

Working with Hamilton Community Foundation

Many people are interested in benefiting our community. The question is, “How might this be accomplished through Hamilton Community Foundation?”

The Community Foundation is structured to help donors make their community a better place – whether their interest centers on an area of specific concern (e.g., children, arts, environment) or extends more generally across the broader community.

The Community Foundation is essentially a collection of gifts, large and small, contributed by people from all walks of life. These monies are held permanently and invested. The income from the investments is given out to the community each year to address the charitable priorities identified by the donors or by the Board of Directors working on their behalf.

Each donor’s gift is identified with a Fund, and the Community Foundation is committed to working with each donor to ensure their Fund is designed so that their goals are accomplished.

Gifts of less than \$5,000 are included in the Community Fund, the largest of the unrestricted funds, which are more fully described below.

Once a donor’s gifts accumulate to at least \$5,000, a “named” fund may be established in recognition of the contribution of the donor or to honour a family member or friend.

Additional options are available for gifts of larger amounts (\$25,000 and over). These options and some thoughts on identifying the most appropriate type of fund are more fully described below.

Options for granting:

In our discussions with some donors, they advise us that they have a genuine interest in the community at large. The history of their charitable giving may include a diverse range of organizations or causes. Or they may simply be moved to “give something back” to the community where they have lived. They are most satisfied by establishing an ‘**Unrestricted**’ Fund. This type of fund gives discretion to the Board of Directors to select the recipient(s) each year which provides them the flexibility to be able to address the highest charitable needs in the community.

(cont’d)

Sometimes, an individual may have an interest in helping a particular area or concern. Perhaps, in reviewing their history of giving, they see a pattern that responds to needs across the whole community but that always has a focus in one area, such as children. This donor may choose to specify that the income from the fund be directed to children's issues, leaving the selection of the project to the Board. We call this a '**Field of Interest**' Fund. A number of our donors are most satisfied with this approach. It ensures their fund is working in their area of interest and helping to address the needs of the day. This is reassuring given the way society is changing so fast and so dramatically. (Who would have imagined twenty years ago that we would need to find ways to ensure that children do not arrive at school hungry!)?

There is another option available for individuals whose charitable giving has involved the whole community (or a particular area) and who also would enjoy continuing to be involved in selecting the recipients each year. Working together, the donor and the Foundation staff identify possible areas of interest to the donor, then select projects or organizations that best meet the current needs in that area. We call this a '**Donor Advised**' Fund. Sometimes donors may choose to start their fund as Donor Advised with the option to change it to Unrestricted or Field of Interest if their personal circumstances change.

Sometimes donors have a list of specific charities that they have supported over the years. It is possible to specify that these organizations will continue to be the beneficiary of the income of the fund each year. We call this a '**Designated**' Fund.

Depending on the size of the gift, it is possible to structure a fund that combines two or more of these options.

Visit our website www.hcf.on.ca for examples of the various types of funds.

The Agreement:

We always want to ensure that each fund will operate according to our donor's wishes; so, an agreement setting out the details of how the fund will operate is prepared and kept on file at the Foundation (with copies provided to the donor and the donor's advisors, as appropriate).

We ask our donors to select a name for their fund. This may reflect their own name, a family name or the purpose of the fund, etc. This is also an opportunity to consider the degree of recognition or anonymity with which they are most comfortable. Sometimes our donors have some fun thinking up a name. (e.g. We have an "Angel Fund", a "Dream Weaver Fund", etc.)

Since the funds are held permanently, we believe it is important to document in the agreement a sense of the people who establish the funds, their motivation for giving, the purpose or outcomes they hope will be achieved, etc. In this way, "human faces" are put on each fund. We work with each donor to capture their thoughts for this section.

(cont'd)

Contributions:

Contributions to a fund may be made in a number of ways. While many of the gifts to the Foundation are through bequests, more and more of our donors are also making gifts during their lifetime. Donors who establish their fund during their lifetime tell us that they really enjoy seeing the difference their fund is making. On a practical note, there are also tax advantages that need to be considered. The Foundation has processes in place to allow donors to HCF to easily take advantage of the rules introduced in 2006 that eliminated the tax on any capital gain for gifts of marketable securities. Income tax receipts are provided for all donations to the fund.

Sometimes people start their fund with a small gift and add to it as they become more comfortable with the whole concept.

Operation of the fund:

a. *Income* – the capital of the fund will be retained permanently and invested in accordance with the Investment Policy of Hamilton Community Foundation. Under the guidance of our professional investment advisors, returns have been in the anticipated range of performance with a five year annualized rate of 8.0% in spite of the volatility of the past three to four years. Over the most recent year ended March 31, 2008, like most investors, the Foundation experienced negative results of -3.9% as a result of extreme volatility of the investment markets and the Canadian/US dollar exchange rate. While not being able to be certain about the timeframe, our advisors expect results to return to the mid to high single digits in the longer term.

b. *Inflation* – In order to protect the fund from erosion due to inflation, a portion of the income, based on the rate of inflation, is added to the capital of the fund each year, when possible.

c. *Fees* – Each fund is charged a fee, which covers such costs as investment counsel and custodian fees, staff resources to manage the grantmaking for the fund and a contribution to the common costs, such as rent, audit, etc. This supporting fee is calculated on the market value of the fund. Generally, fees range from 1.5% to 2.5% depending on the size and complexity of the fund. Reduced rates are available for funds in excess of \$1 million. The supporting fee paid by each fund provides all fundholders with administrative freedom, investment confidence and staff accessibility.

~ ~ ~ ~ ~

Hamilton Community Foundation is a very flexible tool available to people in this community to meet their philanthropic goals. Regardless of the type of gift, its size, or whether it is made now or in the future, donors are confident that their gift to Hamilton Community Foundation will benefit their community forever.