Starting a Component Fund with West Central Initiative

OVERVIEW

Purpose of the Component Fund

West Central Initiative (WCI) is a regional community foundation that serves a nine-county region in west central Minnesota. One of the roles of a community foundation is to establish and manage dedicated permanent funds that address specific charitable purposes as defined by the IRS 501(c)(3) nonprofit organizations. WCI calls these funds “component funds” because they are part of WCI mission and asset valuation.

Component funds function in two ways: first as a fund that makes grants for charitable activities within the specific purpose of the fund; secondly to provide rural economic development loans through a revolving loan fund. The component fund activities are directed by a group of community resident volunteers called an advisory committee. Both WCI and the advisory committee play a critical role in the success of each component fund.

Starting a component fund requires a contribution of cash, securities or other property valued at $10,000 or more. Note: A community-based fund, agency fund or field of interest fund can be established with any minimum as long as there is an agreement that a fundraising effort will be conducted immediately to raise the required $10,000 within a 12-month period.

The roles and responsibilities of WCI and the advisory committee are listed on back page.

Steps to Starting a Component Fund

WCI staff meet with interested volunteers to identify the interests, needs, and functions for a fund, and to discuss how WCI will manage and operate the fund. WCI staff partner with the advisory committee to:

- Establish the mission, purpose, and name of the fund.
- Develop a donor or advisory committee, or, in community-based or agency funds, establish a steering committee to develop an advisory committee.
- Draft and approve a Component Fund Agreement and Operational Guidelines for the fund.
- For community and agency-based funds, develop a plan for on-going or additional fund-raising programs.
- Establish program guidelines for grants and/or economic development loans.
- Recommend an investment strategy for the fund from choices offered by WCI.

Take the next step. Contact:

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West Central Initiative is an equal opportunity provider, lender and employer.
Roles and Responsibilities

The Role of the Component Fund Advisory Committee

• Fulfill the mission for the fund as set forth in the Component Fund Agreement.
• Build relationships with community partners who are willing to support the mission-driven projects.
• Complete the work described in the fundraising and communication plan.
• Recommend investment risk levels for permanent endowed funds.
• Invite, evaluate and recommend to WCI grant or loan requests that will meet the mission of the fund.
• Sustain the advisory committee through succession planning for committee members according to the Operational Guidelines.

Grantmaking component funds:

• Provide guidance to donors, interested parties, and professional advisors concerning the creation of a WCI Component Fund.
• Make final approval of legal documents.
• Receive gifts as owner and manager of the fund.
• Maintain the donor database.
• Deliver IRS-approved gift acknowledgments and pledge reminder letters.
• Provide technical assistance for fundraising campaigns, development plans, and complex gift transfer procedures.
• Provide an online donation page, fund webpage, and online advisor community, and consult with advisors about web presence and social media usage.
• Approve and process disbursements, mail checks to recipients, maintain online financial report services, and mail semi-annual financial reports to the advisory committee’s WCI contact.
• Provide technical assistance for communication plans, maintain a library of sample promotional documents, and help draft unique marketing material.
• File federal tax returns and provide an annual audit.
• Report the fund’s activities in WCI’s annual report.
• Provide grantmaking services to the fund advisors.
• Manage investments of the fund.
• Keep donors and fund advisors informed of WCI activities and programs.
• Conduct educational and informational workshops for component fund advisors.

Economic Development loan funds:

• Promote loan fund to bankers and potential customers.
• Interview loan applicants.
• Complete the evaluation and underwriting process.
• Present the underwriting information to the advisory committee.
• Make final approval of all loans.
• Prepare loan documents.
• Close the loan.
• Service the loan, including tracking loan payments and collections.
• Provide online financial updates of the loan fund.
• Prepare and mail semi-annual financial reports to the advisory committee’s West Central Initiative contact.