PLAN

COMMUNITY FOUNDATION
FOR THE ALLEGHENIES

PHILANTHROPIC LEADERS ADVISORY NETWORK

BENEFITS AND MEMBERSHIP OVERVIEW

PLAN
Philanthropic Leaders Advisory Network

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The Philanthropic Leaders Advisory Network (PLAN) is an initiative of the Community Foundation for the Alleghenies specifically for wealth advisors. Through PLAN, we support the important work of local financial planners, attorneys, and accountants and the relationships they have built with the clients who trust them.

CFA enhances this relationship by offering professional wealth advisors our broad-based knowledge of community needs, along with a deep well of experience in charitable giving. Through educational seminars, support materials, and a trusted network of professionals, we make sure you have the best information for helping your clients make choices that reflect good intentions and good sense.

When your clients want to have a lasting impact on their community, we can help you execute their philanthropic intentions. You still manage their money — we will be here to help you help your clients achieve their philanthropic dreams.

Requirements:

- Meet individually with CFA to discuss PLAN.
- Review and sign off on the CFA PLAN handbook.
- Attend at least 1 of 3 CFA sponsored continuing education seminars annually.

Benefits:

- Your name and firm will be listed in our annual report and on our website at cfalleghenies.org/wealth-advisors with a link to your website.
- You will receive invitations to participate in educational trainings and other events for professional advisors.
- The opportunity to meet like-minded professionals to exchange ideas and information.
- The ability to develop a deeper understanding of CFA and the value it may bring to your client relationships.

ABOUT CFA

Community Foundation for the Alleghenies was created to help donors accomplish their personal philanthropic objectives while meeting the economic and charitable needs of communities throughout the region. We do this through the creation of named endowment funds that support causes and charities favored by our donors. Our staff members and volunteer leaders maintain long-term relationships with nonprofits, allowing us to offer sound guidance to donors about community needs and charitable opportunities.

Through grants or matching funds, the Community Foundation awards funds for a wide variety of nonprofit programming: the arts and humanities, education, scholarships, community and economic development, children and youth, health and human services, heritage programs, civic affairs, religion, and the environment. We also work with larger foundations to help support fields of interest, such as watershed improvement and environmentally sustainable business initiatives throughout western Pennsylvania.

There is no limit to the type of charitable activity that can be accomplished through Community Foundation for the Alleghenies. While we focus primarily on endowments, donors also can create named funds that spend a portion, or all, of the principal. Although we were created to support Bedford, Cambria, Indiana, and Somerset counties, donors can also use the Community Foundation to support charities throughout the country.

Dan and Marcia Glosser established the first charitable fund at CFA in 1990 with a gift of $300,000.

Professional advisors recommend the Community Foundation to their clients for many reasons. Donors receive a full tax deduction for their gifts, which are then invested in a tax-free environment until used for a charitable purpose. The grouping of assets under the administrative umbrella of a community foundation creates significant investment management economies of scale. Moreover, there are no taxes due and no minimum pay-out requirements. All funds within the Community Foundation are covered under a single 990 form and a single audit. Our assets are professionally managed and overseen by a committee of business, civic, and investment professionals.

Since the Community Foundation's inception in 1990, donors have established over 750 endowed funds with initial gifts ranging from $1,000 to nearly $9 million.

COMMUNITY FOUNDATIONS:
AN ATTRACTIVE ALTERNATIVE TO A PRIVATE FOUNDATION

CFA is happy to help you guide clients through their options when it comes to charitable giving vehicles, including considering legal requirements, tax liabilities, administrative considerations, costs, and more. When it comes to cost effectiveness and efficiency, some individuals and families find that working with a community foundation rather than establishing a private foundation offers greater flexibility, less administrative work, and the opportunity to focus more of their energy on the joy of giving and supporting a specific cause.

