

Donor Handbook

The
Community
Foundation
of the
Rappahannock
River
Region

Table of Contents

02 **With Our Thanks**

03 **The Basics**

03 **Our Charitable Funds**

03 A Beautiful Simplicity

04 Creating a Fund

05 Types of Funds

06 Taxes and Fund Ownership

07 **Giving Plain and Simple**

07 How Much Money Can I Grant Annually?

07 How Long Before My Grant is Awarded?

08 Donor Privacy: How am I identified in the Grant Award Letter?

08 A Fund Calendar

09 Calendar Year and Fiscal Year

10 Adding to Your Fund

10 Year-end Gifts

10 Legacy Gifts

10 Donor Advised Funds

11 How to Recommend a Grant

12 How We Manage your Grant

12 Some Boundaries on Awarding Grants

13 Who May I Give To?

13 Who May I Not Give To?

13 What about Pledges?

14 Benefits: Material and Incidental

14 **Broadening the Reach of Your Fund**

14 Hand in Hand

14 Community Enrichment Fund

15 Estate and Charitable Gift Planning Advice

15 The Community Give

15 Women and Girls Fund

16 Youth in Philanthropy

16	Events & Gatherings
16	Ring in the Holidays
16	Live Ballot: Women and Girls Fund
17	Gallery Walk: Youth in Philanthropy
17	Bespoke Donor Events
17	Events for Professional Advisors
17	Our Administrative Fee
18	How and When We Assess a Fee
18	Important Information About Your Fund
18	Control of Assets/Material Restrictions
19	Variance Power
19	Donor Fund Statements
19	Spending Rate Guideline
20	How We Manage Your Assets
20	Planned and Legacy Giving
21	By Bequest
21	Retirement Plans
21	Life Insurance
22	Charitable Remainder Trust: Life Income
22	Charitable Lead Trust: Like a Boomerang
22	Gifts of Real Estate, Stock, Closely Held Stock and Similar Assets
23	Private Foundation Transfer
23	The Legacy Society
23	Partnering with Nonprofits
24	Glossary
26	Frequently Asked Questions
28	Thank You
29	Notes

With Our Thanks

Please accept our thanks for your interest in establishing a charitable fund with The Community Foundation of the Rappahannock River Region (The Community Foundation). We are honored that you have chosen us and pleased to work together with you, hand-in-hand, for the greater good.

At The Community Foundation, we are a dedicated group of board members, staff and volunteers building a collection of permanent funds to serve our region in perpetuity in the areas of Arts and Culture, Community Development, Health and Human Services, Education and Environment.

This handbook outlines the processes used to manage your generous gift. It will assist you in understanding the governing principles guiding the most effective and efficient uses of your fund.

Your Fund At Your Fingertips

Teri McNally
Executive Director
terimcnally@cfrrr.org
540.373.9292 ext 120
www.cfrrr.org

Lisa Biever
Director of Donor Services
lisa.biever@cfrrr.org
540.373.9292 ext 121
www.cfrrr.org

The Basics

The Community Foundation manages assets (cash, stock, properties) that have been donated by community members (donors). These various donations are placed into funds of differing types, each with a different purpose and managed with transparency of governance that gives peace of mind to donors. Your charitable gifts are invested and the earnings are used to make grants in an efficient, effective manner, providing maximum benefit across the local region and beyond, for a wide range of community enhancing purposes.

Donors can add to funds at any time. Grants are awarded at regular intervals from a donor's fund to support various charities and this guide helps explain the entire process.

Our Charitable Funds

A Beautiful Simplicity

At The Community Foundation, each charitable fund tells its own story, yet they all share this beautiful simplicity: we work together with you, through conversation and discovery, to best create the charitable effect you want to see at home and in the wider world.

Each fund tells its own story, and your fund will be here to tell your story. It starts the moment you name the fund: with your family name, in honor of a loved parent, child or friend, after an idea, by purpose or goal, with eyes on tomorrow or in memory of yesterday. Each grant that you make, shaped by your time and thought, continues to tell your story, passing it through our hands and out into the world, as your gift.

We work together. You place the monies with The Community Foundation, for us to administer. Once your monies are in place there's no getting around it, we are going to ask you what to do with it. You may already know your charitable goals and the causes you wish to support, or you may have ideas and questions you want to discuss. We bounce them around. Or find new ones. Sometimes the giving landscape changes. There are nuances to explore. We are with you to be incredibly helpful.

Your charitable gift to The Community Foundation is irrevocable. So too will be your impact on the health and vitality of this community, shaped by the long effects of your generosity. By the way, your irrevocable gift allows for an income tax deduction for charitable contributions.

Creating a Fund

It's easy to establish your own named charitable fund – it can often be done in a day. If you have questions, please call our staff at any time for personalized support. We are available to answer questions and to clarify options. Here are the basic steps:

Choose a Fund Type

Our funds are structured to offer flexibility and impact.

Choose a Name for Your Fund

You choose your fund's name. Donors often choose their own names, the name of a honored loved one or even a meaningful place or phrase. Some donors choose to remain anonymous. You decide.

Consider Advisors to Oversee Gifts from Your Fund

Many donors choose themselves and their spouses, along with successor advisors such as their children.

Create a Fund Agreement

We look forward to discussing your personal charitable goals and will provide a governing document for your review.

Make an Initial Gift

There are many ways to give. Our staff has the experience necessary to match your personal interests and tax planning needs. We can manage funds ranging from \$10,000 to millions of dollars.

Receive a Tax Deduction

You will receive a tax deduction when you establish the fund and when you add to it.

