



THE COMMUNITY FOUNDATION

Serving Richmond & Central Virginia

and its affiliates

**Gloucester Community Foundation
Mathews Community Foundation
River Counties Community Foundation**

Policy Guidelines for Donor Advised Funds

**Approved by
TCF Board of Governor
September 22,2011**

Welcome to the TCF Family!

I welcome you to The Community Foundation's (TCF or Foundation) family and enclose our policy guidelines and Frequently Asked Questions (FAQ) pertaining to our Donor Advised Fund program. Through this program, TCF works with a wide range of individuals, families, charitable entities and businesses whose charitable interests advance TCF's mission.

TCF's *Guidelines for Donor Advised Funds* describes the opportunity for a donor to create an advised fund to which the donor may make recommendations concerning charitable distributions from the fund. *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 TCF's governing body must exercise final discretion concerning the expenditure of such funds.* Grant recommendations will be considered only if the recommendation exclusively supports public charitable purposes. An outline of charitable needs eligible for support from Foundation funds appears in Appendix I.

Funds whose charitable activities are left to the discretion of the Foundation's Board support grantmaking to local charities through its community grantmaking process. TCF's community grantmaking currently focus on five core strategies: 1) Youth and Family Development, 2) Access to Care for medically underserved and uninsured, 3) Community Enrichment, 4) Community and Economic Development and 5) Promoting Philanthropy, including programs and services to strengthen the local charitable sector. Organizations and programs that embrace a cohesive regional strategy to serve the greater Richmond region and the areas served by the Foundation's regional affiliates are considered favorably, while a portion of our grantmaking remains focused on program support for community-based efforts.

As a Donor Advisor, TCF hopes that you will use our various services to further your philanthropic interests. The Foundation can serve as your eyes and ears to identify priority needs in the area we serve. If you are interested in a particular area of need or charitable organization, and the Foundation does not already have detailed knowledge of it, we will learn about the issue or perform due diligence on the charitable organization. Knowing your interests, The Community Foundation periodically may bring to your attention new or unique opportunities to enhance your charitable giving.

For further information, contact a member of TCF's Philanthropic Services & Donor Engagement Team: Bobby Thalheimer (rthalhimer@tcfichmond.org), Teri Lovelace (tlovelace@tcfichmond.org), Lisa O'Mara (lpomara@tcfichmond.org), Margaret Nost (mnost@tcfichmond.org), Amy Singleton (asingleton@tcfichmond.org) or Marcia Flaherty (mflaherty@tcfichmond.org) by calling us at (804) 330-7400.



Darcy S. Oman
President & CEO

Frequently Asked Questions

about

Donor Advised Funds

What services does TCF provide to donor advisors?

The Community Foundation (TCF) prides itself on providing superior service to its fund donors. Our role is to inform and enrich you and your family's philanthropy. With TCF, you can

- attend site visits
- engage in educational opportunities
- meet with other philanthropists
- participate in giving circles
- encourage your own family philanthropy through the Youth Philanthropy Project and family philanthropy meetings.

We are here to serve our donors and invite you to take advantage of our services and welcome your inquiries at all times.

What is the minimum value of a fund?

The minimum amount required for a Donor Advised Fund ("DAF") is \$10,000. DAFs must maintain at least \$10,000 at all times.

How much does it cost to have a DAF?

Each DAF pays a quarterly, unrestricted compensation to further TCF's general charitable purposes. This compensation is assessed on the DAFs prior quarter-end balance. The annualized compensation rate on DAFs with a fund balance of less than \$1 million is generally one percent (1%). The minimum annual compensation to TCF is \$350. Funds of \$1 million or higher are assessed at a lower rate. The annualized compensation rate is .75% on the first \$1 million and .50% on the additional amounts.

How does TCF calculate spendable income?

Generally, the spendable income is determined annually based on a rolling 12-quarter market value average and up to 5% of the average market value is available annually for distribution and compensation to TCF. Since 2005, TCF's Board of Governors has established a 4.25% spending rule on TCF endowments, inclusive of compensation to TCF.

Who invests the DAF assets and how are they invested?

TCF has an investment partnership with the University of Richmond where its pooled assets are invested. TCF adds any net gains, or deducts any net losses, from the investments to the DAFs fund balance on a quarterly basis. You can view your gift and grantmaking history and fund balance through Donor Xpress which is generally updated 6-8 weeks after the end of each quarter.

Can I name my children as advisors to my DAF?

Yes. At the time the DAF is established, you may name one additional generation, usually your children, to serve as successor advisors. These advisory privileges may not be reassigned.

What is the difference among an endowed fund, quasi-endowed fund and current fund?

Endowed DAFs are permanent endowments that annually distribute a spendable income (approximately 3.25% to 5%) from which you can recommend grants. Quasi-Endowed DAFs permit grantmaking from both the principal and net investment return subject to the \$10,000 minimum balance. Current funds are nonpermanent funds where principal is available for grantmaking. TCF retains all investment earnings on current funds.

How do I recommend a grant from the DAF?

You may recommend grants online through our secure Donor Xpress service. Alternatively, you can fill out a grant recommendation form provided by TCF and mail it to us, or fax it to us at 804-330-5992.

What is Donor Xpress?

Donor Xpress is an online service accessed through the TCF's web site, www.tcfrichmond.org. To register for Donor Xpress access, contact Marcia Flaherty, Donor Engagement Officer at mflaherty@tcfrichmond.org, or call 804-330-7400. With Donor Xpress, you have 24/7 access to fund information and can:

- Check the balance of a fund
- Review a fund's gift and grantmaking history
- Make grant recommendations
- Review quarterly fund statements - which are generally available 6-8 weeks after the quarter end
- Research charitable groups through a direct link to GuideStar, a national database of nonprofit organizations
- Participate in our community grants programs
- Register for TCF events through the website

Can I recommend grants to organizations outside of Virginia?