	Community Foundation	**Private Foundation**
Organization	Established 1990	Must create
Tax Exempt	501(c) 3 status	Must obtain
5% Pay-out Rule	Does not apply	Required
Excise Tax on Investment Income	None	May be subject to tax
Tax Deductibility for Donors	Maximum under law	Lower
Mechanism for Receiving Gifts	Established	Must create
Language for Making Gifts & Creation of Funds	In place	Must create
Sophisticated Gift Instruments (Pooled income, Lead, Annuity, Unitrusts)	In place	Must create
Office	In place	May be needed
Staffing	In place	May be needed
Accounting	Audit conducted each year	Must employ
Tax Return (Attorney General & IRS)	Prepared by CFA	Must prepare
Public Report	Annual report to public	Prepare, print, distribute
Director and Officer Liability	In place	Costly
Theft, Accident, Liability Insurance	In place	Needed
Investment of Assets	Investment Committee and Independent consultants	Need to obtain
Organizational Overhead	Spread over all assets	Start-up investment management costs spread over smaller asset base

Category	Private Foundation	Donor Advised Fund
Privacy	Annual Tax Returns (Form 990PF) are public information	Voluntary disclosures only
Contributions to the Fund (of cash at FMV)	Limited to 30% of Adjusted Gross Income	Limited to 60% of Adjusted Gross Income
Contributions to the Fund (of appreciated securities at FMV)	Limited to 20% of Adjusted Gross Income	Limited to 30% of Adjusted Gross Income
Contributions to the Fund (of real estate)	Limited to 20% of Adjusted Gross Income (valued at FMV)	Limited to 30% of Adjusted Gross Income (valued at lower of MV or cost basis)
Net Investment Income Taxes	1% - 2% of net investment income	Not applicable
Distribution of Grants from the Fund	Must distribute 5% of the total FMV of fund assets (regardless of earnings) – or tax penalties	At the discretion of the donor
Requirements to set up and operate	Articles of Incorporation, Bylaws, and Application for Tax Exemption	Documentation of Donor's Wishes for Use of Funds
Start-up time	Can take several weeks or months	Can be immediately
Start-up costs	Can be substantial (legal fees, filing fees, etc.)	Can be minimal
Control	Full control over grant decisions and investments	Can recommend grants and investments but the sponsor has the legal authority
Ongoing responsibilities	Recordkeeping, administering grants, hiring staff, board meetings	Making periodic grant recommendations
Ongoing annual expenses	Administrative and Investment Management Fees, Accounting Fees, Taxes to be Paid	Administrative and Investment Fees (depending on the sponsoring organization)

FUND TYPES

Through the Community Foundation, your clients can create personal legacies by establishing funds tailored to their specific needs and interests. Funds may be established during a lifetime or through a bequest, or clients may leave a bequest to a fund that has already been established.

Donor Advised Fund

These funds, which are an attractive alternative to a private foundation, provide donors with a 100 percent tax deduction for the original and any subsequent gifts. Each year, the donor suggests deserving charities to benefit from fund income or principal. Investment, paperwork, and grant monitoring are all handled by the Community Foundation, with recognition and thank you letters flowing to the donor.

Designated Fund

Established for donors who wish to support specific charitable organizations. These funds are responsive to changing circumstances.

Scholarship Fund

These funds allow a donor to make awards of financial aid to individuals to further their education. Donors can establish the guidelines for these awards and, if interested, can participate as part of an advisory committee in the awardee selection.