Give with Confidence

Our staff has a long-standing reputation for excellent financial management of funds that benefit from a closely monitored investment strategy. We will take great care that your fund grows in perpetuity.

Types of Funds

The Community Foundation of the Rappahannock River Region currently manages four types of funds.

- Unrestricted Funds
- Donor Advised Funds
- Field of Interest Funds
- Designated Funds (including scholarship funds)

It's helpful to think of these four fund types in terms of flexibility for the donor, as more or less flexible, depending on their purpose.

Unrestricted Funds	Donor Advised Funds	Field of Interest Funds	Designated Funds
Donors entrust the Foundation to select organizations and grant opportunities that serve the best interests of our community.	Donors recommend grants to the foundation as opportunities and new interests arise.	Donors specify an interest area and entrust the foundation to select organizations grant opportunities within the field of interest.	Donors specify particular organizations to support in perpetuity.

←←← **More flexible**

More rigid →→→

Unrestricted Funds

Unrestricted Funds are our Foundation's most flexible funds. By placing your charitable gift into an unrestricted fund, you entrust us to make grants, well and thoughtfully, based on Foundation insight and the community's evolving needs. These funds are extremely flexible and responsive to community needs.

The Community Enrichment fund is an unrestricted fund established in 2003 by The Community Foundation's Board of Governors. Each year, the Board determines a strategic use for the available grant funds. To learn more about the Community Enrichment Fund visit page 14.

Donor Advised Funds

Donor Advised Funds are very flexible, both in purpose and through time, allowing your goals to evolve. When you set up a Donor Advised Fund, you become active partners with The Community Foundation in the grantmaking process, making regular grant recommendations to the Foundation's Board of Governors. We discuss the process further under Donor Advised Funds on page 10.

Field of Interest Funds

A Field of Interest Fund enables you to invest broadly in the causes or the community you care most about. Inherently flexible, this type of fund allows you to identify and support a broad charitable purpose or category of interest, such as the arts, education or human services, or a particular geographic area in the Rappahannock River region. Donors to Field of Interest Funds benefit from the Foundation's regional leadership and oversight. The Foundation coordinates gifts made by other like-minded donors to ensure wise, non-redundant giving.

Designated Funds

A Designated Fund enables you to invest in the precise cause or community issues that you care most about. When you set up a Designated Fund, you define its specific charitable purpose, even its beneficiaries, at the fund's inception. Designated Funds are strongly focused: once you have thoughtfully determined the way you want to structure your fund, grants will be distributed in perpetuity. The Community Foundation administers it without significant change based on your initial instructions. This is the most hands-off type of fund from a donor's perspective. When a grant is made, we monitor how the funds are used to ensure that the use fulfills your charitable goals.

Taxes and Fund Ownership

Like other charitable contributions, your gift to The Community Foundation becomes the legal property of the Foundation as a completed gift. When you make a donation to your fund, you are eligible to receive a Federal tax deduction in the year of the donation. In order for you to receive this benefit, The Community Foundation owns and controls all of the assets for various types of funds. Donors to Field of Interest Funds and Donor Advised Funds may retain advisory privileges over the distribution of grants.

Giving Plain and Simple

It's easy to set up your fund in conversation with us at The Community Foundation. As you explore your charitable giving options, your level of input, current community needs, and your ideas for grants, the Foundation is ready to help in any way. We are here to talk and listen, brainstorm ideas with you or simply take your recommendations and get it done.

Think of us as your resource.

We are:

- Very knowledgeable about our regional nonprofits
- Able to quickly access information about nonprofit capacity and track records
- Happy to provide additional research on nonprofits
- Networked with other community foundations in the US and able to draw on their pool of knowledge
- Certified by the Council on Foundations to meet National Standards for Community Foundations
- Governed by a dedicated board of local leaders

How Much Money Can I Grant Annually?

The total that you can grant each year from your fund is based on an annual calculation. Each year the Foundation's accounting staff calculates a current available to grant amount based on our investment policy. Each year, we typically distribute up to 5% of the average balance of your fund which was held over the previous twelve quarters. We call this average the Twelve Quarter Rolling Average.

There is no limit to the number of individual grants that you can make in the course of the year from your calculated available to grant amount, although we recommend a minimum grant of \$500.

How Long Before My Grant is Awarded?

A couple of factors determine the speed at which we process grant recommendations from Donor Advised or Field of Interest Funds.

1. Our familiarity with the grantee.
We streamline grant making by maintaining a list of pre-screened nonprofits; we know them well and have done our due diligence on them. Grants going to a pre-approved nonprofit can be processed quickly. Whenever a recommended grantee isn't on our pre-screened list, we conduct due diligence on the organization, keeping you up to date on our findings and giving you confidence in the organization(s) of your choice.

2. The size of the grant.

Larger grants require the approval of either the Donor Services Committee or the Board, depending on the amount of the grant. Since the Board meets monthly, grants requiring Board approval could take several weeks to be approved. However, smaller grants made to an organization on our prescreened list can be paid out with the Executive Director’s approval.

Grant Size	Approval Required
Up to \$10,000 to an organization on our pre-screened list	Executive Director Approval
\$10,001-\$50,000 to an organization on our pre-screened list	Donor Services Committee Approval
Over \$50,000 or not previously screened	Board Approval

Donor Privacy: How Am I Identified in the Award Letter to the Grantee ?

Your privacy is paramount to us, and we work individually with each of our donors to correctly understand how and if they want to be identified in the grant letter. We understand that donors have sound reasons whether they desire to be identified or to be private. You tell us whether or not to include your name or your fund’s name in the outgoing grant letter. We customize the letter to suit your preference.