Yes. Grantmaking is not limited to Virginia. TCF interprets its service to donors in a broad sense. TCF recognizes that donors have interests that extend beyond our geographic boundary and TCF will generally approve grants to any qualified 501(c)3 publicly supported organization in the United States.

Can I recommend grants to organizations outside of the U.S.?

International grantmaking is permitted in accordance with IRS guidelines. The Foundation's preferred way to support foreign-based public charities is through a "friends of" organization that is a U.S. public charity or a U.S. public charity intermediary that does all due diligence and takes responsibility for the grant. If you are uncertain about the legal status of the charity, it is advisable to discuss the details of the potential grant with TCF before making the recommendation. International grantmaking must be at least five hundred dollars (\$500).

What is the minimum grant size I can recommend?

The minimum amount of any one distribution is two hundred and fifty dollars (\$250).

When should I make my grant recommendations?

Grant recommendations may be made anytime throughout the year. Grants are paid on or about the 1st and the 15th of each month, subject to TCF's due diligence. Due to the volume of grant recommendations received in the 4th quarter, TCF requests that fourth quarter recommendations be made no later than **December 1st**.

Why do some grants take longer than others for the Foundation to pay?

Each recommended grantee must submit proper documentation to ensure its public charity status and must be approved by the Board of Governors. Grant recommendations to organizations in the Central Virginia area that are frequent grantees will already have documentation on file and generally their grants will be made in the next grant cycle. Those organizations that are new to the Foundation require greater research and may take longer to process. We will notify you of any delay in completing your recommendation.

Can I make grant recommendations to satisfy personal pledges?

No. The IRS strictly prohibits this type of activity. When you are approached by an organization to make a pledge, we suggest that you use the following language to inform them of your recommendation to the Foundation:

“THIS IS NOT A PLEDGE. I will, however, recommend that a grant of \$_____ be made to your organization from the (name of fund) of The Community Foundation *Serving Richmond and Central Virginia.*”

We will provide “this is not a pledge” labels for your use upon request. This language can also be used to recommend multi-year commitments. If you have any questions regarding the relevance of this rule to a recommendation you are planning to make, please contact us to discuss.

Can the fund I advise make grants for which I receive benefits, such as tickets to an event, preferred parking or membership benefits?

No. Again, the IRS strictly prohibits this type of activity. When you make a gift to The Community Foundation, we provide you with a letter that says “**no goods or services were received for your gift.**” This statement confirms to your accountant and to the IRS that the full amount of your gift is tax-deductible. Financial penalties apply if you or a related party receive more than ‘token benefits’. The law also bars grants, loans, compensation and similar payments from donor advised funds to donors, advisors and related parties.

Can I recommend grants to assist an individual in need?

No. The IRS strictly prohibits donor advised funds from engaging in this type of activity.

Can I be recognized personally for recommending a grant? Can I remain anonymous?

Yes. The letter accompanying a grant check asks the grantee organization to recognize the donor as the *XYZ Fund of The Community Foundation*. We also ask the grantee to give recognition to Mr. and Mrs. XYZ, if it is their policy to do so. You may also remain anonymous if you wish.

What happens to the DAF when all advisors die?

Unless otherwise provided, upon the death of all advisors, all future distributions will be used for TCF’s unrestricted use in the community.

POLICY GUIDELINES FOR DONOR ADVISED FUNDS

SECTION 1: ESTABLISHMENT AND PURPOSE

1.1 Policy. This Donor Advised Fund Policy is called the “Policy.”

1.2 Application. This Policy applies to all Donor Advised Funds (“DAFs”) held by The Community Foundation (“TCF” or “Foundation”), regardless of when the DAF was established. This Policy applies to those DAFs created by any of TCF’s affiliates, as well as those DAFs established in the future by TCF or its affiliates. A DAF fund agreement may provide for certain deviations from this Policy, such as a higher spending rate. However, if a DAF fund agreement is ambiguous or silent, then the Policy and any subsequent changes to the Policy will govern.

1.3 Authorization. TCF has authorized the establishment of DAFs as component funds of TCF and has provided procedures and policies for the establishment and administration of such funds.

1.4 Establishment of Donor Advised Funds. DAFs may be established by the transfer whether by contribution, gift, bequest, devise, or other method of transfer (“Contribution”) from one or more persons or organizations (“Donor”), and acceptance by TCF to carry out the Fund’s charitable purpose, which must be supportive of TCF’s charitable purposes.

1.5 Purpose. This Policy recognizes that the particular goals of TCF’s DAFs are to develop support for, and participation and involvement in, TCF’s philanthropic interests and activities and to support and encourage philanthropy and engagement in the community. The specific charitable needs that are eligible for support from DAFs of the Foundation are set forth in Appendix I. DAFs broaden the base of endowment support, encourage meaningful interchange of ideas by the Donors and their philanthropic interests, increase philanthropy generally, and provide funds to support TCF’s charitable purposes.

1.6 Ownership of Funds. Each DAF is irrevocable and shall be the property of TCF, held in its normal corporate capacity, and shall not be deemed a trust fund held by TCF in a trustee capacity. TCF shall have exclusive legal control of all property in the DAF and the income derived there from.

1.7 Name of Funds. DAFs may be named by the Donor, subject to TCF’s approval, and each DAF shall be recorded on the books and records of TCF as an identifiable fund.

1.8 Amendment of Policies. This Policy may be amended from time to time by the Board of Governors.

1.9 Written Notice. As used in the Policy, written notice means in writing, by facsimile or other electronic notification as approved by the Foundation.

