



EMPLOYEES POWER THE HERBRUCK ALDER LEGACY FUND

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Employees make contributions, request distributions, and suggest grants from the fund.

What do a soup kitchen, a golf outing, and a March Madness bracket have in common? They are all creative ways the folks at Gallagher Benefit Services Inc. (formerly Herbruck Alder) are raising money to support and grow the donor-advised fund they set up at the Cleveland Foundation in late 2009.

While the events are fun, there is a serious purpose behind them. "We invite vendors, clients, prospects, and employees, and have raised \$18,000 for the Herbruck Alder Legacy Fund in its first year," says Brian Kempton, area vice president. "We are fortunate in our business to have the ability to draw on our relationships and put together successful events so we can increase what we can do for our community."

The company is one of the largest employee benefits brokerage and consulting firms in Northern Ohio. Its philanthropic involvement dates back to its founding in Cleveland in 1962. "Our founders were passionate about Cleveland and Northeast Ohio, and that has trickled down the organization over the years," says Alison Muth, marketing manager.

"Virtually all of our 40 employees are involved in charitable activities and were doing a lot of good in their own right," says Area Senior Vice President Chris Herbruck. "But we felt that, collectively, we could do even better. If we put together the thoughts, passions, and talents of our employees, we could bring greater focus and impact to our corporate charitable efforts."

A LETTER FROM APRICE BRAGG



Dear Friends,

Each of us has a unique financial situation and very personal ideas about the kind of charitable impact we'd like to have. At the Cleveland Foundation, we take special care to help you create a charitable approach that best suits your needs and wishes. We offer many flexible giving options, and we do our best to make the process as easy as possible.

In this issue, we feature a local couple and a corporation that have both chosen donor-advised funds as their charitable vehicle. Donor-advised funds allow you to express charitable wishes through grant recommendations and are simple to set up and use. In addition, in our effort to keep you up to date on charitable giving news, we discuss recent legislation that enables you to make tax-free charitable contributions from an IRA.

Whatever your specific needs, you can trust us to help put your charitable dollars to work in a way that benefits our beloved community.

Yours in building an even greater Cleveland,

DATES TO REMEMBER

Donor Conversations

A New Frontier in Charitable Tax Planning

April 7, 2011
Noon to 1:30 p.m.

Creative Fusion: Infusing Arts and Culture With an International Artist-in-Residence Program

April 28, 2011
Noon to 1:30 p.m.

What's Happening in the Preservation of Public Space

August 31, 2011
Noon to 1:30 p.m.

Fund Forums

Engaging Your Board: Dispelling Fundraising Myths and Apprehensions

September 28, 2011
Noon to 1:30 p.m.

Anisfield-Wolf Book Awards Ceremony

September 15, 2011

If you would like information on any of these events, please contact Gift Planning and Donor Relations.

WILHELM FUND STARTS FAMILY TRADITION

When John and Virginia (Ginny) Wilhelm decided to set up a donor-advised fund at the Cleveland Foundation in mid-2010, they were not just starting a new fund. They were starting a family tradition.

“This is something new in our family’s history,” says John Wilhelm, who recently retired after selling his successful family manufacturing business in South Euclid. “We want to make sure the fund and the idea behind it get carried through to the next generation. Our family is getting larger, and we felt we could really get something going and make a difference.”

John and Ginny have three grown children who are married and have children of their own. Karen and husband Stu reside in Cincinnati, Jim and wife Ann in Seattle, and Kristen and husband Bill in Denver. The Wilhelms set up their fund so that it will roll over to their children upon their passing.

“Our children and their spouses are very supportive and involved in this process,” says Ginny. The entire family gets together several times a year, where they find time to discuss the fund and suggestions on what to support. Karen, their oldest daughter, is an adviser to the fund.

The Wilhelms decided to explore various options after attending a session on family wealth and philanthropy at John’s 45th reunion from Dartmouth College. Talks

with friends and Internet research led to a meeting with the Cleveland Foundation and eventually the choice of a donor-advised fund.

John explains, “The fund suits our needs exactly. It gives us flexibility and simplicity. We do not want to spend hours of due diligence checking out organizations, and we have a variety of interests we would like to pursue. When we find a specific organization, the foundation

can take care of the details and research it to make sure it is well run and worthwhile.

“We are just getting started with this, and we like that we can make this fund whatever we want it to be.”

Education is one area the Wilhelms are looking to support. Ginny taught fourth grade in the South Euclid-Lyndhurst schools, and John served on the board of Orange City Schools.

After living in Moreland Hills for 32 years, the couple moved to Russell in 2002. They are interested in helping Geauga County organizations and recently met with the foundation’s Lake-Geauga Advisory Committee. “A raft of organizations there are in need of assistance,” says John.

“We are also asking our kids for suggestions. The foundation can research organizations outside of Greater Cleveland, too, if our children find something near them that they’d like to support.”



