



Kearney Area Community Foundation

Mission Statement: The Kearney Area Community Foundation enhances the quality of life in the Kearney Area by promoting the spirit of charitable giving and effectively responding to the community's needs.

We will accomplish this by

- treating our donors with respect,
- monitoring the needs and opportunities of our community, and
- encouraging support for the “quality of life” issues which make a community a home for all its people.

We have been established for more than 10 years. We manage more the 90 charitable funds and combined assets of more than \$6.5 million. Since 1995, the Kearney Area Community Foundation has given out more than \$4.4 million in grants, scholarships and program support.



Current Board Members

Dan Bahensky
Dave Chally
Jim Ganz, Jr.
Marilyn Hadley
Lance Hehner
Tom Henning
Ben Homan, Jr.
Mary Kalb
Wayne McKinney

Sherry Morrow
Sue Reiber
Karen Rhoads
Alan Sherwood
Jane Smith
Dan Speirs
Carl Spelts*
Deb VanMatre
Emma Jane Wilder

Past Board Members (Emeriti)

Gary Anderson
Steve Chatelain
Jerry Colvert*
Carol Cope
Nancy Etzelmler
Ben Homan, Sr.*
Gene Koepke*
Dan Lindstrom*
Dick Mercer*
Alan Oldfather*
Bobbie Olsen

Earl Rademacher
Jackie Rosenlof
Jeanne Ross*
Patty Shefte*
Keith Stafford
Sharon Stelling
Jody Stenehjem*
Mark Sutko
Janice Wiebusch*
Paul Younes*

Staff

Judi Sickler
Andrea McClintic


* Denotes founding members

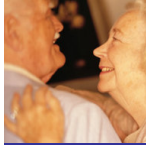


10 Reasons to set up a fund with KACF...

1. Immediate status as non-profit so as to permit tax deductibility of gifts
2. Professional management of gifts; investments are monitored; economy of scale occurs due to combining several smaller funds into one large fund; reduced investment management fees
3. Thorough administration and accounting of gifts; donations of \$250 are provided a receipt (as required by Internal Revenue).
4. Potential to reduce volunteer time and efforts in bookkeeping, accounting of pledges and gifts
5. Fund flexibility and options: Permanent (endowed) Funds, Designated Funds, Unrestricted Funds.



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- 6.** Reasonable fees; 1% of average annual balance on permanent funds; 1.5% of average annual balance on expendable funds.
 - 7.** Professional staff to assist with major gifts and implementation of giving instruments such as charitable trusts and gift annuities
 - 8.** Public accountability; a certified audit is performed annually
 - 9.** Donor involvement; through a special fund arrangement, a donor can gift at a time that is advantageous in regard to income tax or estate tax planning, but delay the selection of recipients of the gift until a later date
 - 10.** Permanence: the success of a community foundation is not based on one program or one segment of the community and it has the ability to adapt to the changing needs of a community because of 'cy pres' (variance power).



Testimonials From Current Donors

"We have used a family Donor Advised Fund with the Kearney Area Community Foundation for several years to gift equities with a high capital gain, rather than cash. Not only is this advantageous from a tax standpoint, but it also is a very convenient way to support a variety of projects across the community. We make one annual gift to the donor advised fund and then advise the foundation where we would like those grants given within the community throughout the year. The staff at KACF does a wonderful job of assisting us with our fund and keeping us informed of its status."

Steve and Mary Jo Chatelain, Chatelain Family Advised Fund

"The benefits of my association with the Kearney Area Community Foundation have been both expected and unexpected. As expected, my family's Donor Advised Fund enables us to advise the Community Foundation staff to make grants on our behalf to charities of our choosing. The unexpected benefit of my relationship with KACF has been the opportunity to increase my involvement in and knowledge of the community through the staff's in-depth knowledge of the programs and agencies making a real difference in the Kearney area."

Dottie Bowman, Chet L. Bowman Family Memorial Advised Fund

"We set up an anonymous Donor Advised Fund with the Kearney Area Community Foundation many years ago. We appreciate the fact that we are able to remain unknown, yet can give back to our community. Every year, we give appreciated stock to the Community Foundation which allows us to grow our fund to the point that our children will have great fun making sizable grants back to the Kearney area in the future. We made our living in this community, raised our children in this community and now we want to give something back to this community. Our endowed Donor Advised Fund will help us make a difference indefinitely."

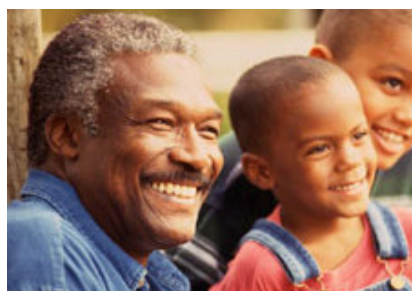
Anonymous Kearney Family, Anonymous Donor Advised Fund