SECTION 2: ACCEPTANCE OF FUNDS & GIFTS

2.1 Authorization. The TCF Board of Governors (“Board of Governors”) has authorized the Foundation’s President & CEO to accept funds and gifts on its behalf. The President & CEO may accept other forms of gifts (i.e., real estate, personal property, life insurance, etc.) with the approval of the Foundation’s Executive Committee.

2.2 Value. The minimum amount required for the establishment of a DAF is \$10,000 (the “Minimum Balance”). All DAFs must maintain at least the Minimum Balance at all times. If a DAF drops below the Minimum Balance, then the Advisors may not recommend distributions until such time as the DAF reaches the Minimum Balance.

2.3 Acknowledgement of Procedures. TCF shall provide Donors with a copy of this Policy. Donors understand that their DAF will be administered by TCF subject to its governing documents and this Policy.

2.4 Power to Modify Donor Advised Funds. All DAF assets are subject to the variance power and other provisions of the governing documents of TCF, including, without limitation, the power for the Board of Governors to modify any restrictions or conditions on the distribution of funds for any specified charitable purpose or to specified organizations, if in their sole judgment, such restriction or condition becomes incapable of fulfillment. Donors and Advisors may not amend or make material changes to the DAF.

SECTION 3: INVESTMENT OF DONOR ADVISED FUND ASSETS & COMPENSATION

3.1 Responsibility and Policy. TCF has the sole responsibility and authority for the investment of the assets of each DAF. TCF shall invest DAF assets in a manner consistent with the investment procedures described in TCF’s current Statement of Investment Policy (“Investment Policy”) which is attached as Appendix II. TCF has an investment partnership with the University of Richmond where the majority of its pooled assets are invested. For funds in excess of \$5 million, TCF may agree to an alternative investment arrangement.

3.2 Net Investment Gains or Losses. TCF shall add any net gains, or deduct any net losses, from the investments of the DAF assets to the DAF’s fund balance on a quarterly basis.

3.3 Unrestricted Compensation to TCF. TCF is entitled to quarterly, unrestricted compensation to further TCF’s general charitable purposes as set forth in TCF’s Policy on General Support from Component Funds which is attached as Appendix III. This compensation is assessed on the DAF’s prior quarter-end balance. The first quarter compensation (full or partial quarter) in which a fund is established maybe be waived at TCF’s sole discretion.

SECTION 4: DISTRIBUTIONS FROM THE DONOR ADVISED FUND

4.1 In General. The Board of Governors has the right to direct and has the legal responsibility to control all distributions of DAF income and/or principal. TCF encourages DAF Advisors to recommend at least annually distributions of an amount equal to the spending rule as

set forth by the Board of Governors in Section D(3) of the Investment Policy (hereinafter referred to as “TCF Spending Policy”) or as otherwise specified in the DAF fund agreement. Assets in a DAF may, however, be accumulated for a specific project or purpose.

4.2 Donors and Their Designees Accorded the Privilege of Making Recommendations.

Donors and/or their designees (“Advisors”) may recommend to TCF that the DAF make distributions that are consistent with TCF’s charitable purposes. TCF shall consider and evaluate all such recommendations, but such recommendations will be advisory only and TCF shall not be bound by such recommendations. Donors, Spouses, Children, Corporate Advisors and Additional Advisors who have the privilege of making recommendations for distributions from the DAF will be called “Advisors.” Spouses, Children and Additional Advisors who have the future privilege of being named as advisors will be called “Successor Advisors.” **In no instance may these named privileges to serve as Advisor or Successor Advisor be reassigned.**

a. Limitation. Advisors’ privilege of making recommendations shall be subject to the following limitation and except as provided below, only the Advisor will have the privilege of making such recommendations. Such advisory privilege will continue during the existence of the DAF unless terminated earlier by (i) the death of the Advisor; (ii) written recommendation to TCF of the relinquishment of the privilege; (iii) a finding by the Board of Governors that the Advisor is not available or is simply not willing to exercise the privilege; or (iv) a finding by a third-party (e.g. court, physician) that the Advisor is legally incompetent.

b. Designations. At the time the DAF is established, Donors may designate one additional generation (“Successor Advisors”) beyond the initially named Advisors to have the privilege of making recommendations for distributions from DAFs as follows:

i. Spouse. A Donor may designate in the DAF fund agreement that his or her spouse (the “Spouse”) may exercise the privilege of making recommendations during the Donor’s lifetime and/or after the Donor is deceased. Written request for assumption of these advisory privileges shall be made directly to TCF while the Donor is competent to do so. Such advisory privilege will continue during the existence of the DAF unless terminated earlier by (i) the death of the Spouse; (ii) written recommendation to TCF of the termination of the designation by the Donor; (iii) written recommendation to TCF of the relinquishment of the privilege by the Spouse; (iv) a finding by the Board of Governors that the spouse is not available or is simply not willing to exercise the privilege; or (iv) a finding by a third-party (e.g. court, physician) that the Spouse is legally incompetent.

ii. Children. A Donor may designate in the DAF fund agreement that his or her children (and children’s spouses, if requested) (the “Children”) may exercise the privilege of making recommendations during the Donor’s lifetime, after the Donor is deceased, during the Spouse’s lifetime, and/or after the Spouse is deceased. Children must be at least eighteen (18) years old before they can assume this advisory privilege. Written assumption of these advisory privileges shall be made directly to TCF while the Donor is competent to do so. Such advisory privilege will continue, with respect to each of the individually designated Children, during the existence of the DAF unless terminated earlier by (i) the death of the individually designated Children; (ii) written recommendation

to TCF of the termination of the designation by the Donor; (iii) written recommendation to TCF of the relinquishment of the privilege by the individually designated Children; (iv) a finding by the Board of Governors that the individually designated Children are not available or are simply not willing to exercise the privilege; or (v) a finding by a third-party (e.g. court, physician) that the individually designated Children are found to be legally incompetent.

