



LILLY ENDOWMENT INC. GIFT PHASE VI GUIDELINES

It has been nearly a quarter of a century since Lilly Endowment launched the GIFT (Giving Indiana Funds for Tomorrow) initiative to encourage the establishment and strengthening of community foundations as vehicles to improve the quality of life in Indiana communities. The success of Indiana's community foundations over the intervening years has far exceeded the Endowment's expectations when GIFT began. Now 94 community foundations and county affiliate funds throughout Indiana make grants to support local charitable organizations and programs in all of Indiana's 92 counties. The number of community foundations in the state has grown to that number from about a dozen in 1990. During the same period, the total value of the assets of Indiana community foundations that have regularly participated in GIFT has increased from an aggregate value of about \$30 million to nearly \$2 billion, and those community foundations have paid grants totaling more than \$915 million. These results would not have been achieved without the imagination, generosity, commitment and leadership of thousands of donors, volunteers and foundation staff members throughout the state.

Through five GIFT phases and five other programs related to Indiana community foundations – the Community Alliances to Promote Education (CAPE) initiative, the Lilly Endowment Community Scholarship program, the Taking Stock program, the Sustaining Resource Development program and the Community Foundation Internships program – the Endowment has been pleased to support Indiana community foundations in a variety of ways. We are gratified to see how GIFT grants for asset building, operating support, special projects and programs, fundraising capacity building, convening and technical assistance have been effectively used to strengthen community foundations and raise public awareness of the role they can play in improving the quality of life in Indiana communities.

While much has been accomplished, community foundations report that more remains to be done. Enhanced fundraising efforts to build endowment assets and sustain and improve operations are needed. Existing foundation personnel need to continue to improve their administrative, financial, programmatic, fundraising and communications skills, and new foundation staff need to be trained. Recent technological advances in equipment and communications need to be incorporated into office operations. Community-building efforts should be expanded and enhanced, and board engagement in fundraising and development can be more strategic and robust.

To further the Endowment's efforts to promote sustainable and effective community foundations in Indiana, the Endowment is pleased to offer GIFT Phase VI.

PROGRAM HIGHLIGHTS

The Endowment designed GIFT Phase VI to help community foundations balance long-term and short-term objectives by encouraging unrestricted endowment building while offering some

support for short-term projects and needs. GIFT Phase VI provides substantial discretion to community foundations regarding the charitable purposes for which Endowment funds can be used, substantial time for them to meet the relevant matching conditions, and incentives to encourage board giving and engagement.

Matching Conditions:

The matching conditions for GIFT Phase VI are different from those in previous GIFT phases. All of the grants that are approved by the Endowment for community foundations will be paid by the end of 2014. However, to the extent that a community foundation or affiliate fund does not meet the relevant matching conditions during the GIFT Phase VI matching period, the Endowment will reduce any grant that it might approve in the future for the community foundation or affiliate fund by the amount of the shortfall as reported by the community foundation in the final GIFT Phase VI grant report for it or its affiliate fund, which will be due on or before April 30, 2016. The matching period will begin on Aug. 1, 2014, and end on March 31, 2016.

Grant Amounts:

An Indiana community foundation will be eligible to apply for funding under GIFT Phase VI in an amount dependent on the population of each county it serves according to *STATS Indiana's 2013* chart as follows:

Up to 50,000 population (65 counties) – \$500,000

50,001 – 150,000 population (17 counties) – \$1 million

150,001 – 300,000 population (7 counties) – \$1.5 million

Above 300,000 population (3 counties) – \$2 million

Grant Purpose Options:

Community Foundation Discretionary (CFD) Option

A community foundation may choose to apply for itself or one of its affiliate funds up to one-half of the awarded grant funds to any charitable purpose it or its affiliate fund chooses, including, but not limited to, operating expenses, community programs and community capital projects and endowments for such purposes. To avoid a reduction in grants that might be approved by the Endowment in the future (based on unmatched dollars received from the Endowment under this option), the community foundation or affiliate fund must raise matching funds for the particular purpose for which it chooses to apply funds from its Endowment grant under this option on a \$1(grantor)-for-\$2(grantee) matching basis.

Unrestricted Endowment-Building Option

The amount of grant funds awarded by the Endowment that are not used for the CFD option must be placed in the unrestricted endowment fund for the community foundation or affiliate fund as appropriate. To avoid a reduction in grants that might be approved by the Endowment in the future (based on unmatched dollars received

from the Endowment under this option), the community foundation or affiliate fund must raise matching funds for unrestricted endowment on a \$1(grantor)-for-\$1(grantee) matching basis. To encourage board giving and engagement, amounts raised from members of the community foundation's current board of directors or affiliate fund's county committee, as appropriate, for unrestricted endowment will qualify for a \$2(grantor)-for-\$1(grantee) match.