Field-of-Interest Fund

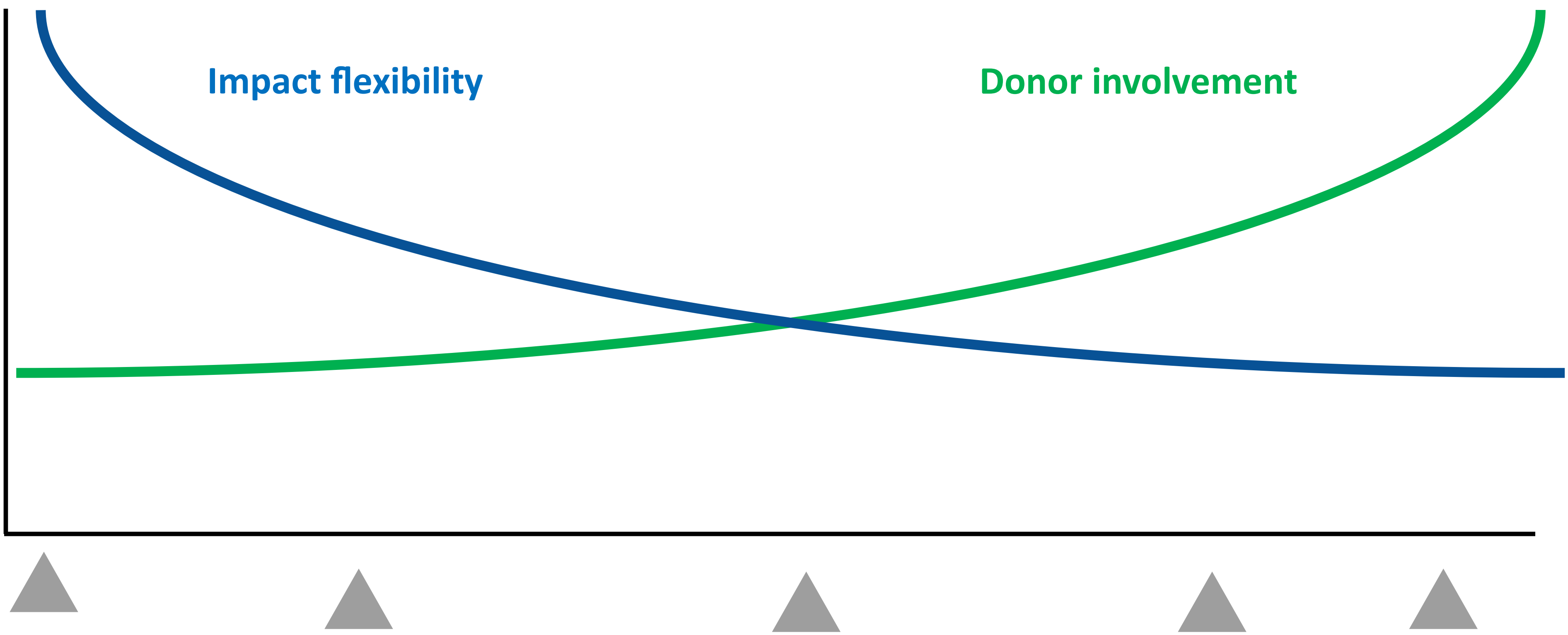
This type of fund allows your client to support a broad charitable cause, such as the environment, the arts, health, children or education. Many donors enjoy participating in the process of identifying worthy projects through the Community Foundation's grantmaking cycles.

Undesignated Fund

Undesignated (also referred to as unrestricted) funds are created by donors who decide to entrust the Community Foundation with grantmaking decisions. They offer maximum flexibility to respond to the ever-changing needs of the community.

Abe and Janet Beerman wanted to give local students the opportunity to experience the history of the Holocaust first-hand. Through a designated fund they created in 2000, over 16,000 students have been provided all-expenses paid trips to the U.S. Holocaust Memorial Museum in Washington, D.C.

CFA Charitable Fund Options



Unrestricted Fund

Broad gift for community; Community Foundation makes decisions on which organizations will be awarded grants; helps to meet ever-changing needs of the community

Field of Interest Fund

Targeted gift to a specific program or geographic area; Community Foundation makes grant award decisions based on restriction

Donor Advised Fund

Allows for donors to receive an immediate tax deduction for their gift; donor makes all grant recommendations

Scholarship Fund

Provides awards to benefit students and their post-secondary education based on specific criteria the donor identifies when the fund is created

Designated Fund

Gift to benefit specific nonprofit organization(s) donor identifies when the fund is created

HOW AN ENDOWMENT TYPICALLY WORKS

STAGE 1: YOUR GIFT IS INVESTED

Your gift is invested and the principal will never be withdrawn.

STAGE 2: EARNING INTEREST

Interest on your gift is used in two important ways: giving and saving.

