



Branch County

community foundationSM

For **good.** For **ever.**

Information Packet



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ABOUT COMMUNITY FOUNDATIONS

A community foundation is a tax-exempt public charity created by and for the people in a local area. It enables people with philanthropic interests to easily and effectively support the issues they care about — immediately, or through their will.

The **Branch County Community Foundation** is a non-profit organization and a state-certified, nationally-accredited community foundation begun in 1991 by local Rotary clubs. We serve communities in Branch County and Colon, Michigan.

No one person has the resources to find solutions to all the challenges faced by a diverse community. A significant impact can be made only when the financial and human resources of several individuals are combined.

Whether you desire to enrich the community with programs dealing with arts and culture, health, education, human services, the environment, or other areas of interest to you, we can help you by giving you flexible giving options and unique services:

- We are a **local organization** with deep roots in the community.
- Our staff and volunteer committee and board members have **broad expertise** regarding community issues and needs.
- We provide highly **personalized service** tailored to each individual's charitable and financial interests.
- Our funds help people **invest in the causes** they care about most.
- We accept a wide **variety of assets**, and can facilitate even the most complex forms of giving.
- We partner with **professional advisors** to create highly effective approaches to charitable giving.
- We offer maximum **tax advantage** for most gifts under federal law and gifts to permanently endowed funds qualify for a Michigan Tax Credit.
- We **multiply the impact** of gift dollars by pooling them with other gifts and grants.
- We build **endowment funds** that benefit the community forever and help create personal legacies.
- We are a **community leader**, convening agencies and coordinating resources to create positive change.

OUR MISSION

We serve our community promoting charitable giving, building permanent endowments, and connecting community resources.

We offer people of all means – no matter how great or small their personal resources – an opportunity to give back. Donors can contribute to one of over 100 funds or establish a new charitable fund at the foundation.

CREATING A FUND

Many donors have chosen to create a fund within the Community Foundation rather than creating a private foundation. Even if you have already established a private foundation, you can transfer the assets to a new fund within the Community Foundation. The Foundation will administer the fund and prepare all the necessary reports. As a public charity, the Branch County Community Foundation does not pay excise tax; this increases the amount of income available to charity.

Contact us for more information about creating a new fund.

No matter what your philanthropic goals, the Community Foundation can help you determine which existing fund matches your passion, or we can assist you in creating a new fund. Ask us for our most recent list of existing funds and the description of what type of grants they support.

Unrestricted. The most flexible funds within the Foundation, unrestricted funds are those for which the donor allows the Foundation discretion in the use of the annual income for a broad range of community projects. This provides the Community Foundation the opportunity to respond to changing community needs.

Field-of-Interest. With field-of-interest funds, the donor directs the Community Foundation to utilize the annual income in a certain program area. The Community Foundation determines the specific grant recipients. Educational scholarships may be awarded from field-of-interest funds.

Donor Advised. Donor advised funds allow the donor to actively participate in the grantmaking process by recommending to the Community Foundation the purpose and organizations that receive the annual income. Recommendations are referred to the Community Foundation's Board of Directors for approval. Many advised funds become unrestricted on the death of the donor or at the end of a specified period.

Temporary donor advised funds work just like an endowed fund with the exception that the minimum establishing gift is \$1,000. Use this option for end-of-year giving to multiple charities. You can write a single check or give stock to your community foundation, get one gift acknowledgement for tax purposes, and still make gifts to several charities.

Designated. Designated funds are funds in which a donor has specified the charitable recipient, or recipients, of the income at the time the fund is established.

Agency Endowments. Other nonprofit organizations often place their endowment funds within the Community Foundation for management and investment purposes. The Community Foundation regularly distributes the annual income back to these agencies to help them accomplish their charitable purposes.

Special Project and Memorial Funds. The Foundation's primary mission is to establish permanent funds, but we recognize that at times it's more appropriate to serve the donor and the community through a temporary fund. Any type of fund can be a temporary fund; special project, memorial, and donor advised funds are the most common.

TYPES OF GIFTS

The Branch County Community Foundation is extremely flexible in the types of assets that may be used to make a contribution to an existing fund or start a new fund.* Donors may contribute gifts during their lifetimes or through wills or trusts. And gifts may be made in memory of or in honor of a friend or loved one.

Gifts of Cash

Gifts of cash are most popular for many people who make smaller contributions to the Foundation. The cash gifts contributed each year help the community's endowment fund grow and allow the Foundation to expand our support to the community through grants.

Securities

The Community Foundation gratefully accepts gifts of securities. If either public or private securities have appreciated over time, the owner may incur substantial capital gains taxes if the stock were sold outright. The donation of appreciated securities can offer the donor attractive income tax benefits, including relief from capital gains tax liability.