Comparison: Donor Advised Fund v. Private Foundation



| Comparison | Donor Advised Fund | Private Foundation |
|--|---|--|
| Quick Set-Up | Fund can be established in a day, board approved within a month. | Takes months to establish |
| Low Costs | Inexpensive to establish and administer | Requires substantial legal, accounting, and operational costs similar to corporate startup |
| Minimum Size | \$5,000 | Substantial assets necessary, at least \$500,000. |
| Annual Tax filings | None required | Separate tax and information return must be filed with required schedules |
| Minimum Payout Requirements | None, except subject to community foundation's maximum spending policy | Must pay out at least 5% of asset value for charitable purposes regardless of annual income. |
| Annual Taxes | None | Generally income tax exempt, but subject to excise tax of up to 2% of net investment income including capital gains. |
| Charitable Deductions for Gifts of Appreciated Property | Deduction for full fair market value, limited to up to 30% of adjusted gross income in any one year | Deduction for full fair market value, limited to up to 20% of adjusted gross income in any one year. |
| Charitable Deductions for Cash Gifts | Up to 50% of adjusted gross income in any one year | Up to 30% of adjusted gross income in any one year |
| Annual Administrative and Accounting Costs | Low annual administration/management fees | Can be costly on-going administration for legal, accounting, tax preparation etc. |



| Comparison | Donor Advised Fund | Private Foundation |
|--|--|--|
| Donor Control | Donor may make recommendations about grants but community foundation makes final decisions | Donor retains complete control over investments and grant making, limited only by IRS requirements |
| Family Involvement | Donor can involve family and heirs in charitable giving | Donor can involve family and heirs in charitable giving |
| Creating the Fund or Foundation | Established by 3-page agreement with The Community Foundation | Nonprofit corporation or trust organized as a private foundation with attorney drafted documents |
| Anonymity | Anonymity can be maintained, if desired | Requires public disclosure |
| Administration and Operations | Provided by The Community Foundation | Must establish and manage on own or contract for services |
| Investments | Provided by The Community Foundation | Must research and manage own investment vehicles |
| Fiduciary Responsibility | The Community Foundation fulfills fiduciary requirements | Private foundation board has total fiduciary responsibility |
| Liability and Risk | The Community Foundation assumes all risk and liability | Private foundation is fully responsible |
| Tax Exempt Status | Receives public Charity Status | Must establish a separate tax exempt status as private foundation |
| Establishment | Can be established during lifetime or through a trust or estate | Can be established during lifetime or through a trust or estate |

What is an Endowment and how does it work?



What is an Endowment?

In a charitable endowment, the principal can never be spent. The principal is invested to provide both current income and growth on the principal. The investment return is used to support charities through grants. The appreciation of growth of principal is left with the principal. The idea is that the buying power of the endowment should always remain the same as when the donor established the endowment. Over time, the investment performance should provide grants from the endowment which far exceed the amount of the donor's original gift.

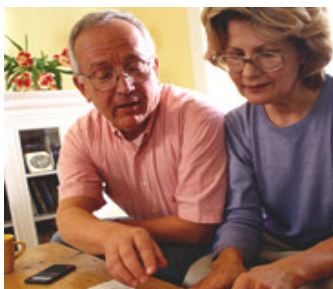
Here's an example of an Endowment '*at work*':*

'Mr. And Mrs. Worthy' create an endowment with **\$100,000** (the principal at the time of the gift) to support the arts.

- The principal earns 10% in one year = \$10,000
- Of this 10%, 50% (\$5,000) is allocated to growth of principal
- 10% (\$1,000) of these earnings is allocated to administrative costs
- 40% (\$4,000) of current earnings is granted out to support the community organizations
- Leaving a principal at the end of one year of \$105,000
- An example of how the Worthy's Endowment will grow*.

| Year | Begin | 1 | 5 | 10 | 20 | 30 | 50 |
|---------------------|-----------|-----------|-----------|-----------|-----------|-----------|-------------|
| Annual Grant | \$0 | \$4,000 | \$4,862 | \$6,205 | \$10,107 | \$16,464 | \$43,685 |
| Total Grants | \$0 | \$4,000 | \$22,103 | \$50,312 | \$132,264 | \$265,755 | \$837,392 |
| Principal | \$100,000 | \$105,000 | \$127,628 | \$162,889 | \$265,330 | \$432,194 | \$1,146,739 |

*Estimates are based on a 10% annual return; totals are cumulative. In 20 years, the Worthy's original gift of \$100,000 has grown to **\$265,330**, and the Arts have had the benefit of **\$132,264** in grants.



How to set up a Donor Advised Fund



There are a few simple steps.

1. Talk to your professional advisor. He or she will be able to help you determine how much tax savings you can realize by setting up a Donor Advised Fund.
2. Decide on what type of fund you are interested in: Endowed (a permanent fund that allows for a portion of interest to be granted to your choice of charities each year) or Expendable (you make one or more gifts when it makes the most sense to you, and advise us of the charities you want to receive it and when).
3. For individuals, talk to your family and let them understand your wishes.
4. You or your professional advisor should contact the Kearney Area Community Foundation to set up a meeting to discuss your desire to open a Donor Advised Fund.
5. After the meeting, a fund agreement is drafted and signed by all interested parties.
6. With a signed agreement, the Foundation can begin accepting your gifts and will give you information on emerging needs in our community.
7. Reports can be generating upon your request showing interest gained and grants paid for an up-to-date look at your fund.