iii. Additional Advisors. A Donor may designate in the DAF fund agreement that a person or people other than, or in addition to, the Donor, the Spouse and Children may exercise the privilege of making recommendations (“Additional Advisors”).

iv. Committee or Corporate Advised Funds. A Donor may designate in the DAF fund agreement that a committee or corporate advisor (“Corporate Advisor”) may exercise the privilege of making recommendations for charitable distributions from the DAF for a period of up to twenty (20) years so long as the Corporate Advisor remains in existence. This advisory privilege may be extended by action of the Board of Governors. In making its determination, the Board of Governors shall consider: (a) the ongoing and continuous interest of the donor entity in the charitable activities of the DAF and in its furtherance of TCF’s charitable purposes; (b) the history of contributions by the donor entity or other donors to the DAF to assure its continuation and growth; and, (c) the continued existence of the original donor (or its successor entity) as a separate legal entity that actively conducts business in the area served by TCF.

4.3 Spending Rules for Donor Advised Funds. Donors may establish DAFs as Endowed Funds, Quasi-Endowed Funds or Current Funds or with other spending rules that are mutually agreed upon by the Donor and TCF in the DAF fund agreement.

a. Endowed Funds. Endowed DAFs are permanent endowments and may distribute annually “Spendable Income” either as defined by TCF’s Spending Policy (as may be changed from time to time) or as stated in the DAF fund agreement. The amount of Spendable Income as defined by TCF’s Spending Policy is set forth in Appendix III. TCF has adopted a spending rule of up to 5% inclusive of compensation to TCF. Since 2005, TCF’s Board of Governors has established a 4.25% spending rule on TCF endowments, inclusive of compensation to TCF. The Advisors retain the privilege of recommending the charitable purposes for which the Spendable Income may be used. Any unused Spendable Income will be applied to the DAF’s fund balance, unless otherwise provided by the DAF fund agreement or requested by the Donor subject to TCF’s approval.

b. Quasi-Endowed Funds. Subject to the \$10,000 Minimum Balance, the Advisors of Quasi-Endowed DAFs retain the privilege of recommending the charitable purposes for which the DAF’s principal and net investment return may be used. The Advisor may not make any recommendations for distributions if the DAF fund balance is less than the Minimum Balance whether due to grant making activity or investment performance. Quasi-Endowed Funds become permanently endowed upon the death or resignation of

the founding Donor and Donor's Spouse unless otherwise provided in the DAF fund agreement.

c. Current Donor Advised Funds. Advisors of Current DAFs retain the privilege of recommending the charitable purposes for which the DAF's principal may be used. A Current Fund is set up on a cash basis and is not subject to market fluctuations including market gains and losses or earned income. TCF retains all income earned on Current Funds. Current Funds become permanently endowed upon the death or resignation of the founding Donor and Donor's Spouse unless otherwise provided in the DAF fund agreement.

d. Inactive Funds. A DAF of less than \$10,000, which has been inactive for a period of two calendar years, may be terminated by the Board of Governors, and the DAF shall be used for TCF's unrestricted use. Inactive means that no Contributions have been made to the DAF or any recommendations for distributions have been made within two calendar years. A DAF of \$10,000 or more that has been inactive for a period of five calendar years shall distribute its Spendable Income for TCF's unrestricted use.

4.4 Limitations on Distributions. The following limitations apply to all distributions from any DAF:

a. The minimum amount of any one distribution from a DAF shall be two hundred and fifty dollars (\$250.00) and any foreign distribution must be at least five-hundred dollars (\$500.00).

b. TCF will only make distributions from a DAF that are consistent with TCF's charitable purposes as set forth in Appendix III.

c. A DAF may not make a distribution that would result in the receipt of a more than an incidental benefit; nor may it provide a grant, loan, compensation, expense reimbursement, or similar payment to any person associated with the Donor, the Donor's family or any disqualified person as defined in the Internal Revenue Code. Impermissible "quid pro quo" benefits include, but are not limited to tuition, admission to an event, meals, dues, books, art, tickets, tuition waivers, golf fees and/or membership privileges.

d. A DAF may not make a distribution that would result in the value of the assets held by the DAF falling below the ten-thousand dollars (\$10,000) Minimum Balance. A DAF may not make a distribution until such a time as the value of assets held by the DAF exceeds the Minimum Balance.

e. A DAF may not pay any direct expenses, such as for fund raising or speaker stipends; nor may it reimburse the Donor, the Advisor, related parties or any other individual for any expense.

4.5 Prohibited Distributions. The Foundation adheres to all laws, including but not limited to The Pension Protection Act of 2006 (“PPA”). The PPA expands the definition of disqualified persons under the intermediate sanction rules for DAFs and provides that certain grants from DAFs are prohibited. Those prohibited distributions include:

- Grants to individuals;
- Grants to private, non-operating foundations;
- Grants to organizations, or for charitable purposes, where an expenditure responsibility is required.
- Grants to any entity if the payment is not for a charitable purpose;
- Grants to Type III Supporting Organizations (unless “functionally integrated”) or to a Type I or Type II Supporting organizations if the donor or advisor controls a supported organization or if the Treasury Secretary rules that a distribution is inappropriate;
- Grants to organizations not described in IRC Section 170(b)(1)(A) without the exercise of expenditure responsibility;
- Grants, loans, compensation or similar payment to donors, advisors or related parties.