If you elect not to include your name and address, grantees often send a thank you letter to The Community Foundation, which we forward to you.

A Fund Calendar

How do you know what’s in your fund, or when to make a grant? While The Community Foundation works to customize your giving experience, there is a predictable cycle to the philanthropic year.

Calendar Year and Fiscal Year

The Community Foundation’s fiscal year runs July 1 – June 30, meaning that we calculate the total monies available for yearly grant making each July. This gives the Foundation a new amount that can be distributed starting each July through the following June.

While we operate on a fiscal year, our donors set their own giving schedules, often timing their gifts to coincide with important personal milestones, memories, festivals or holidays. We encourage this – what a wonderful way to energize your gift! Likewise, we encourage advisors to Donor Advised Funds to call us any time to check on your fund’s available to grant balance, to plan a grant, or to set some research in motion.

The table below shows The Community Foundation’s fiscal year running parallel to a donor’s grantmaking year.

Month	Donor Calendar Milestones	Foundation Fiscal Year Activities
January	The New Year: resolutions inspire ideas and grants.	Donor Fund Statement: Oct. – Dec.
April	The Tax Year Reckoning: meet with tax advisor to discuss tax benefits	Donor Fund Statement: Jan.–March
May - June	The Old Fiscal Year: as it ends, donors recommend grants from remaining funds.	
July	The New Fiscal year: donors begin a new grant year with giving total based on 5% of 12-quarter rolling average.	After 6/30, the Foundation staff calculates how much you may grant for the fiscal year beginning 7/1
August	Scholarship fund donors consider adding to existing funds as students return to school.	Donor Fund Statement: April – June
October	Professional advisors are encouraged to attend the Foundation’s fall continuing education training.	Donor Fund Statement: July-Sept.
November	Thanksgiving: this holiday’s splendid tribute to gratitude inspires many grant recommendations. Don’t forget to get a ticket to our annual Ring in the Holidays party!	
December	The Winter Holidays and Close of the Calendar Year: it’s a wonderful time of year to recommend a grant.	

Adding to Your Fund

You can add to your fund at any time.

There is no minimum requirement for additional contributions. We accept most types of gifts, including cash, publicly traded and restricted stock, IRAs, whole-life insurance policies, real estate and other non-cash assets including limited partnerships, C-Corp and S-Corp stock and tangible personal property.

To make an additional gift by check and for cash wire instructions, please get in touch at 540-373-9292 or info@cfrrr.org. We want to ensure that you receive the maximum tax benefit and we credit your fund properly.

Please contact us as early as possible if you are planning to transfer non-cash assets into your fund so that we can optimize timing for tax purposes. Although we are experienced in these processes, you may need to seek personalized financial planning, legal or accounting advice.

Year-End Gifts

It works well for many of our donors to make gifts to their funds at year-end, when the crescendo of festivities with family and friends heralds the end of the tax year.

Gifts mailed to The Community Foundation must be postmarked by December 31 in order to be recorded for that tax year. To be sure that gifts of stock are received into The Community Foundation's brokerage account before December 31, please allow up to two weeks to process them during December.

Legacy Gifts

Many donors extend the reach of their fund through a legacy gift. These are gifts of remarkable grace and imagination. We discuss legacy giving further under "Planned and Legacy Giving" on page 23.

Donor Advised Funds

Perfect for donors who like to guide and update their philanthropic choices, Donor Advised Funds form a growing percentage of The Community Foundation's portfolio of fund types.

Donor Advised Funds are powerfully collaborative. Because you make recommendations for grants to the Foundation, you can be very involved in assessing and re-assessing where to give. The Community Foundation can be very involved, as you wish, in research and guidance. In practice, your Donor Advised Fund reflects your interests while allowing for positive change year-to-year, allowing you to adapt your charitable giving as opportunities shift and as your goals evolve. As to the distant future, it's also possible for your family to remain involved in the fund's charitable grants through planned and legacy giving.

All activity in your Donor Advised Fund reflects your ongoing advice to us at The Community Foundation about how to disburse the fund.

How does this work? Imagine that you have set up a Donor Advised Fund, named in memory of your mother. A year in, you discover, in conversation with aunts and uncles, that her passion for reading was more specifically a driving passion for literacy. That's when you contact us to bring this new focus to your fund, either by naming new grantees or by working with us to discover them, specifically to advance reading skills.

As we work together this way, your Donor Advised Fund becomes a simple, powerful and highly personal tool for giving.

How to Recommend a Grant

To recommend a grant, you simply let us know your decision: give us a call to discuss or email us. We will ask you the name of the organization(s), the amount and if it has a specific purpose. You can also download the Donor Grant Recommendation form on our website (cfrrr.org) and fax, email or mail it to us. Or drop by so that we can take your written instructions.

540.373.9292 Phone	Mail Address:	Physical Address:
540.373.3050 Fax	PO Box 208	725 Jackson Street
Email: info@cfrrr.org	Fredericksburg, Virginia	Suite 114
	22404-0208	Fredericksburg, Virginia
		22401

Please read the section on Control of Assets on page 18 for a complete understanding of the powers and limitations of grant recommendations.

How We Manage Your Grant

Once we receive your recommendation and the Foundation approves it, we begin to process your grant.

