



## Relationship Between the Nebraska Community Foundation and Its Affiliated Funds

**Overview** – Community foundations are a type of charitable organization that must follow rules set forth by the Internal Revenue Service. A community foundation consists of “funds” that are component parts of the foundation. The community foundation is the legal entity that obtains tax-exempt status; the funds have no separate legal existence of their own.

The Nebraska Community Foundation, Inc. (NCF) is a nonprofit corporation that is the legal entity “umbrella” for its affiliated funds. NCF is exempt from federal income tax under Section 501(c)(3) and is a public charity.

### Affiliated Fund Status with NCF

**Affiliated Fund Agreement** – An “Affiliated Fund Agreement” documents the relationship of an affiliated fund to NCF. NCF has established policies and procedures that address the operation of affiliated funds to insure consistency, adherence to IRS rules and the fulfillment of the fiduciary responsibilities of the NCF Board of Directors. These policies and procedures also have enabled NCF to attain certification that it is in compliance with National Standards for Community Foundations, as set forth by the Council on Foundations.

**501(c)(3) Status** – By establishing an affiliated fund with NCF, a community, charitable organization or donor gains access to NCF’s 501(c)(3) status. Contributions to the affiliated fund will be tax-deductible to the extent allowed by law, and NCF will issue receipts to donors for their contributions. NCF provides a broad range of services to support its affiliated funds so that each fund can focus on fulfilling its mission. To see a description of the types of services that NCF provides to its affiliated funds, please refer to NCF’s “*BENEFITS OF AFFILIATION*” document.

**Fund Advisory Committee** – Operations of an affiliated fund are conducted by a “Fund Advisory Committee” (FAC). The FAC consists of individuals who are committed to the purpose of the affiliated fund. The FAC sets forth the strategy and goals of the affiliated fund; leads fundraising and grantmaking efforts; coordinates and oversees the activities of all accounts within the fund; and is the point of contact with NCF. An FAC is responsible only for an affiliated fund, in contrast to a board of directors, which has fiduciary and oversight responsibilities for a legal entity such as NCF.

**Partnership Model** – NCF operates using a model based on shared goals with differentiated responsibilities. FAC leaders are in the best position to know the needs of their communities or organizations. Strategy, fundraising and grantmaking decisions are made by the FAC for each affiliated fund. NCF provides education, technical assistance, financial management and legal compliance for its affiliated funds.

**Affiliated Fund Requirements** – Because affiliated funds are not separate legal entities, their activities will be attributed to NCF, with the NCF Board of Directors having ultimate accountability

for the operation of NCF and its affiliated funds. In addition, because of the large number of affiliated funds within NCF, certain aspects of operations must be standardized in order to effectively serve all of our funds. As a result, there are a number of key stipulations of which FAC members should be aware:

- **Donor Intent** – Each contribution received must be accounted for in a manner that insures and documents compliance with donor intent. Therefore, separate accounts will be maintained for contributions that have been designated by donors for specific purposes.
- **Contracts** – All contracts must be entered into by NCF and may only be signed by an officer of NCF; affiliated funds do not have the legal standing or authority to enter into a contract, borrow money or otherwise obligate the organization.
- **Bank Accounts** – Affiliated funds may not have bank accounts (with exceptions for certain types of organizational funds).
- **Event Insurance** – Affiliated funds that plan to host special events should contact NCF in advance of the event so that we can work with our insurance carrier to be sure that the event is covered by our insurance policy or a special events rider can be obtained.
- **Grant Applications** – When an affiliated fund applies for a grant, a copy of the grant application should be sent to NCF. Note that in some circumstances NCF may be required to sign the grant application or to provide entity-level information on the grant application. The affiliated fund will be responsible for all reports required by the granting organization, and should provide a copy of all grant reports to NCF.
- **Identification** – All marketing materials, press releases, donor solicitations, etc. should state that “The \_\_\_\_\_ Fund is an affiliated fund of the Nebraska Community Foundation.” Anyone sharing materials prepared by NCF with donors, grantors or others should give attribution to NCF. An affiliated fund should not represent itself to third parties as being a separate legal entity or a separate 501(c)(3) organization.

### **Reciprocity between NCF and Affiliated Funds**

NCF’s affiliated fund structure is based on local leadership and participation that is leveraged with training, guidance and tools provided by NCF. The Nebraska Community Foundation is happy to help local volunteers establish, grow and maintain their affiliated funds – we will work with you, but we cannot do the “on the ground” work for you. Your knowledge of your community or organization and your relationship with community members puts your FAC in the best position to develop strategy, raise funds and make grants. The relationship between NCF and our affiliated funds is one of reciprocity, with the affiliated fund providing leadership and involvement and NCF providing assistance and support.

If you have any questions about this information, please call us at (402) 323-7330.