



ENDOWMENT FUND ADMINISTRATION

As the Tri-City area's only community foundation, John Randolph Foundation works with donors and organizations to create enduring legacies through endowed funds. Endowments are permanent funds designed to grow over time, giving an ever-increasing amount to the cause(s) a donor cares about most. The principal of the endowment remains invested while a portion of the investment return is distributed each year.

John Randolph Foundation honors the charitable intentions of donors, consistent with community needs, and maintains a balance between donor involvement and governing board control, in accordance with all applicable laws and regulations. This document outlines the administration of non-scholarship endowments in accordance with the JRF's Statement of Endowment Policy, which is approved by the Board of Trustees. (For scholarship funds, please see *Scholarship Fund Administration*.)

Types of Endowment Funds

- Unrestricted: The Board of Trustees applies the fund to the area where it is needed most.
- Donor-Advised: The donor or their designee has the ability to recommend grant distributions.
- Field of Interest: The fund supports a specific cause or area of concern (wellness, the arts, etc.)
- Designated: The fund supports one or more pre-defined organizations.

Establishing an Endowment

- The minimum amount to establish an endowment is \$100,000.
- The founding donor(s) may make contributions to the fund which will be invested at increments of \$10,000 until the fund reaches the minimum to endow it.
- The fund is comingled for investment purposes.
- Endowments are created with an endowment agreement between the founding donor(s) and JRF in accordance with JRF's Statement of Endowment Policy.
- There are two components of the Fund: Permanently Restricted and Temporarily Restricted.
 - Permanently restricted is the principal of the fund which cannot be expended.
 - Temporarily restricted is the "checkbook" side of the fund. Gifts, investment earnings and losses are designated to this portion of the fund which may be expended.
- All gifts to the fund are irrevocable once accepted by the Foundation.

Investment of the Fund

- Endowment funds are managed by the JRF Investment Committee who is advised by Colony Group, a Richmond-based investment firm.
- All funds are “pooled” for investment purposes so the returns earned by each fund are the same as those received by the Foundation on its funds. Not only is this an efficient method of investing it has the added advantage of allowing a broad diversification of the assets over a wide range of types, classes and maturities of securities.
- Fund statements are mailed to founding donors or designated agencies at least annually.

Administrative and Investment Fees

- JRF assesses an annual administration fee of .5% to cover the cost of managing the fund.
- All funds share a pro-rata portion of investment management fees or other investment related fees charged to JRF by its investment advisors, managers, custodians and others.
- All fees are agreed upon by the founding donor(s) and JRF in the endowment agreement, which may differ from the Statement of Endowment Policy at the discretion of the Board.

Marketing and Fundraising

- Endowment funds are marketed through the Foundation’s website and newsletters to encourage potential donors to support the fund.
- JRF may assist donors or organizations with endowment fundraising campaigns and provides guidance and support for fundraising activities.
- Eligible applicants to an endowment are either contacted directly and invited to apply or notified through appropriate publicity efforts.

Endowment Grantmaking

The Endowment Committee and Board of Trustees exercises due diligence in reviewing and awarding grants from endowed funds. While each endowment is unique, the Endowment Committee uses the review process outlined below to construct guidelines, applications, letters of agreement, and grant reports that are specific to each endowment. The Endowment Committee will:

- Conduct a reasonable pre-grant inquiry (usually through an application) with donor advisors, if applicable. This ensures that the proposed activity is charitable and that the grantee can perform the proposed activity.
- Execute a letter of agreement with all grantees that specifies the charitable purpose(s) of the grant and requires the grantee to return any funds not used for the designated purpose(s).
- Require the grantee to provide a grant report on the use of the funds and the charitable activity supported by the grant.

Endowment Grantmaking Continued

Grants are paid directly to an organization, not to an individual. JRF makes grants to IRS designated 501(c)(3) public or private charities, public or private foundations operating under 501(c)(3) and

4940(d)(2), governmental instrumentalities or political subdivisions, organizations fiscally sponsored by a 501(c)(3) organization, or faith-based organizations. At the discretion of the Board, JRF may make grants to a non-exempt entity, such as a for-profit company. Making a grant to a non-exempt entity places a burden on JRF to ensure that the funds are properly spent for the intended charitable purpose(s). This due diligence is accomplished through the same application and reporting process applied to tax-exempt grantees.

For additional information, please contact:

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