We will:

- Confirm that the total grant amount doesn't exceed your available to grant balance
- Verify that the organization is an eligible grantee
- Contact the organization, if necessary, for documentation or additional information about its mission, operation and purpose
- Review any matters of concern
- Mail a check and a grant award letter to recipients, with a confirmation letter or email to you
- Monitor the grantee's receipt and use of funds
- Share updates with you

Part of our job is understanding you and your goals as a donor: that's how we learn to serve your fund most effectively and that's how we get to know you better, bringing the right new giving opportunities to your attention.

Some Boundaries on Awarding Grants

Because of federal tax regulations, not every entity can receive a grant from The Community Foundation. The two lists below outline eligible and ineligible organizations but, as always with tax regulations, the work is in the details and that's why we're here to help. If you are unsure, contact us about how to achieve your goals. Other guidance on page 13.

Who May I Give To?

Eligible Grantees

- 501(c)(3) public charities
- Most schools, government entities, religious organizations
- Private operating foundations (so long as the private foundation was not established by the advised fund holder or her/his family)
- Any other fund of The Community Foundation
- US-based organizations that are used as a fiscal sponsor to support an international program

Who May I Not Give To?

Prohibited Grantees

- Non-501(c)(3) organizations unless they use a Foundation-approved fiscal sponsor
- Individuals
- Any non-charitable entity
- Some organizations based outside the United States
- An entity that supports a political campaign
- The Fund's donor, advisor or related parties in the form of a direct grant, loan, compensation or similar payment

What about Pledges?

As regular as clockwork, a cheerful undergraduate calls you, fundraising for your alma mater, and you pledge to make a donation, sending in the pledge card. That's great, but you can't pay this pledge out of your fund. Then, the Friends of the Leaky Chapel Roof solicit your financial help, and you generously sign to contribute. Can't pay that one out of your fund either. Not without a painful penalty.

You can direct money from your fund to any eligible organization, just not by way of a pledge.

Why? Internal Revenue Code section 4967, which imposes a penalty on charitable assets used to confer a private benefit.

IRS Section 4967

The IRS doesn't allow funds to be used to satisfy a legally enforceable pledge, which is a financial commitment made in writing to an organization, such as a college. As the IRS sees it, once such a pledge is made, the donor is legally responsible for fulfilling it, making it equivalent to a personal debt. Using a charitable advised fund to satisfy that pledge confers an impermissible benefit to the donor, who would be using a charitable fund (the Donor Advised Fund) to satisfy a personal debt.

The IRS imposes an excise tax equal to 125% of the benefit received (the pledged amount) as the penalty for this "impermissible benefit." For example, a legally enforceable pledge of \$5,000 paid from a Donor Advised Fund results in a \$6,250 tax charge to the donor. We exercise due diligence through our policies and procedures in order to protect our donors, their family members and any entities they control from incurring this sizeable penalty. The Community Foundation could also be subject to a variety of excise taxes related to the grant.

Benefits: Material and Incidental

Because donors receive charitable tax deductions for all gifts to their charitable fund, the IRS does not allow additional material benefits, such as free admission to grantee events, or discounts at their retail shops, a free golf outing, or a table at a benefit or fundraiser for the organization. Incidental benefits, however, are allowed up to an IRS regulated value of \$105 (fair market value of all the gifts received by the donor in connection with the contribution, or 2 percent, whichever is less) including our beautiful Community Foundation travel mugs, coffee mugs, newsletters, even snacks.

If you are unsure about whether or not a benefit is allowable, check with us for clarification.

Broadening the Reach of Your Fund

Hand in Hand

As we have stated so often in this guide, we are passionate about working hand in hand with you, to meet your needs, to define your goals and to broaden the reach of your giving so that it touches, and changes, our community's future as you intend.

We administer your fund for you. We are also at hand to:

- Answer your technical questions about awarding grants
- Talk through possible plans
- Identify interesting nonprofits for you
- Connect you with like-minded donors
- Involve your family in grantmaking

In addition to working with you personally, we like to provide opportunities for our philanthropists to learn, lead and grow together. Each of these professional or social opportunities allows you to connect with our network of dedicated, community-minded folks, working together for the Rappahannock River region. Look for these events on page 16 or on our website www.cfrrr.org.

Community Enrichment Fund

The ability to address a specific need when the time is right is a great gift. Our Community Enrichment Fund enables us to address critical needs in our region quickly and strategically. Drawing on the experience of our staff and Board of Governors, The Community Foundation has used this fund to address our community's mental health needs, strengthen outreach to specific localities, and support innovative fundraising. This fund is also designed to serve as an essential tool to rapidly organize our community to give with confidence in the face of a widespread crisis or natural disaster.

Estate and Charitable Gift Planning Advice

We can help you to create a tailored charitable plan for the future, whether you want to develop a strategy for meeting charitable goals while preserving the value of your estate, plan for retirement, or minimize tax liability. For more information on estate planning and life income gifts, please see Planned and Legacy Giving on page 20.

The Community Give

Imagine that generosity goes viral for 24 hours. That's The Community Give. Spearheaded by The Community Foundation in 2014, 2015 and 2016 The Community Give combined a sophisticated web platform, nice cash prizes and a spirit of camaraderie into 24 hours of competitive, internet-fueled, breathtaking fundraising. The event connected area nonprofits with philanthropists of all capacities, helped nonprofits grow their revenue and their bases, built relationships throughout the community and inspired giving. And bottom line, The Community Give raised almost \$2,500,000 for local nonprofits.

Women and Girls Fund

What an incredible energy marks this fund: our leading women philanthropists are leading our community's women and girls toward opportunity and stability. Someday may these two groups overlap completely!