4.6 Intermediate Sanctions for DAFs. The PPA expands the definition of disqualified persons under the intermediate sanction rules. Donors, advisors, family members, related third parties, thirty-five percent controlled entities and investment advisors (and their family members) to TCF are disqualified persons with respect to DAFs. Penalties for entering into an excess benefit transaction are imposed on disqualified persons. *Automatic* excess benefit transactions include direct payments to donors or advisors in the form of grants, loans, compensation or other similar payments.

4.7 International Grant Making. A DAF may make international grants in accordance with IRS guidelines and TCF policy. The Foundation’s preferred way to support international public charities is through a “friends of” organization that is a U.S. public charity or a U.S. public charity intermediary that does all due diligence and takes responsibility for the grant. Alternatively, TCF may work with other IRS approved third party organizations that offer expenditure responsibility for international grants. Generally, TCF does not perform expenditure responsibility for international grants. International grants require a very high level of due diligence and the Foundation reserves the ability to assess an additional compensation on any international grant that requires unusual due diligence by TCF. At a minimum, foreign distributions must be at least five-hundred dollars (\$500.00).

4.8 Procedures.

a. Donor Xpress and Recommendations. TCF strongly encourages that all recommendations for distributions from Advisors be made on Donor Xpress (www.tcfriehmond.org). Recommendations should indicate the name and address of the suggested recipient organization, the suggested amount to be distributed, and the DAF from which the distribution is suggested. Recommendations must certify that no tangible benefits, goods, or services (including any grant, loan, compensation, expense reimbursement or similar payment or quid pro quo benefits) are being received by the Advisor, any individuals or entities related to the Advisor.

If Advisors do not use Donor Xpress, they may make written recommendations to TCF that include the above certifications.

b. Due Diligence. TCF shall investigate each recommendation and determine whether it is consistent with the charitable purposes of TCF and whether the intended recipient qualifies for the distribution under this Policy. TCF does not make grants from donor advised funds to organizations or charitable purposes when expenditure responsibility is required. A donor advisor may request information about the procedures TCF uses in determining public charity status. TCF shall receive assurance from Advisors and grantees that the Advisors will not receive any impermissible benefits in exchange for recommending a distribution. Periodically, the Foundation will check organizations against (i) IRS Publication 78 to ensure that the organization has not had its public charity status revoked or suspended; and (ii) that the organization is not on U.S. Department of Treasury's list of suspected terrorists' organizations. As is necessary for evaluation, TCF will require from each potential grantee the following documents which include but are not limited to:

- IRS determination letter (Required of all potential grantees)
- Governing Board List
- IRS Form 990 and/or annual operating budget/cash flow projections
- Audited financial statements
- Annual report
- Other documents as requested

TCF maintains an electronic record of IRS determination letters for all organizations receiving grants from our donor advised funds, which is used to document the organization's tax status and eligibility to receive grant support from TCF's donor advised funds.

In cases of religious organizations, rescue squads, fire departments, governmental entities and other organizations for which the IRS does not require IRS determination of public charity status, TCF staff will request documentation either directly or through online resources to determine the organization's public purpose.

c. Recommendations for Distributions to Charitable Organizations. The Board of Governors has authorized the Foundation's President & CEO to approve distributions in any amount to any charitable organization within the Commonwealth of Virginia, which has been qualified through TCF's Board-established policies and procedures of due diligence ("Distributions"). The Board of Governors has authorized the Foundation's President & CEO to approve Distributions of amounts up to \$50,000 to any charitable organization with a principal business location outside of the Commonwealth of Virginia, which has been qualified through TCF's Board-established policies and procedures of due diligence. Distribution recommendations outside these limits require the additional concurrence of the Chairman of the TCF Distributions Committee and one other TCF Executive Committee member, or may be approved by a majority of the TCF Executive Committee.

d. Delivery of Donor Advised Fund Distributions. TCF will deliver all Distributions from DAFs directly to grantees. Distributions will not be made to the Advisors or other agent for further delivery.

e. Recommended Distributions Not Approved. If TCF staff determines that approval of a recommendation for a distribution from a DAF would cause a violation of this Policy, then staff shall so inform the Advisor and decline to make the distribution. When appropriate, staff will make alternative recommendations to the Advisor concerning the distribution.

f. Reports to Board of Governors. TCF staff will at least annually provide to the Board of Governors a list of all organizations that received Distributions from a DAF during the prior year.

g. Pledges. Advisors may not make personal pledges of financial support to be satisfied from their DAF. TCF, however, can and does make pledges, and the Advisor should consult with TCF staff if there is a need for a pledge from the DAF. The Advisor may indicate his or her intent to recommend a distribution to a specific organization by using the following language:

"THIS IS NOT A PLEDGE. I will, however, recommend that a distribution of \$_____ be made to your organization from the _____(name of fund)_____of The Community Foundation *Serving Richmond and Central Virginia.*"

h. Payment of Distributions. Distributions are paid on or about the 1st and the 15th of each month, subject to completed due diligence as described above. In cases where large distributions (grants over \$250,000) are being recommended, Advisors should notify TCF at least 30 days in advance of such grant recommendation.

i. Monitoring Major Distributions. TCF may request grantees to report on the use of recommended Distribution, either at the request of the Advisor or on its own initiative.

4.9 Notification to Recipient Grantee of the Source of the Distribution. All Distributions to grantees will recognize TCF and the Advisors may choose one of the following additional forms of recognition:

- Advisor Name Only
- DAF Name Only
- DAF Name and Advisor Name
- TCF Name only (completely anonymous)

Unless otherwise requested by the Advisor, Distributions to grantees shall identify both TCF and the DAF name.