STAGE 3: GRANTS ARE AWARDED

Drawing from a portion of interest earned (not principal), grants are distributed to local nonprofits to respond to community needs.

STAGE 4: GROWING FOREVER

The remaining interest is reinvested to grow the fund forever. Your gift will grow and support your community in perpetuity.

Community Foundation for the Alleghenies was created to benefit our community every day, forever.

Individuals who create funds with us can experience peace of mind knowing that their funds are in a permanent and secure place. The Community Foundation manages and invests the money, assists with grantmaking, and handles receipting, IRS filing, quarterly statements, and gift acknowledgements. In addition to receiving the full tax deduction allowed by law, donors are free to experience the joy of giving with no stress or administration burden.

Many donors we work with choose to make a substantial gift that lasts in perpetuity by establishing a permanently endowed fund. By keeping the principal gift intact and only distributing a portion of the earnings, we ensure that a donor's generosity can last far beyond their lifetime.

Generally, annual distributions are calculated at 4.5% of the fund's value, although we can customize distributions based on a donor's wishes. When annual earnings exceed the current year's spending policy amount, the excess can be retained for distribution at a future point in time, or retained in endowment principal to help grow fund assets. When a fund is created, a donor chooses when and how distributions will be made.

We are also happy to work with donors who would like to create a non-endowed fund to maximize distribution flexibility.

WAYS TO GIVE

There are many ways to give through the Community Foundation. Here are some of the most common methods that donors choose:

Cash

Cash is the easiest way to contribute. Donors who make gifts of cash are eligible for a charitable deduction during the year in which the gift was made.

Appreciated Stock

Stocks may be donated to the Community Foundation as a charitable gift. Donors are eligible for a tax deduction for the fair market value of the stock. By donating appreciated stock to the Community Foundation, your clients can avoid capital gains tax that would otherwise occur at the sale of the stock.

Retirement Accounts and Life Insurance

Donors can use assets held in an individual retirement account (IRA, 401(k), 403(b) or similar account) to start a fund at the time of their death by making the Community Foundation the designated beneficiary on the account. Many donors choose to donate all or part of their retirement plan since these accounts, while very attractive to defer tax during a lifetime, are the most heavily taxed assets in an estate at time of death.

Bequests

A charitable bequest is the most common form of planned giving. By including a charitable bequest in a will, your clients are able to make gifts that are simple and, in many cases, larger than they could make during their lifetime.

Charitable Gift Annuities

Charitable Gift Annuities allow a donor to make a substantial gift to charity while retaining the right to a life income. In the case of Charitable Gift Annuities, that income is a fixed amount based on actuarial tables published by the American Council on Gift Annuities. A donor may defer receipt of the income for one or more years, which will increase the ultimate pay-out. This is known as a Deferred Gift Annuity and is often used as a supplemental retirement plan for individuals who have already contributed the maximum amount to their qualified plan.

Charitable Remainder Trusts

Charitable Remainder Trusts are used to guarantee retirement income while making a significant charitable gift. Charitable Remainder Trusts allow your client to transfer assets to a trust, take an immediate tax deduction, and then receive an income stream for his or her lifetime. The amount of the deduction varies with the age of the income beneficiary(ies).

Real Estate and Oil, Gas, and Mineral Interests

The Community Foundation may accept gifts of real estate or oil, gas, or mineral property interests, where appropriate. Gifts of this type must be reviewed and accepted by the Executive Committee of the Foundation Board, and if necessary, by the Community Foundation’s legal counsel.

SAMPLE LANGUAGE FOR BEQUESTS

Your clients can continue their charitable legacies for years to come by including a gift in their will to support the causes or organizations that are important to them. Charitable bequests are the most common form of planned giving, allowing the good names and charitable intent of donors to “live on” while providing important estate tax advantages.

Creating a New Fund through a Bequest

To establish a testamentary fund at the Community Foundation, your client may pre-sign a fund agreement expressing his or her wishes for the use of the gift. Two signed agreements should be forwarded to the Community Foundation. One fully executed copy will be returned and the other kept in our file to be activated when funds are received.

