



## FACT SHEET

### Details on How CFRBA Works

#### 1. Types of Endowed Funds

An endowed fund with CFRBA can be started with an initial contribution of any amount and the completion of some simple paperwork. The net investment income earned by that fund will be retained (that is, no distributions will be made from the fund) until the value of the fund reaches \$10,000; a donor has five years to build up the fund to this \$10,000 level. When the fund reaches \$10,000 through donor contributions and retained earnings, 4% of the value of the fund can be paid out annually to nonprofit recipients. Additions to a fund may be made at any time during the donor's lifetime and also by the donor's will. If the fund value does not reach \$10,000 within five years, the money donated will be added to CFRBA's general unrestricted fund,

Following are the most common types of funds:

Unrestricted: The donor agrees that grants from this fund will be determined by the Board of Directors of CFRBA. (The Board asks nonprofit organizations in the community to submit requests for grants once a year; the Board then follows a competitive review process to determine where grants should be awarded.) These are the Foundation's most useful funds, as they allow the grant-making role of a fund to reflect the changing needs and organizations within the community. In addition to setting up one's own unrestricted fund, CFRBA maintains a general unrestricted fund, to which anyone may contribute in any amount.

Field of Interest: The donor names one or more fields of interest (such as health, aging, youth, arts, or education) to be served by distributions from the fund.

Donor-Advised: The donor makes annual recommendations to CFRBA's Board of Directors as to which nonprofits should receive the distributions. According to IRS guidelines, CFRBA's Board must approve all such distribution recommendations.

Designated: The donor specifies particular organizations to receive the annual distributions from the fund. If conditions change (e.g., a designated organization ceases to exist), CFRBA's Board of Directors will select an appropriate alternative recipient that has the same or very similar mission to the original organization designated by the donor. Alternatively, the donor may stipulate in the agreement with CFRBA a successor organization if the originally designated organization ceases to exist

Scholarship Fund: The donor specifies the criteria for giving scholarships and the purpose of the scholarships (for example, scholarships to be given to Rockbridge County High School seniors who are pursuing a degree in early childhood education).

Grantee Endowment Fund: A nonprofit organization can establish a fund solely for its benefit, rather than creating and managing a fund on its own. Donors who want to help provide long-term support to the named nonprofit may then contribute assets to this fund.

## **2. Nature of an Endowed Fund with CFRBA**

All CFRBA funds are permanent and irrevocable transfers of moneys to CFRBA, to be used for the good of the community. All funds are subject to the distribution and investment policies of the Foundation, and all distributions must go to nonprofit organizations that qualify under IRS guidelines as 501(c)(3) or similar types of organizations. (This generally includes community charitable organizations, churches, and nonprofit schools.)

## **3. Investment Fees and Policies**

CFRBA's Board of Directors has full authority and discretion for the investment of assets, including the employment of investment agents and advisors. CFRBA's investment advisors charge a small fee for their services, with this fee deducted in arrears on a quarterly basis from each fund. (The fee schedule will be provided to donors upon request.) These investment advisory fees are apportioned among all funds on the basis of the market value of each fund in relation to the aggregate market value of all funds.

CFRBA's Board of Directors has established the following investment parameters; these parameters are in line with those followed by most endowments and are regularly reviewed by CFRBA's Investment Committee and Board of Directors, in conjunction with CFRBA's investment advisors. CFRBA's Investment Committee rebalances the investment portfolio as needed to stay within these parameters.

### Asset Allocation Parameters

	<u>Minimum</u>	<u>Preferred</u>	<u>Maximum</u>
Equities	40%	<b>50%</b>	65%
Fixed Income and Cash	25%	<b>40%</b>	60%
Alternative Investments	0%	<b>10%</b>	20%

CFRBA's investment goal is to prudently invest over the long term to earn sufficient annual returns to cover advisory and administrative fees, allow 4% distributions, and achieve reasonable growth of principal.

The Board receives quarterly reports from its investment advisors and would be pleased to answer any questions about investment performance at any time. CFRBA's current policy is to provide donors with one written investment report per year (covering the period from July 1 to June 30, CFRBA's fiscal year.) For nonprofit agencies that have established funds with CFRBA and require a report showing the performance of their fund for their annual audit, CFRBA is able to provide such a report at any time.

#### **4. Administrative Fees**

The costs of operating CFRBA (such as routine office expenses, executive director's salary, tax reporting, publicity, and other donor notification expenses) are kept to a minimum and closely monitored by CFRBA's Board of Directors. Currently, each fund is charged 1% (charged on a quarterly basis, in arrears) to cover such administrative expenses.

#### **5. Distribution Policy**

CFRBA's current policy calls for annual distributions from each fund equal to 4% of the value of the fund at CFRBA's fiscal year-end (June 30). The prudent 4% distribution rate ensures that distributions can be made annually, regardless of stock market fluctuations in any given year. Annual distributions are not made until the fund value reaches at least \$10,000.

#### **6. Pass-Throughs**

A donor with an endowed fund of at least \$10,000 may also "pass through" charitable contributions by simply writing a check (or otherwise sending assets) to CFRBA with a request to distribute these funds to nonprofit organizations of

their choice. Pass-throughs are attractive to donors when they want to make an immediate donation (say, as a memorial gift). Also, pass-throughs can be made anonymously. CFRBA charges its normal 1% administrative fee for this service.