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Community Foundation news



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Foundation grants span spectrum

The Community Foundation of North Central Massachusetts capped its recently completed fiscal year with the announcement of seven grants to local organizations.

“With this round of grants we were able to fund some unique opportunities in addition to important programs that are providing basic services in this challenging economy,” commented Phil Grzewinski, president of the Community Foundation of North Central Massachusetts.

Montachusett Regional Vocational Technical School received a \$20,000 grant so the students can retrofit a school bus to run on biodiesel fuel. The goal is to use experience to educate fellow

“Educate fellow classmates on how to live and work efficiently...”

classmates on how to live and work efficiently, increase the school’s sustainability, reduce its carbon footprint and dependency on foreign oils by using waste cooking oil from the school to fuel the bus.

YWCA of Central Massachusetts/BWR’s \$20,000 grant will fund the expansion and additional training of their high risk response team that helps victims of domestic violence. The program, which was launched in 2008 and is based out of Ayer District Court, brings together community partners, victim services, law enforcement, probation, parole,



Law enforcement officials at a training session at the Ayer Police Department. YWCA of Central Massachusetts/BWR’s \$20,000 grant will fund the expansion and additional training of their high risk response team that helps victims of domestic violence.

prosecutors, health care and batterer’s intervention specialists.

A \$17,392 grant to Fitchburg-based United Neighbors of Cleghorn, Inc. will help provide civics and citizenship services for new Americans. The program includes 10 week classes four times a year, integrated with ESOL services, to prepare

immigrants for the naturalization test and provide opportunities to become engaged in their local community.

House of Peace and Education, Inc’s (HOPE) \$17,000 grant provided summer camp experience for 150 low-income children at Camp Collier in Gardner, MA. Gardner-based HOPE and Project Contact Summer Camp Program collaborated to provide a holistic, academic, mentoring and recreation program.

Franklin County Home Care Corporation plans on using their \$10,000 grant to expand its fundraising initiatives, which will help sustain their Meals on Wheels program for homebound elders in the North Quabbin region.

A \$20,000 grant to Nashua River Watershed Association, Inc., Groton, MA, will cover both planning and implementation of a three credit graduate level science course for pre- and in-service teachers at Fitchburg State College.

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Professional Advisor

The appeal of charitable lead trusts

Charitable lead trusts offer your clients a dependable vehicle for supporting their favorite charities, a way to preserve their wealth for the next generation, and significant tax advantages, especially when interest rates are relatively low.

With interest rates rising from their historic lows of the past few years, advisors may wish to explore the merits of charitable lead trusts (CLTs) with their philanthropically minded clients—before rates rise any further and diminish the tax benefits of these important wealth planning tools.

The opposite of the more-popular charitable remainder trust—in which a client receives income for a specified term or for life and any remaining assets go to a named charity—a charitable lead trust pays income to a charity for a specified period of time, after which trust assets revert to the owner or his or her family. Some charitable lead trusts are created solely for income tax purposes. Most often, though, these trusts are designed to exclude assets—and subsequent appreciation on those assets—from a donor’s taxable estate.

“The charitable lead trust combines estate planning with a charitable device,” says Lawrence P. Katzenstein, an estate planning attorney with Thompson Coburn LLP in St. Louis, Mo. “It benefits the charity and also moves property to the next generation at a lower estate tax cost.” Charitable lead trusts can take several forms, including the charitable lead unitrust and the more common charitable lead annuity trust, which is most attractive when interest rates are low.

Supporting Cherished Causes Through a Community Foundation

Community foundations are ideal venues for charitable lead trusts, which allow clients to make and direct a significant charitable gift while preserving family wealth for the next generation. Consider the case of Mary Lemmon, age 65, who grew up in a family where charitable giving was a way of life. She has passed these philanthropic values on to her two daughters, ages 43 and 39, but in case something happens to her, she wants to ensure that her favorite charities continue to receive an annual income for a set number of years. After

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Foundation hosts donor event

Nearly 150 individuals in attendance

The Community Foundation of North Central Massachusetts hosted a donor appreciation event June 25th at the Four Points Sheraton, Leominster, MA.

The sponsors of were: Anderson, Bagley & Mayo Insurance, IC Federal Credit Union, Gelinas and Ward LLP, Robert C. Alario, CPA PC and Huhtala Oil Company.



Congress extends charitable IRA

Help Your Clients Make the Gift of a Lifetime Giving Retirement Assets to Charity, Tax Free

Because of new legislation extending the Charitable IRA, qualified American seniors can make the gift of a lifetime by transferring a portion of their individual retirement accounts (IRAs) to charity, free from federal tax.