John and Ginny Wilhelm, shown here with their grandchildren, set up their donor-advised fund for two generations.

Refresh

In each issue of *Giving Voice*, the “Refresh” column provides updates on Cleveland Foundation initiatives or philanthropic trends, which you may have read about in this publication or heard described in the media.

Restored IRA charitable rollover

Legislation last December

reinstated the option for donors age 70½ and older to make tax-free transfers of IRA assets to charitable organizations, providing a convenient way for donors to give more to their favorite charities for less. A similar provision, enacted in 2006, had expired in 2009, leaving donors without this attractive option throughout 2010 until the new legislation was passed.

Here is a quick rundown of the new rules:

- IRA owners must be 70½ years or older at the time of transfer.
- Up to \$100,000 for an individual – or \$200,000 for a couple – can be transferred from an IRA for charitable purposes. The amount is excluded from income for tax purposes.
- Transfers must be made by December 31, 2011.
- The IRA trustee or custodian must make the transfer directly to the charitable organization.

- Transferred benefits can qualify toward the taxpayer’s annual required minimum distribution from the IRA.

There are some restrictions:

- The rules only apply to traditional IRAs.
- It excludes transfers to charitable gift annuities, donor-advised funds, and supporting organizations.

For details on how the new rules may affect you, we recommend you consult your tax advisor.

FINANCIAL UPDATE

Although it was a “bumpy ride,”

2010 turned out to be a very strong year for the markets and for the Cleveland Foundation’s endowment portfolio. Following a decline of 6.6 percent in the first half, the S&P 500 was up 15 percent for the full year. The bond markets also performed well, as measured by the Barclay’s Aggregate Index, up 6.5 percent for the full year.

The foundation’s total assets increased from about \$1.8 billion at year-end 2009 to about \$1.87 billion at year-end 2010. This increase was primarily due to gifts of \$44 million and investment gains of 13.9 percent overall, offset by grants authorized of \$88 million.

We have recently revisited our investment policy and reaffirmed that our long-term objective is to preserve capital and earn a “target” return of 8 percent (which covers 5 to 6 percent spending policy plus inflation). To reach that target, the majority of our portfolio will be exposed to equity markets, but we will use hedged equity, fixed income, and absolute return investments to lower volatility, and real assets to protect against inflation. We continue to believe that diversification within the portfolio and using “best in class” investment managers are key to meeting our long-term objective.

The significant gains in 2010 have moved us closer to our objective,

following the significant market downturn that began in 2007. The endowment portfolio had investment gains of 4.98 percent over the last five years and 6.5 percent over the last seven years. Importantly, significant portions of the portfolio have moved to net positive annualized gains from the “high water mark” at September 2007.



HERBRUCK ALDER LEGACY FUND

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An attorney referred them to the Cleveland Foundation for help. “We can’t emphasize enough the advantages of working with the Cleveland Foundation. They have given us structure, credibility, and the ability to leverage our limited resources. And they have made it very easy,” says Herbruck.

“This experience has really opened my eyes to what a small organization can do in the area of charitable giving. We are doing the same thing a larger corporation does, just on a different scale.”

The company chose to set up a donor-advised fund in part because it was intent on reflecting employees’ wishes for charitable giving.

Not only are employees aware of the fund and engaged with it, they

are *running* it. A committee of seven employees meets monthly to discuss fundraising ideas and charitable requests and meets quarterly to make grant recommendations. Committee members, scheduled for two-year terms, represent all areas and levels of the company.

They even devised a system to evaluate charitable requests. Using a “score card,” they determine whether an organization merits a matching gift, a direct contribution, or a grant recommendation. Criteria include whether it benefits local residents, provides direct services, and has a health or education focus. It also weighs more personal considerations, such as whether an employee or someone close to them has benefited from the organization or is an active volunteer for it. “The

score card gives us an objective, quantitative way to evaluate the many requests we receive,” says Kempton.

The fund has supported various organizations in its first year. However, as Muth points out, “We are primarily focused on fundraising now so that down the road we can increase the amount of grants to make an even bigger impact on our community.”

Note: In December, Herbruck Alder was purchased by Gallagher Benefit Services, a division of the Chicago-based Arthur J. Gallagher & Co. The fund – and its local focus – continues.

MORE ABOUT DONOR-ADVISED FUNDS

Individuals, families, and other groups can create donor-advised funds to explore philanthropy, learn more about charitable causes, and recommend grants that reflect their philanthropic values.

A minimum of \$10,000 in cash, securities, or other property is needed to set up a donor-advised fund at the Cleveland Foundation. An income tax deduction can be taken when the fund is established, with the deduction carried forward over the next five years if necessary. Additional gifts can be made to the fund at any time.

The Cleveland Foundation’s staff can provide knowledgeable assistance by matching a donor’s charitable goals with the community’s charitable needs, as well as with recordkeeping and administrative assistance and investment oversight.