Using this approach, the suggested language to be used in a will is as follows:

“I give __________________ (description of gift) to the Community Foundation for the Alleghenies, its successors or assigns, to create the ________________ (name of Fund) consistent with the “Fund Agreement” previously executed between myself and the Community Foundation.”

Leaving a Bequest Gift to an Existing Fund

Use the following language in a will to contribute to an established fund at the Community Foundation:

“I give ______________________ (description of gift) to the Community Foundation for the Alleghenies, its successors or assigns, to the _____________________ (name of Fund) consistent with the “Fund Agreement” previously established at the Community Foundation.”

Leaving an Undesignated Distribution Bequest Gift to the Community

Donors sometime prefer to have the Community Foundation’s board of directors determine how their gift can remain flexible and responsive to community needs over time. These undesignated distribution funds are used to meet the emerging needs of the community.

In this situation, the suggested language to be used in a will is:

“I give ______________________ (description of gift) to the Community Foundation for the Alleghenies, its successors or assigns, to be added to the Undesignated Fund for the Future to benefit communities in the region served by the Community Foundation.”

INVESTMENT MANAGEMENT

At the Community Foundation, we strive to serve the best interests of our donors while helping to make their charitable giving even more impactful.

For some donors, maintaining the trusted relationship they already have with their wealth advisors is of the utmost importance. The Foundation works to enhance these existing bonds, guided by financial transparency and an understanding of current community needs. When your clients open charitable funds with CFA, they have the option of continuing to use you as a personal investment advisor for their charitable fund.

It is our policy to invest endowment funds for total return with a reasonable yield consistent with the prudent man rule. Over the long term, it is expected that investment return will, at a minimum, provide sufficient income and gains for distribution governed by a spending plan and maintain the goal of preserving endowment principal. This investment policy has been reviewed and further developed by a registered investment advisory company. To review our investment policy, visit cfalleghenies.org/wealth-advisors. You can also information on our historical investment performance going back to 2010.

Current investment managers work within the parameters of the investment policy comprised of five available asset allocation models and specified benchmarks, all of which are subject to review on a quarterly basis by the Foundation's investment committee and professional independent investment consultant.

All of our funds are subject to management fees that sustain our organization's operations. The fees are reasonable in that a typical endowment fund is charged an annual fee of less than 1%, which is assessed against the fund's invested market value. These fees are always considered relative to the Foundation's spending policies, which include a 4.5% pay-out approach to distribution that is currently available and applicable to some of our more significant grant-making funds

Through a scholarship fund created in 2004 in memory of their son Mark, Fred and Nancy Shaffer have awarded scholarships to over 30 students at Somerset Area School District.

TRANSFERRING AN EXISTING PRIVATE FOUNDATION

Many trustees of private foundations are attracted to community foundations to honor an original donor's charitable intent while realizing significant tax and management advantages over private foundation status. This can allow more efficient use of charitable resources.

The process of transferring a private foundation varies from foundation to foundation. Initial decisions include whether some or all of the current trustees want to remain in an advisory capacity to the new fund, whether the fund should retain the name of the private foundation and what purposes are assigned to the new fund.

Counsel for the private foundation and counsel for the Community Foundation work together to create a transfer plan. This plan usually includes a thorough review of the private foundation's organizational documents with particular emphasis on any termination instructions. In some cases, a final accounting of the private foundation and a petition to the Orphan's Court order is required. Other private foundations may have the inherent ability to transfer their assets without outside approval. The transfer terms and intended uses of the fund will be outlined in a simple fund agreement.

Some private foundations need to engage in a two-step dissolution process to insulate themselves from IRS liabilities. In this case, the private foundation transfers its assets to the Community Foundation in the first tax year and files its final form 990PF with the IRS in the second tax year. Attractive tax deductions, improved management efficiencies, and the assurance that there will be continuity of the founders' philanthropic intent are among the many reasons private foundations choose to transfer assets to the Community Foundation.