding that this may result in a less stable asset balance from year to year.

### Distribution Policies

#### **Endowment Funds**

The Foundation, maintaining exclusive legal control of all contributed assets, has adopted a total return approach to investment management under the Uniform Management of Institutional Funds Law for Permanent Endowment Funds. This allows the Foundation to capture more of the historically higher appreciation in the equity markets. "Total return" is a term used to describe the total change in fund value over a given time period that results from both income (interest and dividends) and capital appreciation (realized and unrealized gains).

Under this approach, a fund's income for grant making and/or distributions will be calculated by using a "**spending rule**" – a fixed annual rate established by the Foundation's Board of Trustees and defined as a percentage of the market value of the assets in the fund. For example, a spending rule for a given year might be 5% of the four-year average of a component fund's asset value. The amount available for grant making determined by this spending rule can include interest and dividend income, as well as realized and unrealized gains. Currently the spending rule is 4.5% of the average market value over the past 20 quarters. No distributions are allowed for one year from the time the endowment fund is established. Grants from the permanent endowment will be made at the June Trustees' meeting.

It is important to note that depending on market conditions, in some years the spending rule may require the distribution of a portion of the principal balance in a fund.

### **Donor Advised and Scholarship Funds**

The Foundation will from time to time receive advice from donors or their designees regarding disbursements from donor advised, or scholarship funds. This advice will be considered upon written request to the Foundation. The President and/or the Executive Committee of the Foundation are authorized to consider this advice and make distributions. (Please note that IRS regulations prohibit distributions to fulfill pledges and/or to secure benefits from the distribution recipient. With regard to Donor Advised Funds, all disbursements must be for the benefit of a charitable organization.) Disbursements will occur on the closest of the following dates: March 30, June 30, September 30 or December 30, unless otherwise agreed. The Foundation will send a letter to the donor or designee, confirming the action taken regarding his or her advice.

As Founder of a Donor Advised Fund or Scholarship Fund you may appoint new advisors at any time by submitting them in writing to the Foundation.

### **Reports**

The Foundation will provide donors or designees with quarterly statements on your Fund's activity and investment performance. You can access your monthly fund performance by going to our website Foundation.org and creating a user name and password to view your fund balance, performance and initiate distributions/grants.

### **Administrative Fees**

Distributions will be made from the Fund in accordance with the Foundation's spending rule as stated here in the Investment, Distribution & Fee Guidelines, which may be modified by the Board of Trustees from time to time. Administrative tasks associated with the management of funds include investigation of grants, receipt and acknowledgement of contributions, payment of grants, oversight of investment management, and compliance with federal and state reporting requirements. To support these activities, the Foundation currently charges a 1% fee on non-endowed funds. For endowed funds a tiered annual fee ranging from 1% to 0.10% of the fund's market value. The fee is calculated as 1/12<sup>th</sup> of the fund's market value at the end of each month. The tiered fees are broken down as follows:

First \$2,000,000	1.0%
Next \$3,000,000	0.25%
Amounts above \$5,000,000	0.10%

A note about administrative fees: **The Administrative Fee for endowed and non-endowed funds are subject to reasonable modification by the Board of Trustees.** Fees not only support administrative operations, but also fund a portion of the Foundation's work in the community.

### **Short-Term Fund Administrative Fees**

Short Term Fund fees are assessed monthly on the fund balance at a 1% annual rate. If the fund has duration of less than one year, the minimum fee is 1% of the average monthly balance during the time the Foundation holds the funds.

### **Investment Management Fees**

The Investment Management Fee is based on a graduated scale depending on the amount of funds the Foundation has invested. The fee is calculated by taking the investments' market value at the end of the month multiplied by the current annual rate and then dividing by 12.

- Investment Management fee rate for the Short Term fund was **0.32%** annually as of 12/31/14. This fee/expense percentage varies slightly over time as the mix of investment funds utilized changes.
- Investment Management fee rate for the Medium Term and Long Term funds was **0.54%** annually as of 8/31/15. This fee/expense percentage varies slightly over time as the mix of investment funds utilized changes.
- All investment performance reports show investment returns **net of fees**.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_