Since its inception in 2008, the Women and Girls Fund has become a powerful engine for change in our community. Initially established as a Field of Interest Fund, now a favored giving platform for many of our women philanthropists, the Women and Girls Fund strengthens the economic health of women and girls in our region through strategic grant making. Built on membership pledges of \$1,000, the Women and Girls Fund is building a \$1 million endowment to serve our community at its heart and in perpetuity.

To understand the compelling need for this fund, see the two fundamental research reports on the Status of Women and Girls in the Rappahannock River Region authored by members of the Fund and available on the Foundation website.

Membership in the fund is open to all! For more information, visit our website at www.cfrrr.org.

Youth in Philanthropy (YIP)

The committed, funny, shy, noble, brash, boisterous, heady, admirable and adorable young people of YIP keep The Community Foundation on its toes. What better time to introduce young people to the nuts and bolts of philanthropy than their high school years, just as the prefrontal cortex is maturing?

Sophomores, juniors and seniors, YIP kids come together weekly to learn about giving and serving, get involved in structured philanthropy, and make actual grants that impact issues that are important to them, reading grant applications and interviewing local nonprofit organizations.

This program gets stronger every year as its base broadens. Over the years, our YIP participants have shown themselves capable of tackling and funding tough issues, like teen pregnancy, homelessness, domestic violence, and sexual assault. YIP meetings have become a favorite place for our bravest grantees to speak to a tough and honest crowd!

Events & Gatherings

Ring in the Holidays

The Foundation's big annual "do," Ring in the Holidays does exactly that: it's festive, welcoming, beautifully catered, decorated to the max. This very popular event just keeps getting better and better, proof that philanthropists can throw a party. It's wonderful to see people support The Community Foundation so enthusiastically – our tickets keep selling out, our sponsorships keep growing. And yes, we will keep testing cocktails if we have to. We love this. Please come. Let's do it again.

Live Ballot: Women and Girls Fund

The Women and Girls Fund holds a live ballot annually for members – people who have contributed or pledged to contribute \$1,000 or more to the Women and Girls Fund – to vote on grants. Applicants who make it to this final round are present to introduce themselves and support their proposals. This gathering – always packed – keeps us wide-awake to the lives of our women and girls, demonstrating how directly our vote affirms their needs and our broader mission.

Dedicated to strengthening the lives of girls and women, this fund also organizes events around pressing topics: we have hosted speakers on sex trafficking and bullying, and organized a viewing of *The Hunting Ground*. We held gala events

to present our two community Status Reports to our full membership, featuring powerful local women as keynote speakers.

Watch for our next event in our quarterly news and notes or online at www.cfrrr.org; we will keep them coming.

Gallery Walk: Youth in Philanthropy

Come to the Gallery Walk to see the future of philanthropy. Up early and ready to go, YIP members tell the story of their grant giving year to a lively early morning gathering of Board members, parents and community members. Guests move station to station to hear how each YIP team made those tough grantmaking decisions: yes, no and how much. Afterwards, graduating YIP members take center stage to say a few parting words about their experience in YIP. Watch out: these great youngsters will make you laugh and make you cry. You leave knowing they've got the baton.

Bespoke Donor Events

We create different occasions each year to bring our donors together to learn from each other, or from select guest experts, about effective ways of giving. These are bespoke events, tailored to the interests of our donors, responsive to changes in philanthropy and our community, and thus they change year to year. They have included our Art of Giving, held in a local art gallery, and our 10th Anniversary celebrations.

Our staff also accompanies donors on personal site visits to nonprofits. Many of our donors have said that seeing an organization from the inside, meeting its people and watching their work, helped them make decisions about current grants and clarify future philanthropic objectives.

Events for Professional Advisors

Professional advisors – investment advisors, attorneys, CPAs, insurance professionals – play a key role in our charitable network and The Community Foundation organizes several events annually to keep them fully aware of our donor's needs. One prominent such event is our Professional Advisors' Lunch.

Our Administrative Fee

We do charge each fund a modest administrative fee, which we work very hard to keep low. We rely on this fee to sustain our operations, but it does more than

that; it powers our vision to build a community where donors and the charities they support work collectively to overcome our community's most persistent challenges and pursue our most exciting opportunities.

We benchmark frequently and manage our operations wisely, priding ourselves on operating a lean charitable business.

A partial list of activities supported by the administration fee includes:

- Philanthropic advising
- Building capacity of nonprofits
- Grantmaking
- Managing investments and assets
- Planned giving
- Managing agency endowments
- New fund development
- Communications

Together with you, we are shaping an expanding portfolio of funds to strengthen this community now and into its future. Each fund participates in this vision and forwards this work. Each fund also benefits from this vision, from the strength of our dedicated core services, our knowledge and our resources.

How & When We Assess a Fee

At this time, our administrative fee is 1% of the trailing quarter fund market value balance or \$100 – whichever is greater. Scholarship funds pay a slightly higher rate with a minimum fee of \$250 or 1% of the rolling average.

We assess the fee in June of each year for funds under \$50,000. Funds over \$50,000 have the pro rata portion of the administration fee assessed quarterly.

Important Information About Your Fund

Control of Assets/Material Restrictions

For a contribution to be treated as a charitable gift, the IRS requires that The Community Foundation retain ultimate control over investments, administration and granting activity. Because your charitable gift becomes the property of The Community Foundation, The Community Foundation is not legally bound by recommendations that you make as donor advisor. However, we are always working to honor your intent. If your grant recommendation meets the requirements that we lay out on page 12, we will approve your recommendation.