Outright Gifts

Securities may be given to the Community Foundation at their present market value as an outright gift. This way donors avoid all capital gains tax and also receive a charitable income tax deduction.

Deferred Gifts

By using securities to fund charitable remainder trusts, charitable annuity trusts, and other planned giving vehicles, the donor can avoid capital gains tax liability and is eligible for a charitable income tax deduction upon transfer of the assets. A gift of securities left to the Community Foundation is deductible from the gross estate, reducing estate taxes.

Life Insurance Policies

Many people are surprised to learn that their life insurance policies can become a charitable gift. Life insurance is usually purchased to protect the family from financial loss due to the death and loss of income of one or more family members. Normally, the need for life insurance protection lessens as an individual grows older. Children are grown, self-supporting, and through college; the mortgage has been paid; and an estate of other assets has been acquired. The insurance has served its original purposes, and can become a gift to the Community Foundation. The donor receives an immediate tax deduction (usually equal to the cash surrender value).

Outright Gifts

If the donor decides to relinquish ownership of the policy by assigning all rights, titles, and interest in the policy to the Community Foundation, the donor may be eligible for a charitable income tax deduction for the present value or future premium payments on the policy. If ownership of the policy is donated to the Community Foundation, even if ownership is retained by the donor, any proceeds received by the Community Foundation will be deductible by the insured estate as a charitable contribution, thus reducing the estate tax.

Donors can also contribute insurance even though the policy is not fully paid up. The donor can name the Community Foundation the beneficiary, continue to maintain the policy, and receive a charitable tax deduction for premiums paid to keep the policy in force.

Deferred Gifts

Donors can contribute life insurance policies to fund a life income trust. These life income trusts (i.e. charitable remainder annuity trusts or charitable remainder unitrusts) are advantageous giving arrangements for many donors. A donor can make an irrevocable gift of an insurance policy's present value, yet reserve income for the donor or other beneficiaries for life.

Real Estate

Gifts of real estate can include homes, condominiums, apartments, undeveloped land, farmland, and rental property. Such gifts may help the donor alleviate management costs and responsibilities if the property were held, and capital gains tax and broker's fee if the property were sold.

When you give gifts of real estate to the Foundation, the Foundation in turn sells the property, and — depending on the amount — contributes the proceeds to an existing fund of your choice or opens (or increases) your own fund with the income from the sale. You receive a charitable tax deduction equal to the fair market value of the property, and you pay no capital gains tax on the sale.

Outright Gifts

By making an outright gift of a piece of real estate, the donor avoids capital gains tax and receives a charitable income tax deduction.

Deferred Gifts

Trusts – If real estate is used to fund a charitable remainder unitrust or a charitable lead trust, a donor typically avoids the capital gains tax liability on the transfer of the asset to the trust.

Bequests – If a donor leaves real property to the Community Foundation by will, estate taxes are substantially reduced as the property is removed from the taxable estate.

Retained Life Estates – Making an irrevocable donation of real estate while retaining the right to use the property often results in the immediate benefit of a substantial tax deduction. The income tax deduction can mean significant tax savings in the year of the gift and may be carried forward for up to five additional years.

Source: *The Essentials of Planned Giving*, JOHN BROWN LIMITED, INC; 2nd Edition

CONSULT YOUR TAX ADVISOR FOR THE VALIDITY OF THIS INFORMATION TO YOUR PARTICULAR TAX SITUATION.

PRESERVING & INVESTING ENDOWMENTS

Investment Program

We are transparent, locally governed organization that is flexible in terms of type of assets that can be contributed, highly experienced and have a breadth of knowledge in terms of the assets and needs of our local community. We have a solid investment policy, local managers who care about our community and BCCF, professional consultants overseeing managers' adherence to the policy and performance. Our Investment Committee reviewing performance reports monthly, and our board reviewing viewing investment performance quarterly.

There currently are more than 100 separate funds managed by the Community Foundation. As stewards of these funds, the Community Foundation converts contributions into community betterment. The Community Foundation uses a sound investment strategy designed to preserve inflation adjusted

value of the principal asset — those gifts and contributions received from the public — while generating income and growth for current and future grant-making.

To achieve these goals the Community Foundation assumes a level of risk aimed at maximizing investment return but that is consistent with prudent investment practices. The Community Foundation's investment managers are charged with investing dollars based on investment policies approved by the Board. We use the two local banks for investing – Century Bank & Trust and Southern Michigan Bank & Trust – and three Schwab mutual fund accounts to achieve a balanced portfolio

Independent auditors evaluate the financial position of the entire endowment on an annual basis. In addition, an audit committee provides guidance and technical review of the independent audit process. This audit committee reports directly to the Community Foundation Board of Directors.

A consistent and complete review of the management and allocation of the Community Foundation resources is one of the highest priorities of operating the Community Foundation as a public trust on behalf of the donors and citizens of this community – a responsibility that is taken with the greatest sense of seriousness and professionalism. The Community Foundation's investments compare favorably to our benchmarks.

