

## **STATEMENT OF ENDOWMENT POLICY**

THIS STATEMENT OF ENDOWMENT POLICY established by John Randolph Foundation, Inc., a Virginia not-for-profit charitable corporation (hereinafter referred to as “JRF” or “Foundation”) sets forth the policies and parameters for the administration of Endowments (hereinafter referred to as “Endowment” or “Fund”).

1. **MODIFICATION.** While this is a general policy applicable to all Endowments established by the Foundation, it is recognized that facts and circumstances may vary for any given Endowment. As a result, this policy may be amended or modified to address the specific facts or requirements of a particular Endowment.

2. **ESTABLISHMENT.** The minimum contribution required to establish an Endowment is \$100,000.00.

3. **CORPUS OR PRINCIPAL.** Contributions received to establish an Endowment shall be designated as the Principal and may not be expended. Any additional contributions to the Endowment will be added to the temporarily restricted portion of the Fund unless it is restricted to the Principal by the donor.

4. **PURPOSE.** The primary purpose of each Endowment shall be clearly defined by the Foundation. An Endowment is a permanent fund established to carry out the purpose stated by the donor. The Principal is invested, and a portion of the investment earnings and returns, less fees and expenses, is distributed annually. There will be no distribution which requires an expenditure of the Principal.

5. **INVESTMENT.** The Foundation shall manage the investment and earnings of the Fund under the direction of the JRF Investment Advisory Committee and the Board of Trustees (hereinafter referred to as the “Board”). While the Fund is a component part of the Foundation, the assets may be commingled for investment purposes and invested in units of any common investment of the Foundation. The Foundation reserves the right to convert any contributed property to securities or other assets of a common Fund. Investment income shall include interest and dividend income, realized appreciation, and unrealized appreciation, less investment management fees. It is understood and agreed that the Funds shall share a pro-rata portion of the investment management fees or other investment related fees charged to the Foundation by its investment advisors, managers, custodians and others. Costs annually charged against the Fund shall be determined in accordance with the then current fee schedule identifiable by the Foundation as applicable to Funds of this type.

A statement showing investment results will be produced and mailed to the beneficiary at least annually.

JRF investment of the Fund entails risk and uncertainty, there is no guarantee of a positive return. While JRF endeavors to make well-informed investment decisions, a

negative return which could reduce the balance or value of the Fund below the Principal value is a possibility.

6. DISTRIBUTION. The Foundation shall make the initial and subsequent distributions solely from net investment earnings and returns consistent with the purpose of the Endowment and the policy guidelines established by the Foundation. There will be no distribution in years where there is a negative investment return for the prior calendar year.

Distribution amounts may be determined by March 31 of each year based on the net assets of the Fund, as well as investment earnings and returns, as of December 31 of the prior calendar year with a targeted distribution by June 30 of each year.

The first distribution will not take place until the Endowment has been established and funded for one full calendar year. The Foundation reserves the right to require submission of a proposal for the use of any distribution to insure it is consistent with the purpose of the endowment.

The distribution may be up to 4.3% of the net assets of the Fund for the previous calendar year-end balance and cannot result in an expenditure of the Principal. Any excess earnings over 4.3% will remain in the fund's net assets.

7. VARIANCE. The Foundation's Board has the authority to vary the terms of any Endowment if continued adherence to any condition or restriction is in the judgment of the Foundation's Board unnecessary, incapable of fulfillment or inconsistent with the charitable or other exempt purposes of the Foundation or Endowment. In this regard, it is understood that the Foundation is explicitly granted unilateral variance power, which is the power to redirect the use of the Endowment to another beneficiary and to override the original intent of the Endowment without approval of any interested party. No distribution shall be made from the Fund to any individual or entity if such distribution will in the judgment of the Foundation endanger the Foundation's Code Section 501(c)(3) status.

8. ADMINISTRATIVE PROVISIONS. The parameters described in this statement are irrevocable. Nevertheless, solely to insure that the Fund is a qualified component of the Foundation for federal tax purposes, the Foundation, acting alone, shall have the power to modify the terms of this policy to the extent not inconsistent with endowed fund tax laws. Notwithstanding anything herein to the contrary, the Foundation shall hold and manage the Fund, and all contributions to the Fund, subject to the provisions of the applicable Virginia law and the Foundation's Articles of Incorporation and Bylaws. The Foundation's Board shall monitor the distribution of the Fund to ensure it is used exclusively for charitable or other exempt purposes (within the meaning of Code section 170(c)(1) or (2)B), and shall have all powers or modification and removal specified in United States Treasury Regulations Section 1.170A-9(e)(11)(v)(B).

9. ADMINISTRATIVE FEES. The Foundation assesses an annual fee to manage and administer all Endowment Funds. The fee is based on the total net assets of the Fund as of December 31 of each year. The fee for each Endowment shall be established by the Board of the Foundation annually.

10. LEGAL: Legal fees and expenses incurred in establishing, managing or administering the endowment including inquiries, challenges or litigation to the endowment or its terms shall be an expense of the endowment and will be deducted from the annual distribution.

11. CONDITIONS FOR ACCEPTANCE OF FUNDS: The establishment of a Fund is made in recognition of, and subject to, the terms and conditions of the Articles of Incorporation, Bylaws of the Foundation and this document as from time to time amended, and that a Fund shall at all times be subject to such terms and conditions, including, but not by way of limitation, provisions for:

a) Amendments by the Foundation acting in its sole discretion.

12. CONTINUITY. The Fund shall continue so long as assets are available in the Fund and the purposes in the Fund can be served by its continuation. If the Fund is terminated, the Foundation shall devote any remaining assets in the Fund exclusively for charitable or other exempt purposes that:

- a) Are within the scope of the charitable or other exempt purposes of the Foundation's Articles of Incorporation; and,
- b) Most nearly approximate, solely in the good faith opinion of the Board, the original purpose of the Fund as envisioned by the founder of the Endowment.

13. NOT A SEPARATE TRUST. The Fund shall be a component part of the Foundation's investments. All money and property in the Fund shall be held as general assets of the Foundation and not segregated as trust property of a separate trust; provided that for purposes of determining the share of the Foundation's earnings allocable to the Fund and the value of the principal of the Fund, the interest of the Fund in the general assets of the Foundation shall be a percentage determined by dividing the total Fund, by the then value of the total investment assets of the Foundation, such percentage interest being subject to adjustment at the time of each addition to or reduction of the assets of the Foundation. The receipts and disbursements of this Fund, however, shall be accounted for separately and apart from those of other gifts to the Foundation.

*Approved by the Board of Trustees September 19, 2013; Revised July 15, 2017*