Additionally, the IRS requires all charitable funds be free of material restrictions imposed by donors in a manner consistent with the requirements of Section 1.507-2 of the Treasury Regulations. These Material Restrictions are outlined on page 14, Benefits: Material and Incidental. Foundation staff can clarify any questions or concerns.

Variance Power

Variance power is simply a power to vary or change something. As set forth in federal tax law, it enables The Community Foundation to prevent funds from becoming obsolete or stagnant by redirecting them. We think of variance power as another tool we can use to protect your intent.

With good planning and the Foundation's policies, variance power is very rarely used. One possible example where a variance power might be invoked would be where a fund directs all grants to a particular charity, but that charity closes its doors or significantly changes its purpose. If the donor's intent can no longer be met, the Foundation will use its variance power to resolve the problem.

All contributions to The Community Foundation are subject to the Foundation's variance power. The Board can invoke the variance power if it determines that a fund's original conditions or restrictions have become "unnecessary, incapable of fulfillment, or inconsistent with the charitable need of the regions served."

Donor Fund Statements

We send out donor fund statements quarterly. Each statement shows your fund balance as of the end of the fiscal quarter and reports year-to-date activity, showing all contributions to and grants from your fund as well as investment activity and our administrative fee.

Spending Rate Guideline

Although you decide how much to grant from your fund each year, we recommend a spending rate that we think will best enable us to both build and stabilize your fund. Currently set at no more than 5% of a fund's 12-quarter rolling average value, our suggested spend rate protects all of our funds from market volatility, extends the value of each fund, and keeps the total grant dollars that we disburse into the community fairly consistent year to year.

We calculate the annual spending amount for each fund in late July by multiplying the 12-quarter rolling average balance in your fund as of June 30 of the previous year by 5%.

How We Manage Your Assets

Now we get to the engine that fuels our shared vision: our investments.

First, be assured that we manage assets with care. Our very active, well-informed Investment Committee brings us leadership and vision; our in-house financial staff, who live and breathe board policy, make it happen. We follow all federal legal requirements, are externally audited annually, and benchmarked by the Council on Foundations' National Standards for Community Foundations.

We perform a calculated balancing act. As our investment policy states, we manage assets for a long-term appreciation that allows the Foundation to increase its grants to the Rappahannock River region over time. Our primary objective is steady growth, complemented by a secondary consideration for current income and reduced volatility. Our investment strategy therefore balances the desire for long-term capital appreciation with a need for safety of investments. (You can find The Community Foundation's published Investment Policy Statement on our website www.cfrrr.org.)

The Board charges our Investment Committee with implementing the Foundation's investment policies. The Investment Committee's responsibility includes selecting professional investment advisors and reviewing fund performance. The Foundation charges those selected professional investment advisors with investing in safe and profitable vehicles. We believe in the importance of good governance, ethical management practices and accountability to donors.

Members of our Investment Committee are always available to discuss the guidelines and principles of our investments. Please contact us with any questions or to ask for more information.

Planned and Legacy Giving

This is that thick novel on your bedside table, the one you can't put down, but it's your story – the unabridged version – and the characters are real. You tell the story, plan the legacy, and we edit for details.

If you want to build charitable giving into your estate plan, you can achieve tax advantages and leave a growing legacy for generations to come. This is philanthropy that is amazingly accessible and will have a major, lasting impact on our community.

We offer many options for planned gifts. Some of these vehicles allow you to make charitable contributions while preserving economic security for yourself and your loved ones. You will almost certainly gain important tax savings and other

benefits while also leaving a permanent, growing legacy. Giving options vary, depending on whether you want to give now or in the future, so speak with us for details.

Please note that The Community Foundation cannot give legal or tax advice, but will work hand in hand with your advisor to achieve the results you intend.

By Bequest

Naming The Community Foundation in your will or trust is a popular way to support the community and your charitable interests. A charitable bequest to create an endowment or add to an existing fund can designate a specific amount, a percentage of your estate or what remains after other bequests are fulfilled. Benefits to your estate and heirs usually include significant estate tax savings. Bequests are easy and revocable if circumstances change.

Retirement Plans

If you find that the assets you've set aside for your retirement in an IRA or other qualified plan exceed your needs, you can elect to name The Community Foundation as the beneficiary. Retirement assets can be the ideal way to meet philanthropic goals because they are heavily taxed if left to heirs, but tax-free if designated for charity. The IRA Charitable Rollover provision was made permanent in December 2015. The IRA Rollover allows people age 70½ and older to make direct transfers totaling up to \$100,000 per year to qualified charities, without having to count the transfers as income for federal income tax purposes. Transfers must come from your IRA directly to The Community Foundation for an Unrestricted, Designated or Field of Interest Fund. Please call our offices at 540.373.9292 so we may help guide you through this gift.

Life Insurance

If your need for life insurance has decreased, transforming your life insurance policy into a gift to The Community Foundation can help you meet philanthropic goals.

At its simplest, making a gift of life insurance requires that you contact your life insurance administrator and complete a change-of-beneficiary form. When you name The Community Foundation as the owner and beneficiary of an existing or new life insurance policy, you receive an immediate tax deduction. Your subsequent premium payments may be deductible as a charitable contribution.

Charitable Remainder Trust (CRT): Life Income

Some donors have found that they or a designee can receive an income for life in conjunction with a gift to the Foundation. The two types of CRTs, annuity and unitrust, enable that income to be either a fixed dollar amount or a designated percentage of the assets. These two types of remainder trusts have slightly different rules as well. The benefits of such a gift include an income stream, income tax deduction and your deferred charitable gift. If you fund your gift with appreciated property, you can also avoid capital gains taxes partially or fully, so CRTs can be especially attractive to those who have appreciated assets that provide little or no income.