All of the endowed funds of the Community Foundation are pooled for investment purposes. The advantage each fund receives is that investment return is based on the fund's percentage of total assets invested, rather than just individual fund balances. Our endowed assets are carefully, expertly, and responsibly managed in a balanced portfolio. To assist us, BCCF contracts with GEM Asset Management, an independent financial planning and investment advisory firm (www.gemasset.net).

Within the Community Foundation, the return of individual funds varies depending on amount of initial investment, subsequent gifts to the fund, spending from the fund (grants), and, of course, market returns over the period the fund is invested. Let us know if you'd like detailed portfolio information and annualized rates for 2005 – 2010.

2010 BOARD & STAFF

The Community Foundation Board of Directors consists of donors from all of the communities we serve. These individual make significant gifts of their "time, talent, and treasure". Board members serve limited terms and without compensation.

DIRECTORS

President, Hillary Eley (Bronson)
Vice President, Mary Jo Kranz (Quincy)
Treasurer, Dave Wright (Coldwater)
Secretary, Ted Gordon (Coldwater)
Bruce Bloom (Coldwater)
Jay Carlson (Coldwater)
Sandy Davis (Colon)
Rachel Hard (Quincy)
Sandi Jackson (Colon)
Chuck Lillis (Coldwater)
Kim Morgan (Colon)
Dale Norton (Bronson)
Wayne Reese (Coldwater)
Remus Rigg (Coldwater)
Ron Rose (Litchfield)
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DIRECTORS EMERITUS

Robert Mayer (Bronson)
Patricia Klein Shoemaker (Coldwater)
Paul Creal (Bronson)

STAFF

Colleen Knight, Executive Director
Jenny Jackson, Program & Communications Assoc.
Amber Valentine, Senior YAC Advisor
Alanah Haskin, Assistant YAC Advisor

Individual Taxpayers Michigan Tax Credit Chart

	Single, Nonitemizer	Married, Nonitemizer	Single, Itemizer	Married, Itemizer	Single, Itemizer	Married, Itemizer	Single, Itemizer	Married, Itemizer	Single, Itemizer	Married, Itemizer	Single, Itemizer	Married, Itemizer
<u>Federal Marginal Income Tax Rate</u>	N/A	N/A	15%	15%	25%	25%	28%	28%	33%	33%	35%	35%
<u>Impact on State Taxes: *</u>												
Amount of Gift x	\$200	\$400	\$200	\$400	\$200	\$400	\$200	\$400	\$200	\$400	\$200	\$400
State Tax Credit	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
= State Tax Savings	\$100	\$200	\$100	\$200	\$100	\$200	\$100	\$200	\$100	\$200	\$100	\$200
<u>Impact on Federal Taxes:</u>												
Amount of Gift x	\$200	\$400	\$200	\$400	\$200	\$400	\$200	\$400	\$200	\$400	\$200	\$400
Marginal Federal Tax Rate	N/A	N/A	15%	15%	25%	25%	28%	28%	33%	33%	35%	35%
= Federal Tax Savings	\$ 0	\$ 0	\$ 30	\$ 60	\$ 50	\$100	\$ 56	\$112	\$ 66	\$132	\$ 70	\$140
<u>Total Tax Savings:</u>												
Federal Tax Savings	\$ 0	\$ 0	\$ 30	\$ 60	\$ 50	\$100	\$ 56	\$112	\$ 66	\$132	\$ 70	\$140
+ State Tax Savings	100	200	100	200	100	200	100	200	100	200	100	200
= Total Tax Savings**	\$100	\$200	\$130	\$260	\$150	\$300	\$156	\$312	\$166	\$332	\$170	\$340
<u>Actual Cost of Gift:</u>												
Amount of gift -	\$200	\$400	\$200	\$400	\$200	\$400	\$200	\$400	\$200	\$400	\$200	\$400
Total Tax Savings =	100	200	130	260	150	300	156	312	166	332	170	340
Donor's Actual Cost	\$100	\$200	\$ 70	\$140	\$ 50	\$100	\$ 44	\$ 88	\$ 34	\$ 68	\$ 30	\$ 60

* State tax liability must be at least \$100 for single, \$200 for married persons.

** This example assumes that there is no reduction in the state and local tax deduction on the U. S. individual income tax return for the subsequent year. Some taxpayers may have a reduction in the state and local tax deduction if the credit results in a refund check from the State. Other taxpayers will not have a reduction in the state and local tax deduction because they are either not itemizing deductions or the itemized deductions are subject to phase-out.

This chart was prepared by Clark Hill PLC on behalf of the Council of Michigan Foundations. The information is for illustrative purposes only. Check with your tax advisor about your personal circumstances.