Through 2009, qualified IRA holders can transfer up to \$100,000 per year without incurring income taxes today or estate and income taxes in the future. If married, each spouse can transfer up to \$100,000 per year from his or her IRA. Including a charitable bequest in your will is a simple way to make a lasting gift to your community.

When you make this gift through your community foundation, we establish a special fund that benefits the community forever and becomes your personal legacy of giving.



Fund established to memorialize a sister's love of music

Providing scholarships to R.C. Mahar High School graduates who are majoring or minoring in music education, music theory, music performance or performing arts.

Music was Janine Holston's life passion. The gifted musician, who played the French horn and sang soprano, knew from a young age that she would become a music teacher.

"She was quite an accomplished musician," said Jim Holston, who along with his wife, Nancy, established the Janine Holston Memorial Music Scholarship Fund to honor his sister's legacy.

Janine graduated from R.C. Mahar Regional High School in Orange, MA, and followed her dream, earning a music education degree from Westfield State College. Fresh out of school, and eager to work with children, she quickly landed a teaching position with the Brookfield Public School district.

The fall of 1979 began like every other school year, with a sense of excitement as new students settled into their classes. But for Janine, the new school year brought a tragic diagnosis of melanoma. She died in 1980, at the age of 25, eight short months after her diagnosis.

"We wanted to do something to memorialize Janine," Jim said. But it wasn't until 2003 that Jim and his wife had gathered the resources to establish a memorial fund in Janine's memory. The fund awards scholarships to R.C. Mahar Regional High School seniors who plan to pursue music education or music related degrees in college.

"Teachers are such giving people," Jim said. "We wanted to help students become music teachers, just like Janine did."

Initially, the fund was established through a private, nonprofit organization. Because it was private, there were limitations on the type of gifts it could accept.

Ironically, Jim learned about the Community Foundation from his financial advisor, while counseling the family of Kyle Flood, also from Orange, who passed away unexpectedly in his sleep at the age of 18. Jim was telling them about the lessons he'd learned while setting up a memorial fund.

After seeing how easy it was for the Flood family to establish a fund with the Community Foundation, however, Jim decided to move his sister's fund

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from the private foundation to the Community Foundation. "It was so easy to set up the fund, and there were no limitations on the type of gifts the fund could receive," he said.

As for his other charitable interests, Jim, vice president of operations for Simonds in Fitchburg, MA, has taken interest in 15-40 Connection, a nonprofit organization based in Worcester, MA.

It is focused on improving cancer survival rates for people 15 to 40, an age group that, according to the 15-40 Connection web site, has seen no improvement in cancer survival rates in more than 20 years.

Their efforts may not end there. "We keep our ear to the ground for different causes," Jim concluded. "The Community Foundation is an ideal vehicle to facilitate a variety of giving, whether it's a scholarship or donor advised fund. It is easy and simple to make



Janine Holston

contributions and distributions to a wide variety of important causes," said Melissa Maranda, director of gift planning for the Foundation.

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that, Mary wants the remainder of her estate to pass to her daughters at a low estate tax cost.

To accomplish her objectives, Mary set up a charitable lead trust to support a donor advised fund at the Peninsula Community Foundation in San Mateo, Calif., funding it with \$1 million worth of appreciated securities. The fund supports causes important to Mary, such as Kara, a grief-counseling group in Palo Alto, and educational, arts, and health programs benefiting children and adults in East Palo Alto.

Lower Interest Rates Mean Higher Deductions

At the time assets are placed in a charitable lead trust such as Mary Lemmon's, the client receives a current gift tax deduction equal to the present value of the income stream that will be going to charity. If the CLT is a guaranteed annuity, the lower the interest rate that is used for this calculation, the higher the deduction will be, which is why experts recommend establishing charitable lead annuity trusts before interest rates rise further. The relevant interest rate is 120 percent of the federal midterm rate, also known as the 7520 rate, which is announced each month by the Internal Revenue Service.

Typically, assets transferred to a CLT will not be included in a client's estate. This makes CLTs good vehicles for transferring assets that are expected to increase substantially in value after the trust is created—provided the trust will not need to liquidate the assets to meet its obligations to the charity. CLTs can also be advantageous when there is a significant difference between the 7520 rate and the fund's expected return—another good reason to establish a CLT when interest rates are low.