Example: A community foundation that receives a \$500,000 GIFT Phase VI grant from the Endowment determines that it wants to apply \$200,000 of its grant to a new pre-K day care center in its community, \$50,000 to operating funds and \$250,000 to its unrestricted endowment. It reports in its final grant report that during its matching period, it raised from the community additional contributions totaling \$500,000 for the day care center, \$100,000 for operating funds, \$100,000 for unrestricted endowment and \$50,000 from foundation board members for unrestricted endowment.

While it met the GIFT Phase VI matching conditions for \$250,000 under the CFD option (\$200,000 to be used for the day care center and \$50,000 for operating funds), it did not fully meet the unrestricted endowment-building option because it only matched \$200,000 of the Endowment's grant under that option. The excess it raised under the CFD option for the day care center cannot be used to meet the unrestricted endowment-building option. Accordingly, although the community foundation retains all of its grant funds from the Endowment, the Endowment will reduce by \$50,000 the amount the community foundation would otherwise be eligible for in a future grant program the Endowment might offer.

ADDITIONAL PROGRAM REQUIREMENTS AND TERMS

GIFT Phase VI is a voluntary program for eligible Indiana community foundations and affiliate funds. Additional program requirements and terms are as follows:

- A community foundation or affiliate fund must have satisfactorily participated in a previous GIFT phase or program. Lilly Endowment reserves the right to determine whether the participation of a community foundation or affiliate fund in a previous phase/program was satisfactory.
- The foundation must be legally established as a community foundation in the state of Indiana and recognized as a public charity by the Internal Revenue Service. (An affiliate fund must apply through the community foundation with which it is affiliated.)
- If more than one foundation serves a county, those community foundations must collaborate in applying for GIFT Phase VI funds. Only one application per county will be accepted. Multicounty foundations may submit one application for each county served.
- The foundation or affiliate fund must have a board of directors or county committee that broadly represents the county it serves.
- The foundation or affiliate fund must be able to demonstrate that financial controls and procedures are in place to safeguard and account for its assets.

- Participation will not be required as a condition for taking part in any future GIFT programs the Endowment may offer.
- An interim program/matching report from each community foundation or affiliate fund will be required on or before July 31, 2015, and a final report will be due by April 30, 2016.
- The Endowment reserves the right to decline any application under GIFT Phase VI on the basis of other factors, such as the impact of a grant from the Endowment on the public charity status of a recipient (see Community Foundation Bulletin #14 [Revised July 2014]).

QUALIFYING MATCHING GIFTS

The Endowment desires to encourage new, additional contributions from many donors for the benefit of the residents of counties served by Indiana community foundations. Accordingly, no existing charitable endowments, trusts, private foundations, governmental funds, educational funds or other kinds of accounts already dedicated to charitable and/or public purposes that are transferred to a community foundation will qualify as matching funds for GIFT Phase VI. In addition, pass-through gifts do not qualify as matching funds.

Qualifying matching funds must consist of irrevocable contributions of cash or property (e.g., marketable securities, cash equivalents and real property), including the present value of irrevocable deferred gifts (such as charitable remainder trusts). Qualifying matching funds also include payments received during the GIFT Phase VI matching period on multiyear pledges (but not on irrevocable deferred gifts previously matched) executed on dates preceding the commencement of GIFT Phase VI. A payment on a multiyear pledge executed during GIFT Phase VI will be recognized as matching funds only if the payment is received during the GIFT Phase VI matching period.

Contributions will be counted as matching funds on the basis of their gift value as determined by applicable United States Department of Treasury regulations. The Endowment reserves the right to disqualify from inclusion any reported matching gifts that do not comply with or live up to the spirit of the GIFT initiative.

APPLICATION PROCEDURES

The GIFT Phase VI application form is included with these guidelines. Completed applications, with the public support calculation worksheet and any other attachments as required on the application form, must be mailed to the Endowment and postmarked on or before Sept. 11, 2014. The application should be signed by both the executive director and board chair of the applicant and addressed to Sallee Roach, Lilly Endowment Inc., 2801 North Meridian Street, P.O. Box 88068, Indianapolis, IN 46208-0068.

TECHNICAL ASSISTANCE

As with the previous phases of the GIFT initiative, technical assistance relating to GIFT Phase VI will be available through the Indiana Philanthropy Alliance. Specific questions related to GIFT Phase VI should be directed to Rosemary Dorsa at IPA (317-630-5200, ext. 114).