

Frequently Asked Questions

Community Funds and the Northwest Minnesota Foundation

What is a Community Fund?

A community fund (community foundation) is a tax-exempt, 501(c)(3) charitable program comprised primarily of permanent funds endowed by many separate donors for the long-term benefit of a given city, region, or state. The community fund is unlike any other philanthropic or nonprofit organization. It is not a federation of member agencies, like the United Way. It is not a direct-service provider, like the Salvation Army. It is not a private foundation, fulfilling the interests of a particular individual or family. Rather, a community fund's unique role is to provide a home for hundreds of donors both living and deceased, who take advantage of this tax-favored way to enhance their charitable giving. Any citizen may become a philanthropist through gifts to a community fund.

The funds and grants of a community fund, however, are only two parts of this unique and multi-faceted program. A community fund, for example, is also an information center for both donors and nonprofit organizations to learn about the community and its myriad needs, as well as to seek resources to meet the needs. It often serves as a broker between organizations and other funding sources, such as private foundations or government agencies.

It is the responsibility of a community fund to anticipate the problems of the next decades and to address root causes. To that end, a community fund often acts as a catalyst for positive change and convener of diverse groups to collaborate on issues of common concern.

How did this fund get started?

The FACF community fund is the result of quiet discussion, hopes, dreams and now, reality. The fund was encouraged by Northwest Minnesota Foundation (NMF) and created through a request by people from Fisher for NMF to establish a formal community fund.

What is the legal status of (CF name)?

FACF is a component fund of NMF, a 501(c)(3) charitable foundation, serving as a regional community foundation. FAF derives its legal status through NMF which owns and manages the assets of FAF for the purposes stated and for the reasons gifts are received.

Are NMF Community Funds operated like a private foundation?

No, NMF is a 501(c)(3) publicly supported charitable non-profit serving as a regional community foundation for northwest Minnesota. NMF Community Funds represent publicly supported programs with many donors rather than private foundations established and supported by only a few generally family related donors.

Why partner with the NMF?

NMF has been very supportive of Fisher for many years. The latest community meetings and planning sessions have been supported by grants from NMF. Fisher and NMF share a common vision and strategy for focusing resources.

Who makes decisions for the community fund?

Final authority over management and disbursement of funds from the FACF rests with the NMF Board of Directors. A local advisory committee, consisting of area residents appointed by NMF is responsible for the day-to-day operations of FACF, including fund development and grant making activities. The local advisory committee will conduct reviews on funding proposals and submit its funding recommendations to NMF for final approval.

What kind of programs will FACF support?

FACF has identified priority areas for future support. These priorities support Fisher's future by helping to:

(Examples below must be changed to fund's priorities)

- Ensure the school maintains its reputation
- Develop a recreation area in the City of Fisher
- Develop a neighborhood with shovel-ready lots for new home construction
- Develop a small business incubator for destination retail and service businesses
- Other charitable activities that are crucial to the success of Fisher

Because of its flexibility and ability to serve the needs of both, the community and donors, a variety of projects supporting these priorities could be supported.

Why is FACF asking me for a charitable gift?

FACF is seeking to build philanthropic capital and a greater philanthropic culture in Fisher. By establishing a general community endowment fund, a variety of programs, projects and activities benefiting Fisher can be supported through annual grant making. This grant making cannot happen without financial resources. You may wish to consider your gift an "investment" in the future success of our community. *If not you, who can be counted on to believe in our community and want to see it succeed.*

Are gifts to FACF deductible as charitable contributions?

Yes. Your gifts are acknowledged and receipted as gifts to NMF, a 501(c)(3) charitable nonprofit, to be applied towards FACF. These gifts are deductible to the donor to the extent allowed by law.

Can my gift to FACF be used in other communities, or for other NMF programs?

Only if the purpose of FACF would cease to exist, become impossible, or become impractical, would NMF allow assets of the fund to be used for other "substantially similar" purposes. In such case NMF will use all assets of the fund in a manner consistent with the established purposes – including the types of programs supported – in the geographical region designated by the fund, in this case the Fisher area.

How will my gift to FACF be treated?

FACF has been established primarily as a permanent endowment fund. As an endowment only the earnings from the fund will be used for community projects. The NMF distribution policy allows for a 5% annual distribution based on an average fund balance over twelve trailing quarters. This policy has historically allowed for annual grants and modest asset appreciation. FACF may periodically raise additional funds for a particular project and spend both principal and earnings on that project. Donors will be informed as to which type of fund or project they are being asked to contribute.

What are the expenses or administrative costs for FACF?

NMF charges a 1% per annum administrative fee and applies a prorated investment management fee on FACF assets. The FACF may also incur fund development and marketing expenses. NMF works closely with the local advisory committee to keep expenses to a minimum and provide other consultant services at no charge.