



COMMUNICATING THE AFFILIATED FUND / NCF RELATIONSHIP

NCF’s legal counsel cautions us about the risks involved when affiliated funds misrepresent themselves as independent legal entities. These risks are real and involve potential legal challenges to charitable bequests, contract fulfillment, grant disbursements and more.

Our legal advisors note that the most common misrepresentation – one that occurs frequently throughout the NCF system – is the use of the single word “foundation” as the marketing name for an affiliated fund. In the truest legal sense, an affiliated fund is not a foundation. We are advised

that affiliated funds can remedy this by being sure to include the word “fund” to their marketing name.

Another common inaccuracy occurs when an affiliated fund refers to itself as a 501(c)(3) organization. Affiliated funds should be very clear that NCF is the 501(c)(3) organization. As a component part of NCF, contributions to your fund are tax-deductible.

Below are examples that describe some common language guidelines affiliated funds should follow to avoid any unintended consequences.

Incorrect	Correct	Reason	Solution
Hometown Community Foundation	<p>Hometown Community Foundation Fund</p> <p>An affiliated fund of Nebraska Community Foundation.</p>	<p>Affiliated funds that do NOT have their own 501(c)(3) tax-exempt status (which is most of our affiliated funds) are, by legal definition, not foundations.</p> <p>If your affiliated fund is not named correctly in legal documents, such as wills, gifts that were intended for you may be at risk, especially if the will is challenged.</p>	<p>Add the word “Fund” after your marketing name.</p> <p>Additionally, all your communications should identify your affiliation with NCF.</p>
		<p>Many donors and financial planners use services such as GuideStar and The Foundation Center to verify charitable status.</p> <p>NCF is listed with these services; affiliated funds are not.</p>	<p>By clearly identifying yourself as an affiliated fund you have given proper attribution. Donors and advisors will be able to see that NCF is a reputable public charity. NCF has received the National Standards confirmation as being in compliance with the highest standards for U.S. community foundations.</p>

Incorrect	Correct	Reason	Solution
Burwell Community Fund (no NCF attribution)	Burwell Community Fund An affiliated Fund of Nebraska Community Foundation	Some affiliated funds have chosen to only use the word “fund” in their marketing name. However, you should always acknowledge your affiliation for the reasons stated above.	You should identify your affiliation with NCF in all your communications.
“Hometown Community Foundation is a nonprofit corporation...” “We are a 501(c)(3) organization...”	“Hometown Community Foundation Fund is an affiliated fund of Nebraska Community Foundation, a 501(c)(3) corporation. Your gift is tax deductible to the extent allowed by law.”	It is inaccurate to say that your affiliated fund is a 501(c)(3) organization. Your affiliated fund is a component part of NCF, which is a 501(c)(3) corporation. For all the reasons stated above, do not call yourself a 501(c)(3) if you gain your tax-exemption through your affiliation with NCF.	State clearly that through its affiliation with Nebraska Community Foundation Fund, A 501(c)(3) organization, contributions to the Hometown Community Fund are tax-deductible. Or...Hometown Community Foundation Fund is an affiliated fund of Nebraska Community Foundation. Gifts to Hometown Community Foundation Fund are tax-deductible.
Board and/or Board of Directors	Fund Advisory Committee	A board of directors is a group of individuals who are elected to establish policies and make decisions on major issues for a corporation such as NCF.	The term “board of directors” should be used only when referring to NCF’s governing body. The entity that makes decisions for your affiliated fund is your Fund Advisory Committee (FAC).
President and Vice President	Chair and Vice Chair	The terms president and vice president are used to describe the officers of a corporation or other legal entity.	NCF is the corporate umbrella organization for its affiliated funds. President and Vice President should be used only when referring to NCF officers. The officers of your FAC should be Chair and Vice Chair.
Sub-Fund and Sub-Account	Account	An account is a segregated pool of assets within your affiliated fund that has been designated by a donor or the FAC for a specific purpose.	Always refer to accounts within your affiliated fund as “accounts.” For example, the Community Chest of McCook is an <u>account</u> within the McCook Community Foundation Fund, an affiliated fund of NCF.

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Bylaws	Articles of Operation	The term “bylaws” generally refers to governing documents of a corporation.	<p>NCF affiliated funds should establish Articles of Operation to guide the activities and provide a governing structure for the FAC.</p> <p>Articles of Operation are a prerequisite for action planning.</p>
Membership “Fees and Dues”	Annual Contributions / Annual Dues	Fees and dues imply the right to vote for the election of FAC members.	FACs should recruit and elect officers based on needed skills and commitment, not popularity. Make sure that affiliated fund “membership” is understood widely as an honor recognition rather than a right to vote on FAC operations and representation.
“Interest” generated from our endowment...	“Investment earnings” generated from our endowment...	<p>Your endowment is not the same as a money market account or CD, which earn simple “interest.”</p> <p>Your endowment payout is not from “interest earned”; it is from “investment earnings,” which include interest, dividends and appreciation in the value of the endowment assets.</p> <p>This clarification is important, especially during times when interest rates are historically low.</p>	“A portion of the investment earnings from our community’s endowment will provide funding for important community needs and opportunities for generations to come, while our endowment continues to grow.”