According to Katzenstein, charitable lead trusts are suitable for clients who:

- Do not need current income
- Can afford to set aside a portion of their assets for a certain number of years
- Want to make annual gifts to charity
- Want to ensure their heirs receive an inheritance—but not immediately
- Want to reduce estate taxes
- Own securities, real estate, or other assets that

they expect to increase in value over the term of the trust

With the federal estate tax capturing as much as 46 percent of transfers over \$2 million—and many states now claiming their share as well—forward-thinking advisors and their clients are acting now to lower the tax on their eventual estates. Still, there are some important issues to consider when recommending charitable lead trusts:

- They are irrevocable—that is, the trust cannot be changed or revoked if the estate tax law changes or the grantor needs funds
- The recommended minimum is \$1 million
- Charitable lead trusts work best with low-basis assets because increases in value after the trust is created will not be included in the client's estate
- Ideally, investments should outperform the 7520 rate; this requires diversification and sound investment management

Why Community Foundations Are Ideal Recipients

From a legal standpoint, Katzenstein agrees that community foundations make ideal recipients of charitable lead trust income. Because the foundation is in charge of directing the funds to specific causes, the client is in no danger of having the trust taxed in his estate for reasons of retaining excessive control over the disposition of trust assets.

Mary Lemmon has also found community foundations to be ideal recipients of trust income—albeit for more personal reasons. The Peninsula Community Foundation sponsors programs that align with her charitable priorities. She also relies on the Foundation to learn more about other local causes so she can recommend grants to those organizations. "Mary is very open to learning about other programs in the community and really wants to help where help is needed most," says Victoria Mendiola, Director of Donor Resources at the Peninsula Community Foundation. With her charitable lead trust, Mary is supporting the Foundation while preserving family wealth for future generations.

Elaine Floyd, CFP, is a freelance writer based in Bellingham, Wash. Copyright 2006, Council on Foundations and Community Foundations of America
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FAST FACTS education

Today's students, educators, parents, and business leaders know the importance of education. Workforce development, economic growth, capital investment, and long-term sustainability all depend on an educated population.

Many also know the signs of struggling schools. Overcrowding, underfunding, declining enrollment, school consolidations, faculty cutbacks, language barriers, student poverty, and absentee parents are common. Community impacts may be less obvious, but they are profound: difficulty attracting employers, high crime rates, culture voids, and worst of all, immeasurable losses in human potential.

Fortunately, everyone can play a role in strengthening education, enriching lives, and building a stronger community.

To learn more on how you can help, contact the Community Foundation.

1 High School Dropouts

In the wealthiest country in the world, only about 70 percent of public high school seniors graduate.

2 Economic Impact

In 2002, the U.S. Department of Education found that Americans who dropped out of high school earned about 25 percent less than those earning high school diplomas. During their lifetime, college graduates make an average of \$900,000 more than high school graduates.

3 Literacy

Students are struggling to make the grade, especially when it comes to reading. Results of the 2002 National Assessment of Educational Progress (NAEP) placed 25 percent of eighth-graders and 26 percent of 12th-graders at a "below basic" reading level.

4 Student Poverty

Sixteen percent of children in the United States live in poverty. According to a survey of 26 U.S. communities, there is a strong correlation between regions with the greatest eligibility for free and reduced-price lunches and low student test scores in third-grade reading and math—standard benchmarks for a child's future academic performance



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Foundation makes seven grants

The final grant, \$6,245, went to Associated Grant Makers Grants Resource Network, who will establish a resource center, to provide grantseeking information to nonprofits, at the Leominster Public Library.

The Foundation also announced that 13 new funds were established during its most recent fiscal year, which concluded June 30, 2009: Boys & Girls Club of NCM Endowment Fund, Doyle Endowment for the Benefit of Doyle Field, Doyle General Endowment Fund, Sterilite Scholars Fund for Fitchburg State College, Friends of Sholan Farms Fund, Marilyn & David McKeehan Family Fund, Sterilite Scholarship and Student Success Fund for Mount Wachusett Community College, Townsend Public Library Endowment Fund, United Way of North Central Massachusetts Building Fund, Peter and Alice von Loebecke Foundation Fund, Grace Oliver Legacy Fund, Indian Hill Music Fund, Janine Holston Memorial Music Scholarship Fund

Since its inception, the foundation has awarded approximately \$12 million in grants and distributions from 100 funds that have been established by individuals, families and organizations.



House of Peace and Education, Inc's (HOPE) \$17,000 grant provided summer camp experience for 150 low-income children at Camp Collier in Gardner, MA .

A fund was established at the Community Foundation for Sholan Farms, a 169-acre farm, rich in history, owned by the City of Leominster and operated by the Friends of Sholan Farms; the farm is located at 1125 Pleasant Street.



The Community Foundation of North Central Massachusetts is a nonprofit organization serving the charitable interest of donors in 33 communities throughout North Central Massachusetts. Ashburnham, Ashby, Athol, Ayer, Barre, Bolton, Clinton, Devens, Erving, Fitchburg, Gardner, Groton, Harvard, Hubbardston, Lancaster, Leominster, Littleton, Lunenburg, New Salem, Orange, Pepperell, Petersham, Phillipston, Princeton, Royalston, Shirley, Sterling, Templeton, Townsend, Warwick, Wendell, Westminster, and Winchendon.