4.10 Reports to Advisors. TCF shall notify Advisors who make distribution recommendations of the action taken on each recommendation. Charitable organizations receiving Distributions from DAFs are listed in TCF's Annual Report and annual IRS Form 990 filing. Advisors receive a Statement of Activity for the DAF on a quarterly basis. Statements are generally available on Donor Xpress within 6-8 weeks of the close of each calendar quarter. Each quarterly statement will show the DAF's Contribution and Distribution activity for the period, the DAF's net investment return and unrestricted compensation to TCF. Advisors may access fund activity through Donor Xpress.

4.11 Confidentiality of Distributions. Except as outlined in Section 4.9 of this Policy and otherwise authorized by the Advisors, TCF will keep confidential information about which Distributions were made from which DAFs.

4.12 Confidentiality of Contributions. Contributions to a DAF may be made at any time and such Contributions are listed on the quarterly Statement of Activity available to Advisors and available through Donor Xpress. From time to time, contributions may be received from persons other than the Donor. The amount of these gifts (e.g. memorial contributions) is confidential information.

SECTION 5: EDUCATIONAL PROGRAMS

5.1 Education on Fund Procedures. TCF will offer educational materials and programs for Advisors about the procedures, opportunities and limitations of DAFs.

5.3 Education on Charitable Needs. TCF will offer educational materials and programs for Advisors about charitable needs in the community. TCF will also seek to learn from Advisors about their knowledge of charitable needs and effective programs in the community and otherwise, especially in the Richmond region and those regions served by the Foundation's affiliates.

5.4 Other Education. TCF will publicize its DAF program to Donors, Advisors and the community. Educational programs may be part of TCF's effort to educate the public about building permanent endowment and its resources, charitable needs in the community, and/or the advantages of charitable planning and giving. Current educational opportunities for Advisors include the Richmond Donors Forum, Community Roundtable Discussions and site visits. Educational and philanthropic opportunities for family members include Youth Philanthropy Project for middle and high schools students; the Richmond Giving Circle for younger philanthropists; and Impact100 Richmond for women.

5.5 Grant Making Support. Staff will, to the extent that it has capacity, support Advisors' interests in researching and evaluating options for charitable distributions or interests in engaging in a structured process of making grants. This support may include site visits. The Foundation reserves the ability to assess an additional compensation for such support.

SECTION 6: CONTINUITY OF FUNDS

6.1 DAFs of \$10,000 or More. If the principal of a DAF equals to, or exceeds, ten thousand dollars (\$10,000) when the advisory privilege terminates, the DAF will continue as named fund as the Donor may have requested. Unless otherwise specified in the DAF fund agreement, future distributions from the DAF shall be used for TCF's unrestricted use.

6.2 DAFS Under \$10,000. If the principal of a DAF is less than ten thousand dollars (\$10,000) when the advisory privilege terminates, the DAF shall be used for TCF's unrestricted use.

Appendix I: Specific Charitable Needs Eligible for Support from Funds of TCF

Appendix II: TCF Statement of Investment Policy

Appendix III: TCF Policy on General Support from Component Fund

**Specific Charitable Needs Eligible for Support
from Funds of**

**The Community Foundation
*Serving Richmond and Central Virginia***

The following are categories of specific charitable needs consistent with the charitable purposes of The Community Foundation (“Foundation” or “TCF”) as determined by its Board of Governors (“Board”) and the President and CEO with authority from the Board. These categories reflect the broad scope and purposes of the Foundation and its regional affiliates in advancing human needs through a wide range of activities. In determining its priorities, the Foundation acknowledges the benefits derived by the people of the Commonwealth of Virginia from many important national and regional institutions and charitable endeavors, especially in the fields of social services, medicine, education, environment and conservation, and culture, which have a constructive impact on the quality of our lives.

In view of the Foundation's responsibility to meet changing needs in the community that emerge with time and growth, the following list of current needs may be changed from time to time. The term "charitable" includes religious, educational and other purposes encompassed within the term for federal tax purposes.

Needs by Fields of Interest

A. Charitable organizations or projects primarily serving (i) the metropolitan Richmond community and vicinity; or (2) the areas served by the Foundation’s regional affiliates, in the

fields of:

1. Social Services
2. Education
3. Community and Civic Affairs
4. Arts and Culture
5. Health, including Medical Research
6. Museums and Libraries
7. Religion
8. Environment and Conservation
9. Disaster Relief

B. Charitable organizations outside the Commonwealth of Virginia area that TCF determines provide an identifiable benefit to its citizens or that may be of interest to donors, including, but not limited to, charitable purposes undertaken at the regional, national or international level.

The Community Foundation, Inc.
Role of the Investment Committee and Statement of Investment Policy
Adopted March 23, 2009

A. Introduction

1. University of Richmond (“U.R.”): On December 4, 2007, the Board of Governors (“the Board”) approved The Community Foundation’s (TCF) participation in The Richmond Fund, L.P. (“The Richmond Fund”), which is an investment partnership that enables TCF to co-invest with U.R.’s endowment. The investment policy for The Richmond Fund is under the purview of U.R., and its implementation is overseen by the Richmond Fund Management Company, LLC, a subsidiary of Spider Management Company, LLC (“Spider Management”), which is the investment manager for U.R.’s endowment. While TCF is invested with The Richmond Fund, it is therefore adhering to U.R.’s Investment Policy Statement (see Appendix II).

2. Foundation Overview: The Community Foundation *Serving Richmond and Central Virginia* is a publicly supported foundation organized to receive and administer philanthropic endowments and current funds to support exclusively charitable purposes. The Foundation is comprised of two legal entities, which operate as a single, consolidated organization: Greater Richmond Community Foundation, a charitable trust, and The Community Foundation, Inc., a charitable corporation. The Foundation holds investments in both its corporate and trust forms.

