

The Community Foundation
of the
Rappahannock River Region

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the
community
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Guidelines and Policies Governing Advised Funds

The Community Foundation of the Rappahannock River Region (The Community Foundation) accepts component *advised funds* to develop support of, and participation in, the philanthropic interests and activities of The Community Foundation of the Rappahannock River Region. The Community Foundation encourages individuals, families, organizations, corporations, and private foundations to establish *advised funds* as an important means of meeting the region's existing and emerging needs. Such funds stimulate an interchange of ideas between donors and The Community Foundation, provide financial resources to extend the charitable programs of the Rappahannock River region, and contribute to the growth of The Community Foundation of the Rappahannock River Region's endowment.

As a community foundation, The Community Foundation enjoys status as a public charity. This status entitles donors to tax deductions usually superior to those accorded donors to private foundations. Further, The Community Foundation handles the administrative responsibilities specific to each component fund, including grant correspondence, issuance of checks, tax filings, audit requirements, and staffing needs.

While the law expressly recognizes the right of living donors to make grant suggestions from time to time, the regulations adopted by the Internal Revenue Service clearly state that *the governing body of a community foundation must exercise final discretion and control concerning the expenditures of such funds.*

The Community Foundation of the Rappahannock River Region welcomes your use of our various services to further your philanthropic interests. We can serve as your eyes and ears to identify priority needs in the area we serve. Our regular communication highlights grants, and will provide you with information about local organizations devoted to community betterment. If you are interested in a particular area of need or charitable organization, and The Community Foundation does not already have detailed knowledge of it, we may be able to make the necessary investigation. Knowing your areas of interest, The Community Foundation may periodically bring to your attention new or unique opportunities to enhance your charitable giving.

The Community Foundation of the Rappahannock River Region has developed the following guidelines pertaining to the establishment and administration of advised funds. These guidelines may be amended from time to time, when deemed necessary or desirable by The Community Foundation of the Rappahannock River Region's Board of Governors.

Policies and Procedures on Advised Funds

Establishment of Funds

Any person or organization (the “Donor”) may establish an advised fund by the donation of or transfer of money or other property, whether by contribution, gift, bequest, devise or other transfer to, and acceptance by, The Community Foundation of the Rappahannock River Region (The Community Foundation). The Community Foundation has full legal ownership of such *advised funds*, which shall be administered as component funds of The Community Foundation of the Rappahannock River Region. Each Fund may be recorded as an identifiable or named fund, as requested by the Donor.

- *Advised Funds* are governed by a written agreement between The Community Foundation of the Rappahannock River Region and the Donor.
- A minimum gift of \$10,000.00 is preferred to create an *advised fund which can be spread over a three year period*. Smaller funds can be established. Staff can discuss options and requirements in further detail. Additional contributions in any amount may be added to an *advised fund* at any time.

Administrative and Investment Management Fees

All *advised funds* are charged an appropriate allocation of direct and indirect expenses attributable to the administration of component funds as well as to further the mission of The Community Foundation of the Rappahannock River Region to meet the compelling charitable needs in the Rappahannock River region. Those fees are listed below:

- Currently, a 1% unrestricted support fee from fund balance of each advised fund is required annually, with a minimum fee of \$250. For those funds that exceed \$50,000, these fees are submitted on a quarterly basis of .25%.
- An investment management fee, which varies among managers, is netted against the performance of individual funds.

Donor Recommendations

Generally, the Donor, or other person designated by the Donor at the time the Fund is created has the opportunity to recommend disbursements from the principal and income of the advised fund.

The Community Foundation of the Rappahannock River Region shall consider and evaluate all such recommendations, as they are advisory in nature.

The Donor may suggest a grant for general support or for a particular program or activity sponsored by a qualified, local, regional or national organization. While The Community Foundation may occasionally handle grants as small as \$250.00, donors are urged to submit grant recommendations of \$500 or more. Recommended distributions must be made in writing to The Community Foundation of the Rappahannock River Region.

A *Donor Suggestion Form* should be completed by the Donor-Advisor and submitted according to the annual fiscal year schedule. Please note the donor suggestion submission schedule coincides with regular board of governors meetings, when donor suggestions are presented for consideration and approval. *To ensure grant distribution in a timely fashion, it is necessary for all advised funds to follow this schedule.* If your suggested donation includes non-tax deductible benefits, there are additional steps that must be completed before the suggested donation can be presented to the board of governors. Upon the submission of the *Donor Suggestion Form*, staff will contact the Donor-Advisor to finalize those steps. (A *Donor Suggestion Form* is included in the Appendix.)

The Community Foundation of the Rappahannock River Region will decline to make distributions by Advisors when:

- The grantee is not a tax qualified charitable organization as described in Section 501(c)(3) of the IRS Code;
- Upon investigation, The Community Foundation finds that the recommended recipient does not meet The Community Foundation's general standards for grant making;
- When, by reason of the Donor's receipt of benefits from the grantee, the gift would not be fully tax deductible if given directly to the Donor. For example, if the donor received a benefit from the gift such as dinner or tickets, the donor has the option of paying directly for the benefit received.

Grant Restrictions and Prohibitions (IRS regulations)

Grants from a Donor Advised Fund cannot result in the donor, advisors or any related parties receiving an exchange of goods or services or any personal or material benefit that is not provided to the general public (for example newsletters). Prohibited benefits include tickets, memberships, meals, preferred parking, preferred seating, discounted merchandise or other preferential treatment from a donee organization.