LOOKING AHEAD WITH RONN RICHARD

Ronn Richard, president and CEO of the Cleveland Foundation, shares his thoughts on Cleveland's biggest challenges, the foundation's priorities in 2011, and our partnership with donors.

What do you see as the biggest challenges facing our community?

Our biggest challenges are inextricably linked: improving our economy and improving our educational system. When you consider that Cleveland is the sixth-ranked city on Monster.com for job openings for skilled workers, you see the problem is not the shortage of employment



Ronald B. Richard

How would you sum up the foundation's approach to addressing Cleveland's challenges?

The foundation takes both a proactive and a responsive approach to grantmaking. Where appropriate, we respond to the great ideas of Cleveland's numerous effective nonprofits. Also, where we see need or opportunity, we can act strategically and proactively to create collaborations, partnerships, and projects for the betterment of Cleveland. We are able to be proactive because of the many generations of donors who have given us charitable gifts that can be used flexibly for

changing community needs; this ability differentiates us from other organizations and allows us to do truly strategic work.

What are the foundation's priorities in the coming year?

We will help the Cleveland public school system get back on track in the wake of the loss of its CEO and the huge budget cuts that will affect it so severely.

We will continue to support economic development organizations in enhancing entrepreneurship and company creation in the region. This work also ties in with our efforts to strengthen our neighborhoods through grass-roots programs and innovative ways to build wealth for residents.

We will continue to support, in a big way, our broad array of social services, including efforts to reduce gangs and teen pregnancy, provide after-school programs and summer jobs for youth, and help our senior citizens.

We also will continue to support our artistic and cultural jewels that have made us a premier city and are a main reason we are able to attract top talent to our city.

Economic transformation is a big area of emphasis for the foundation. How will you further that goal this year?

In addition to funding local economic development organizations such as BioEnterprise, Team NEO, the Greater Cleveland Partnership, and others, we are helping to create Evergreen Cooperative companies that employ low-income individuals and offer them the chance to become owners of the company. These businesses include the Evergreen Laundry, Ohio Cooperative Solar, and soon, Green City Growers, a major urban greenhouse operation. We believe it is important to create not only jobs, but wealth in low-income neighborhoods to restore a strong middle class to Cleveland.

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NEW FUNDS AND DONORS

The foundation appreciates and recognizes the following donors:

(September 1, 2010, through January 31, 2011)

New Funds

Annual Genealogical Materials and Technology
Enrichment Procurement Fund
Kate and Ric Asbeck Fund
Bay Village Math and Science Summer School
Education Foundation Fund
William and Lois Briggs Fund for Research in
Neonatology
William and Lois Briggs Neonatology Chair Fund
Richard F. Coyne Charitable Gift Annuity #5
Deckard Family Fund
Renee Drefahl Spirit of Life Scholarship Fund
Donald A. Farmer Memorial Fund
The Vince Federico Memorial Fund II
First Tee of Cleveland Endowment Fund
Endowment Fund of Forest Hill Church
Presbyterian
Kathleen C. Hunt Fund
Keating Family Fund
Elsie C. Lutman Charitable Gift Annuity
Milestones Autism Organization Pathway to the
Future Endowment Fund
Neumann-Kress Family Fund
Gwill York Newman Fund
Mark Plush Fund
Rae/Hertz Charitable Fund
Sobieraj Family Fund
Dr. Andrew Turner Family Endowment Fund for
Scottish Harp
Helen T. Weber Family Foundation
Zeta Omega Scholarship Fund

New Planned Gifts

Anonymous
Teresa Metcalf Beasley
Kenneth Cooley
Richard and Susan Coyne
Adela Dolney
Jeanne Freels
Ronald Fuqua
Christine Gregory
Eddie Gregory
Sally Gries
Holsey Gates Handyside
Gwendolyn Kirtley
Patrick and Amy Mullin
Joyce Walker

In Memory of

Richard G. Anter Sr.
Charles Chatlos
Alice Hamilton
Micah Lewins
Steve Nagy
Robert Patrick
Tracy Starr
Charles S. Stephen
Robert Stevens and Marcella Kerber
John Tassi III
Robert W. Weldon



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LOOKING AHEAD WITH RONN RICHARD

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How do you view our partnership with donors?

Donors are our lifeblood. All that we have accomplished since our establishment in 1914 would not have been possible without funds from donors. It is our donors who have allowed the foundation to become a key and critical institution for Cleveland now and in the future. We want to engage donors in the philanthropic causes that they care about and in the most vital issues facing our community.

Anything else you would like to tell donors?

Like you, the Cleveland Foundation is deeply committed to Cleveland's future and strives to create an environment which will provide our children and grandchildren with a great quality of life. We ardently seek your good ideas, wisdom, and creativity to achieve that goal.