3. Committee Structure: The Board empowers the Investment Committee (“the Committee”) to oversee asset allocation and investment management within the following guidelines. The Board shall appoint a Chairman of the Committee from among its own members, and it may appoint such other Committee members as it deems appropriate. In addition to Board members on the Committee, there may be up to two community members, all of whom shall serve three-year renewable terms.

4. Conflicts of Interest: The members of the Committee shall comply with TCF’s Conflict of Interest Policy, a copy of which is attached.

5. Confidentiality Policy Statement for the Board of Governors: The Board of Governors honors and respects the confidentiality of all Foundation business records, including without limitation, records related to personnel matters, donors and terms of gifts with regard to documents, files, reports (verbal or written) and data based entries, to the extent such records and the information therein are not a matter of public record or communicated to TCF donors or other external constituencies. This policy also extends to confidential information prepared by staff or submitted by another party, including charitable organizations that are seeking grant assistance from TCF, its supporting organizations or grantmaking partners, when such materials are clearly identified as “confidential.” Individual board members shall acknowledge their understanding of the Foundation’s confidentiality policies in writing to the Foundation’s President annually.

B. Investment Objectives

1. Common Portfolio (Unitized Assets): The common portfolio, consisting of TCF's component fund assets, generates income and capital appreciation to support grants to charitable organizations and for charitable purposes as determined by the Board. Component funds shall be unitized for investment purposes and performance returns, as well as expenses, unless the Committee recommends an exception. TCF seeks to achieve a balance between risk and return objectives that maximizes the ability to make current grants and to increase those grants each year as a result of overall fund growth.

2. Non-Unitized Assets: The Committee may consider holding assets that are not marketable, such as restricted stock, real estate or life insurance. The Committee may also hold a position in a marketable security and choose not to commingle it with other Foundation assets, under circumstances such as when the donor may express a preference on a gift of \$5 million or more in value or in other circumstances subject to approval by the Board. In such cases, the value of the security will accrue to the fund for which it was donated. The Committee shall review these securities at each meeting. Generally, it is preferable to diversify such securities rather than hold them over long periods of time. The holdings of a donor advised fund in a business enterprise, when taken together with the holdings of persons who are disqualified persons with respect to the fund, may not exceed 20% of the voting stock of the enterprise. In such cases, the positions will be divested within five years.

3. Assets Held under TCF's Trusteeship: TCF holds assets as Trustee for Charitable Remainder Trusts and Charitable Lead Trusts. TCF seeks to achieve investment results specific to the terms of each Trust, which the Trust Oversight Committee oversees and reports on to the Investment Committee.

4. Supporting Organizations: Supporting organizations may elect to participate in the common portfolio, in which case the supporting organization's portfolio will be under the supervision of TCF's Investment Committee, which will report periodically to the supporting organization's Board of Directors. For supporting organizations opting to manage their investments separately, investment supervision will be the responsibility of the supporting organization's Board of Directors. Supporting organizations or other affiliated entities that meet the requirements of an accredited investor may elect to invest in The Richmond Fund as an affiliate to TCF.

C. The Richmond Fund, LLC

U.R.'s investment philosophy is based on the investment of perpetual funds and thus takes a long-term perspective that equity investments have historically produced higher returns and that diversification both increases return and reduces risk. U.R.'s objective is to earn 5% per year adjusted for inflation, to outperform a benchmark appropriate for its chosen asset classes and to rank in the top quartile of the NACUBO universe of college and university endowments over the long term. Asset allocation is as follows, subject to change at U.R.'s discretion.

<u>Asset Class</u>	<u>Long Term Desired Range</u>
<u>Equity</u>	
Domestic Equity	20%-50%
Absolute Return	10%-25%
Opportunistic	10%-25%
International Equity	15%-30%
<u>Real Assets</u>	0%-10%
<u>Real Estate</u>	0%-10%
<u>Fixed Income</u>	0%-10%
<u>Cash</u>	0%-5%

See Appendix I, which consists of a memorandum summarizing the terms of The Richmond Fund as contained in the Limited Partnership Agreement, the Rate of Return Agreement, the Side Letter of TCF, Inc. and the Subscription Materials for TCF, Inc. See Appendix II, which contains the U.R.'s Investment Policy Statement.

D. Administration

1. Reporting:

- Annual audited financial statements within 120 days of close of fiscal year, which is a calendar year. The General Partner and its auditors and TCF and its auditors will agree upon the procedures to be used in auditing the Partnership's annual financial statements.
- Quarterly unaudited calculations of Net Asset Value within 60 days of the close of the first 3 fiscal quarters.
- Estimated monthly performance statements within 15 business days after the end of each month.
- Tax returns, forms K-1 and similar available information with respect to the partnership between the Fund and the University formed under the Rate of Return Agreement will be available to TCF.
- Changes to the University's Investment Policy Statement, the University's Valuation Policies and Procedures or Conflicts of Interest Policy within 10 days of approval of such change.

2. Reporting to the Board: The Chairman of the Committee shall report quarterly on investment performance, including an analysis of asset allocation and Spider Management's performance. This presentation shall also include a report on non-unitized assets and assets under TCF's trusteeship.

3. Spending Policy: TCF has adopted a spending rule of up to 5% inclusive of compensation to TCF, based on a 12-quarter market value average (or historic average if less than 12 quarters); investment return in excess of 5% (net of investment management fees) shall be added to principal. This policy applies to all endowed funds unless otherwise specified by the gift instrument. The Committee will review at least annually TCF's spending policy and will make recommendations to the Board regarding any changes. In making its determination, the Committee will consider the duration and preservation of TCF's endowment, TCF's and its endowment's purpose, general economic conditions, the possible effect of inflation or deflation, expected return from income and appreciation, TCF's other resources and TCF's Investment Policy (which is inclusive of U.R.'s Investment Policy Statement).