Ask your advisor about the tax advantages of a current or deferred annuity. You may be able to receive an immediate income tax charitable deduction when you create your annuity. This is based on your age and annuity payout rate. In addition, a portion of the payments you receive may be treated either as tax-free return of principal or long-term capital gains. These tax advantages could increase the net income you receive.

Charitable Lead Trust: Like a Boomerang

A Charitable Lead Trust is a simple way to make significant charitable gifts now while transferring substantial assets to your heirs, yourself or third party beneficiaries later. The trust makes regular distributions to a charitable fund at The Community Foundation for a specified period of time. When the trust terminates, we transfer the remaining assets back to you or to your heirs, usually with significant tax savings. This strategy benefits those who want to leave an inheritance for children or grandchildren while minimizing gift and estate taxes.

Gifts of Real Estate, Stock, Closely Held Stock and Similar Assets

Gifts of appreciated real estate or other forms of personal property can allow valuable income tax advantages. Generally, a donor may deduct the fair market value of the gift up to 30% of his or her adjusted gross income with a five-year carryover for any excess. The long-term capital gain from the donated asset is not taxed to you when you transfer ownership to The Community Foundation.

Often the most advantageous assets to add to your fund from an income tax perspective require special handling. We are experienced in dealing with different types of real estate gifts, gifts of stock, mutual funds, tangible personal property and other similar assets. Contact us to explore making one of these types of gifts as part of your estate planning.

Private Foundation Transfer

When the demands of administering and making grants from a private foundation become burdensome for the Foundation's trustee, the assets of that private foundation can be transferred to The Community Foundation. We set up a fund in the same name as the private foundation to receive the transfer. The trustee can continue to be involved in the fund as an advisor, but without having administrative responsibilities. The fund itself would be relieved of excise taxes and possibly other regulations.

The Legacy Society

Our Legacy Society recognizes the trust and deep commitment of those donors who include The Community Foundation in their estate plans. Donors can create a legacy fund through an agreement or through a will, either document may specify the fund's goals. These donors exemplify our mission to create a permanent impact in our region; look for them listed prominently in our Annual Report.

Partnering with Nonprofits

Two pieces of the puzzle come together through The Community Foundation. Both our donors and our area nonprofits are passionate about strengthening this community; both groups know the community and often each other very well, so no one is surprised to find them working together. This is a key relationship in our philanthropic community and we are committed to serving this dialogue in every way.

How? We often have a donor who wants to support a favorite nonprofit or a beloved cause into the future. We help them plan that future. Sometimes a donor approaches a nonprofit directly – they might be a long-time supporter -- ready to include them in their long-term giving. We work with this "new" donor to set up the right fund in the right way through The Community Foundation, ensuring the best outcome for their charitable gift.

When donors and nonprofits work together through us, making use of our broad experience in philanthropy, our partnership amplifies the good we can all do.

Glossary

501(c)(3): This section of the Internal Revenue Code designates an organization as charitable, tax-exempt and nonprofit.

Advised Fund: A fund through which the donor (or person or committee designated by the donor) can advise The Community Foundation on charitable distributions. The recommendations are only advisory; the governing body of The Community Foundation has legal control over all distributions. Also called a Donor Advised Fund and charitable advised fund.

Advisors: This glossary entry brings all the uses of the term “advisor” together for clarification. Donors who establish an advised fund are interchangeably described as Donor Advisors and Fund Advisors. Another category of advisors, Professional Advisors, provide advice of various kinds to donors and to The Community Foundation. Investment Advisors, a subset of Professional Advisors, provide investment advice to the Foundation and manage investment accounts.

Community Foundation: A tax-exempt, nonprofit, autonomous and publicly supported philanthropic institution comprised of funds established by many separate donors for the long-term, charitable benefit of the residents of a defined geographic area. Typically, a community foundation serves an area no larger than a state.

Community Enrichment Fund: Established in 2003 as an unrestricted fund. The Board redefines its purpose yearly in response to community needs.

Component Funds: Multiple funds that comprise the resources of a community foundation. A Foundation advised fund is a component fund and an asset of the Foundation and, as such, any contribution to a component fund is automatically treated as a gift to a public charity.

Designated Fund: A fund from which distributions are restricted to one or more public charities named by the donor at the time the fund is established. The Foundation oversees the annual distribution process, ensuring that the organization has not changed its legal status and that its purpose remains charitable in nature. If the organization ceases to operate or changes its purpose, the Foundation will ensure that the fund is used to continue the donor’s charitable intent.

Donor Advisor: Person(s) identified in the fund agreement or subsequent documents as having advisory privileges for a Donor Advised Fund.

Field of Interest Fund: A discretionary fund that restricts distributions to a charitable purpose specified by the donor (for example, the arts, education, the environment or a geographic region).

Fiscal Sponsor: A 501(c)(3) public charity that sponsors a non-501(c)(3) United States based project in order to receive grants from an advised fund.

Fund Advisor: Person(s) identified in the fund agreement or subsequent documents as having advisory privileges for a Donor Advised Fund.

Incidental Benefits: Benefits that a donor, a family member or a named advisor are allowed to receive from an organization to which their fund has made a grant. Examples: coffee mugs, logo glasses, key chains.

Investment Advisors: A subset of professional advisors, investment advisors conduct securities analysis and manage client assets, investing in stocks, bonds, mutual funds and exchange traded funds.