Donor Advised Fund grants also cannot be used to satisfy all or a portion of a pre-existing personal pledge or other financial obligation of the donor, advisors or any related parties. Advisors may, however, recommend that a grant be paid out over multiple years, subject to grant approval and annual due diligence.

Provisions of the Pension Protection Act of 2006, prohibit Donor Advised Funds from making any grants to individuals such as scholarships, emergency hardship grants or disaster relief grants. This includes checks written directly to an individual or checks written to an entity for the benefit of a specified individual. For example a grant to a university for the benefit of a designated student is prohibited.

Donors, advisors or any related parties may not receive grants, loans, compensation or similar payments (including expense reimbursements) from donor *advised funds*.

Staff Investigation

It is the policy and practice of The Community Foundation of the Rappahannock River Region to conduct staff investigations of all grant recommendations. The extent of such investigations will, of course, depend upon the nature and category of the grantee organization and information obtained by, or already available to, The Community Foundation with respect to the grantee and the purposes of the grant.

Grant Acknowledgment

Unless other arrangements have been made (e.g. anonymity requested), the grant letter will indicate that the contribution is from “The XYZ Fund of Community Foundation of the Rappahannock River Region” and that it has been given upon the recommendation of the named advisor. The recipient organization is encouraged to acknowledge the gift to the advisor and also to The Community Foundation. Additional language confirms that no benefits have been offered or provided to The Community Foundation or the advisor in exchange for the accompanying grant. If the recipient organization publishes a news release or a list of donors, it is asked to indicate the contribution as a grant from “The XYZ Fund of Community Foundation of the Rappahannock River Region.”

Board Action

At regularly scheduled Board meetings, donor’s recommendations are presented for final approval. Unless otherwise specified by the Donor, approved distributions from an advised fund will identify for the grantee organization, the name of the Fund from which the distribution is made.

Monitoring Major Grants

The Community Foundation of the Rappahannock River Region requests grantees to report on the use of grant funds whenever a grant of \$10,000.00 or more is distributed. Most grantees are eager to keep The Community Foundation of the Rappahannock River Region informed. The Community Foundation in turn, is interested in keeping Donors informed of its charitable activities.

Exceptions to this requirement may be made in the case of grants for general support, building funds and other projects of such size as to make it impossible to identify separately the use of each donation or grant received.

Regular Reports

On an annual basis, the Donor will receive a summary report of all distributions from and additions to the Donor’s Fund. This statement will include a beginning balance and ending balance at the fiscal year of The Community Foundation (06/30), all realized, unrealized gains (losses), interest and dividends, and a statement of fund activity during that time period. Additionally, a summary report of distributions from The Community Foundation of the Rappahannock River Region is included in the Annual Report when produced.

Educational Program

The educational program for Donor-Advisors is part of a larger effort by The Community Foundation of the Rappahannock River Region to educate the public with regard to the scope of charitable services offered by The Community Foundation. The objectives of The Community Foundation's educational program include:

- Acquainting current and potential Donors, their advisors, and others in the community with the specific regional charitable needs determined by The Community Foundation of the Rappahannock River Region to be worthy of support;
- Encouraging interaction between members of the community, including business and civic leaders, Donors, grantee organizations, prospective grantees; and The Community Foundation of the Rappahannock River Region to develop a broad perspective on the changing charitable needs of the community;
- Enabling Donors and others to observe the work of The Community Foundation of the Rappahannock River Region as an organization effectively serving the charitable needs of the Rappahannock River region; and
- Attracting funds from a wide segment of the Rappahannock River regional community to further the charitable purposes of The Community Foundation of the Rappahannock River Region by working to meet the needs of the community.

Other Information

Donors and their Designees

The privilege of making recommendations shall be extended to Donors and their designees, subject to the following limitations:

Ordinarily, if an individual establishes an *advised fund*, the privilege of making recommendations is limited to the Donor, and, if so specified, the Donor's spouse and/or children. Individual or joint recommendations may be made, unless otherwise specified in the fund agreement. Further succession may be made in writing to the Foundation. This privilege will terminate on the death, written notice to The Community Foundation of the Rappahannock River Region or resignation, or release of or by the Donor or other designees;

The agreement establishing an *advised fund* may designate a person or persons other than, or in addition to the Donor, spouse or children to exercise the privilege to make recommendations. In that case, the privilege will exist only during the lifetime of the Donor, spouse or specified children, unless earlier terminated as described above.

Continuity of Funds

On the termination of the recommendation privilege, *advised funds* of less than \$10,000 become part of The Community Foundation of the Rappahannock River Region's unrestricted fund. *Advised funds* of \$10,000 or more become unrestricted named endowments of The Community Foundation of the Rappahannock River Region; provided however, if the Donor has designated a particular charitable field, preference will be given to that field in distributions from that fund.

Investment of Fund Assets

The Community Foundation of the Rappahannock River Region has the sole responsibility and authority for the investment of assets of each *advised fund*. The assets of any component fund can be commingled with those of other *advised funds*, or with other funds of The Community Foundation of the Rappahannock River Region, or may be invested in units of a common investment fund, which may be established or utilized by The Community Foundation.

The Board of Governors, a committee, agent, or director authorized by the Board, shall make decisions regarding the retention, investment, reinvestment and commingling of assets.