Appendix I: Memorandum summarizing the terms of The Richmond Fund as contained in the Limited Partnership Agreement, the Rate of Return Agreement, the Side Letter of TCF, Inc. and the Subscription Materials for TCF, Inc.

Appendix II: U.R. Investment Policy Statement

Also attached: TCF's Conflict of Interest Policy



THE COMMUNITY FOUNDATION
Serving Richmond & Central Virginia

Policy on General Support from Component Funds

The Community Foundation (“TCF” or “Foundation”) is entitled in its fund agreements with donors to take and receive annual unrestricted support to fund the Foundation's general charitable purposes and operating expenses. Unrestricted support from component funds advances TCF’s charitable mission to enhance the quality of life in Richmond and Central Virginia by inspiring philanthropy and civic engagement, empowering donors and community partners and providing stewardship of community resources.

The Foundation's operating expenses fall into four areas: (i) services to donors; (ii) services to charitable organizations; (iii) community leadership; and (iv) financial stewardship of endowments. In keeping with TCF’s charitable purpose, our objective is to keep operating expenses at a moderate level and to provide high quality service to all donors and charitable organizations.

Beyond grantmaking, TCF provides services, resources and information to charitable organizations, community workshops on Foundation programs and topics of interest to the charitable sector, and convenes community partners to find collaborative solutions to the region’s challenges and opportunities.

Attachment A sets forth the minimum fund and grant size for each of TCF’s fund types as well as unrestricted support from different types of funds.

Services provided by TCF to donors include administrative, audit, grantmaking, grantee accountability and reporting functions specific to each component fund, as well as support for philanthropic planning. The Foundation keeps informed on national and regional issues in philanthropy, legislative trends and effective practice through its associations with the national Council on Foundations, Southeastern Council of Foundations and other professional associations. TCF also follows trends and new ideas in philanthropy, emerging community issues and research on effective program models. In cases where donor funds require special services, TCF reserves the right to assess additional charges. Special services include but are not limited to staff research on program models to assist donors in the design of a focused grant program, extra due diligence, high level of transactions, special publications or receptions in conjunction with a grant award. See Attachment B for Special Services Guidelines.

Policy on General Support from Component Funds: Attachment A

Type of Fund	Minimum Balance	Minimum Grant Size	Compensation [^]	Minimum Compensation
Unrestricted Endowment Fund	\$10,000	\$250	1%	\$350
Field of Interest Endowment Fund	\$10,000	\$250	1%	\$350
Designated Endowment Fund	\$10,000	\$250	1%	\$350
Permanently Endowed Donor Advised Fund	\$10,000	\$250	1%	\$350
Quasi Endowed Donor Advised Fund	\$10,000	\$250	1%	\$350
Current Donor Advised Fund	\$10,000	\$250	all income retained	\$350
High Activity Funds (more than 50 gifts and grants in one year)	\$10,000	\$250	1%	\$700
Agency Endowment Fund	\$25,000	\$250	1%	\$700
Scholarship Endowment Fund	\$50,000	\$2,000 (or two \$1,000 grants)	1%	\$700

[^]All unrestricted support is assessed on a quarterly basis. More information on investment related fees and expenses for TCF's common portfolio is available upon request.

Fund balances of \$1 million and higher are assessed a lower rate. The annualized compensation rate on these funds is .75% of the first \$1 million and .50% on the additional amounts.

Grantmaking partnerships with other foundations, networks of individuals giving together or complex gifts negotiated based on scope of work. See Special Services Guidelines Attachment B.

TCF will additionally charge a processing fee of (i) \$350 to close a fund; and (ii) \$100 per grant to process pass-through grants from an estate.

Policy on General Support from Component Funds: **Special Services Guidelines - Attachment B**

The Community Foundation (“TCF” or the “Foundation”) provides its component fund donors administrative, audit, grant making, grantee accountability and reporting functions, grantee due diligence, as well as individual and family philanthropic planning.

The Foundation monitors national and regional issues in philanthropy, legislative trends and effective practice through its associations with the national Council on Foundations, Southeastern Council of Foundations and other professional associations. The Foundation also follows trends and new ideas in philanthropy, emerging community issues and research on effective program models.

Where a fund donor or a group that is associated with the Foundation (i.e. giving circles, component funds or foundation/corporate partners) requests Special Services (as defined below), the Foundation will assess additional support.

Special Services include, but are not limited to,

- Research on community issues/needs, program models and program design
- Design and administration of customized grant making process
- Pass-through grants
- Identification of organizations that meet a defined grant making objective

Compensation for Special Services will be based on the scope of the services requested. In providing these Special Services, TCF generally will assess support in the range of 2.5% of the grants awarded up to 10% of the grants awarded annually. At a minimum, TCF will assess support in the amount of \$1,000. Prior to the Foundation providing any Special Services, the parties shall agree in writing as to the support for any Special Services.

In addition, the Foundation will be reimbursed for all direct expenses which are agreed to in advance. Examples of direct expenses include, but are not limited to:

- the design and production of a plaque;
- commissioned research;
- fund specific publications;
- extraordinary meeting expense (e.g., bringing in a national expert for advisor education)

In accordance with The Pension Protection Act of 2006 (PPA), grants, loan, compensation or similar payments to donors, advisors or related parties are explicitly disallowed from donor advised funds and are treated by the IRS as *automatic excess benefit transactions*. Consequently, TCF is unable to reimburse fund donors or groups that are associated with the Foundation donors for expenses related to site visits or meetings.