Material Benefits: Benefits that a donor, a family member or a named advisor are not allowed to receive from an organization to which their fund has made a grant. Examples include free admission to the organization or its events, discounts at retail shops, table at a benefit.

Private Foundation: A foundation that receives most of its income from, and is subject to the control of, an individual or other single or limited source. Also the technical IRS term for an organization that is tax exempt under Section 501(c)(3) but does not have to meet a public support test, so therefore is classified as a private foundation under the Internal Revenue Code.

Professional Advisor: Distinct from both Fund Advisor and Donor Advisor, includes professionals such as CPAs, attorneys and investment advisors who regularly work with our donors and potential donors.

Spending Rate Guideline: Cash usage or “spending” determination made each year by the Board of Governors aimed at both the long-term growth of endowment fund principal and also a consistent level of annual grants to charity.

Unrestricted Fund: A fund that gives The Community Foundation complete discretion to make charitable grants.

Variance Power: The ability of a community foundation to modify any restriction or condition on the distribution of funds to any specified charitable purpose or to any specified organization if, in the sole judgment of the governing body, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served. All funds accepted by the Foundation are subject to this variance power.

Frequently Asked Questions

Q: How many grants may I recommend in a year?

A: *You may recommend as many grants as you wish, amounting to the total of your fund balance. The minimum grant size is \$500. It should be noted that there is a \$10,000 minimum to maintain an active grantmaking Donor Advised Fund. When the fund balance falls below this level, donors are required to replenish their fund prior to making additional grants. Funds that grant out their full balance within a year may incur a fee.*

Q: Who can recommend grants from the Donor Advised Fund I established?

A: *Anyone listed as a fund advisor on your Fund Agreement can recommend grants from the fund. If you would like to add an advisor to the fund, please submit a written request to the Foundation.*

Q: What happens to the fund when there is no longer an advisor to make grant recommendations?

A: *On the death or resignation of the last advisor, a Donor Advised Fund becomes a discretionary fund, allowing the Foundation to make grants within the fund's purpose to meet current community needs. In this way, the Foundation ensures that your generous gift remains relevant over time.*

Q: Why don't I receive thank you letters from nonprofits I support through my Donor Advised Fund?

A: *While the grant may carry with it the name of your fund, The Community Foundation does not disclose donor contact information in grant award letters unless you give us explicit permission to do so. Please contact organizations directly if you would like to be on their mailing list. You also are welcome to give us permission, on a grant-by-grant basis, to share your contact information with grantees.*

Q: Can I ever change the name of the Donor Advised Fund I established?

A: *Yes. The Foundation can change the name of a fund. Please submit your request in writing to the Executive Director.*

Q: I want to make grants to a childcare organization, but I am not familiar with any. Can the Foundation help me identify some programs?

A: *Yes. Our Donor Services staff is able to provide information on a wide variety of programs in the Rappahannock River region. We also are able to research areas of interest to you. Should your interests fall beyond our region, we are able to tap into our extensive network of community foundations throughout the country to find the information you need.*

Q: My daughter plans to participate in a fundraising walk next month. May I sponsor her through my Donor Advised Fund?

A: *Yes and no. If there is no fundraising requirement for the walk, then you may make a grant in honor of your daughter's participation. However, you may not make a grant from your Donor Advised Fund to participate in or to sponsor yourself or a family member on a charitable bike ride or similar activity when there is any quid pro quo under the gift substantiation rules. Examples of ineligible grants include when the event provides hotel accommodations, dinners, snacks, and the like. You may, however, "sponsor" people who are not related to you on walks, rides, etc.*

Q: May I serve on the board of an organization and recommend a grant to it from my Donor Advised Fund?

A: *Yes, you may make Donor Advised Fund grants to organizations in which you, your spouse or family members participate in a volunteer or board capacity. We simply ask that you certify that you will receive no personal benefit from the grant by agreeing to the terms and conditions at the bottom of the grant request form.*

Q: My spouse is being honored at a charity dinner and I would like to buy a table. May I do so from my Donor Advised Fund?

A: *No, you may not. Under the Pension Protection Act of 2006, you may not support fundraising events for nonprofit organizations through your Donor Advised Fund if you are attending the event. Instead you will have to pay the ticket price directly from your own pocket and cannot recommend even a portion of the support for the event from your fund. Bifurcation of grants (splitting the "non-deductible" from the deductible portion of gifts) is no longer allowed per IRS regulations. If you are not attending the event, however, you may make a general operating support grant in honor of the program.*

Q: I am a member of the museum. May I make my membership gift through my Donor Advised Fund?

A: *No, you may not. Under the Pension Protection Act of 2006, memberships to museums, aquariums, zoos, etc. may not be paid through a grant from your Donor Advised Fund because these memberships carry with them more than an incidental benefit.*

Q: Can I encourage others to give to the fund?

A: *You can informally solicit family and friends; however, organized fundraising activities (e.g., events, raffles, walks, etc.) on behalf of the fund must be preapproved by The Community Foundation. Please contact Donor Services for more information at info@cfrrr.org.*

The Community Foundation is a nonprofit organization that manages and distributes charitable giving in the Rappahannock River region.

Our goal is to promote greater philanthropy by addressing the challenges faced by donors in a responsible and knowledgeable manner.

We distinguish ourselves from other local charities by providing efficient and effective services to build a collection of permanent funds.

The Community Foundation
of the
Rappahannock River Region

PO Box 208
Fredericksburg, Virginia
22404-0208

540.373.9292 Phone
540.373.3050 Fax

Email: info@cfrrr.org

the community foundation