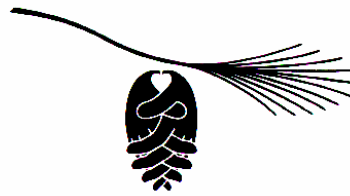


Donor Guide

Standard Operating Policies and Procedures



NORTH CAROLINA
Community Foundation

Main Office: 4601 Six Forks Road, Suite 524, Raleigh, North Carolina 27609
800-201-9533

www.nccommunityfoundation.org

Hickory
828-328-1237

Point Harbor
252-491-8166

Coastal Plain
252-355-2570 (*Greenville*)
252-245-1794 (*Rocky Mount*)
252-729-5491 (*Williston*)

Sylva
800-201-9532

Wilmington
910-815-2677

Raleigh
919-256-6924



Welcome to the Foundation

Across the great state of North Carolina, a growing number of individuals, families, businesses and not-for-profit organizations are partnering with the North Carolina Community Foundation to establish endowments that benefit the charitable causes that they care about deeply. The North Carolina Community Foundation is one of the leading charitable resources for donors throughout North Carolina. Known for its unique network of affiliate community foundations that marshal resources, the Foundation encourages community dialogue and builds permanent assets that enrich the quality of life for our citizens. The Foundation is recognized as a resource for other statewide organizations, building endowments and serving the needs of donors throughout North Carolina.

The Foundation serves donors of all means and makes giving easy by providing research on charitable needs, a wide range of options for establishing funds, high quality investment services, professional assistance with gift options and their tax consequences, involvement in grant distribution and donor recognition. Gifts to the Foundation qualify for the maximum charitable deduction possible.

This Donor Guide provides detailed information about the various philanthropic services and products that the Foundation offers, outlining important *policies* (set by the Foundation's Board of Directors, the Foundation's legal department, and the Internal Revenue Service) as well as the *procedures* related to how endowment funds are funded, administered and promoted for growth. References in this Guide to the "donor" or "original donor" most frequently refer to the entity (person, family, business or nonprofit) that establishes an endowment fund and therefore serves as the main point of contact and decision-maker on a particular fund. "Fund advisors" are donors or their designees who have the authority to make recommendations regarding a fund.

The Foundation's professional staff is available to help you establish a charitable giving plan that meets your unique charitable and financial situation. If after reading this guide you have questions or if you would like to arrange a meeting with one of our staff members, please contact the North Carolina Community Foundation in Raleigh, or call the local regional number listed in this publication.

We look forward to working with you to make your charitable dreams a reality!

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I. History and Mission of the North Carolina Community Foundation and Affiliates

The North Carolina Community Foundation (the “Foundation”) was established as a statewide community foundation in 1988 by leading philanthropists who envisioned a pool of dedicated endowment funds that would provide for the perpetual financial safety and growth of North Carolina charitable nonprofit institutions and organizations. The Foundation is a statewide organization that has partnered with rural and previously underserved areas of our state to operate their own local community foundation affiliates. Since inception, the Foundation has worked to create these local affiliates, each with their own advisory board and unrestricted fund. Today, the Foundation supports the mission of its more than 50 affiliates to ensure that charitable dollars benefit local communities across the state in perpetuity.

The Foundation administers permanent endowments created by individuals, corporations, organizations and other foundations to ensure the financial security of our state’s charitable organizations and causes. The Foundation employs professional investment management companies, and an independent investment consulting firm assists the Foundation’s Board of Directors (the “Board”) in monitoring performance for long term growth. An annual audit along with quarterly financial reporting for each permanent endowment ensures that the Foundation will always be accountable to donors, grantees and the communities it services.

The founders of the North Carolina Community Foundation established its own operating endowment with donations from some of our state’s most prominent banks, corporations and philanthropists. Today, the Board, along with many other generous donors, continues to build this operating endowment so that services to our constituents are delivered for a minimum fee. Such an endowment also increases the viability and long-term stability of the Foundation.

The Foundation encourages donors of all means and experience to establish endowments to meet their charitable objectives without the burden of complicated investment, management, and administrative fees and duties. We make philanthropy enjoyable by providing research on charitable needs, a wide range of options for establishing and contributing to endowment funds, high quality investment management, professional staff assistance with grant distributions and donor recognition. We are here to build philanthropy in North Carolina!

II. Funds

Establishing a Fund

It is easy to establish your own named charitable fund as a donor of the North Carolina Community Foundation. Working with a member of our staff and your financial advisor if you choose, you as a donor will take these simple steps:

1. Determine your charitable purpose or intent.
2. Select the type of charitable fund that best supports your purpose. Our staff will outline your options and discuss advantages of each, including any restrictions you wish to place on the fund.
3. Complete a simple governing fund agreement. Our staff will help you create a document that makes your intentions clear.
4. Select a name for your fund. You may use your name, that of a family member, the name of a favorite cause, or a name that allows you to remain anonymous.
5. Depending on the type of fund you establish, you may designate current fund advisors such as yourself and spouse, and successor advisors such as your children, a friend or professional advisors. This information will be included in your governing document. See *Fund Advisors, Section VI*.
6. Make an establishing gift. See *Contributions, Section III* and *Ways of Giving, Section IV* for the types of contributions you can make. Receive a tax deduction at the time the fund is established and when you make additional contributions to the fund.
7. Choose whether you would like your funds invested through the Longleaf Fund or another asset manager from our list.
8. Enjoy giving through your fund!

Once your fund is established you may:

- Add to the fund at any time in any dollar amount including through your will or estate planning.
- Specify how grant disbursements are to be acknowledged – whether in the name of the fund or anonymously.
- If you've established a donor advised fund, you may recommend distributions to charities, locally, throughout the United States or even internationally.

Caveats for Agency and Designated Funds

In addition to the steps listed above, certain additional documents are required for Agency and Designated Funds.

Agency Funds – The Foundation requires that a Board Resolution or Copy of Board Minutes reflecting the nonprofit board’s approval to establish the fund be included with the agreement.

Designated Funds – The Foundation requires a Board Resolution from the designated organization agreeing to be the beneficiary of the endowment fund.

Fund Agreements

The legally binding fund agreement that a donor signs to establish an endowment fund is drafted by Foundation staff to ensure compliance with the applicable rules and regulations of the Internal Revenue Code (the “Code”). The Code recognizes the greater value of allowing donors to restrict distributions or to give recommendations in the future as to distributions of funds contributed to a community foundation. At the same time, the agreement reflects a completed gift transaction and the release of control by the donor so that the donor receives the maximum tax benefit allowed by law. This ensures the Foundation’s continued status as a public charity. Furthermore, any failure to comply with the IRS rules and regulations could potentially deprive the donor of the tax benefits of a charitable contribution to a public charity.

Each fund established will be recorded on the Foundation’s books and records as a separate and identifiable component fund. The fund will be given a name or other designation as requested by the original donor. Upon transfer of assets to the Foundation, assets become the property of the Foundation. Under current accounting standards, a fund established with the Foundation should not be included as an asset of the donor or the ultimate beneficiary of the fund. The exception to this is in the case of an Agency Fund, where the Agency may be required for reporting purposes to show the existence of the fund on its financial statements through FASB 136.

Types of Funds

The North Carolina Community Foundation maintains various types of charitable endowment funds. Different fund options allow donors to customize their gift.

- **Unrestricted Funds** are established within an affiliate of the Foundation for the affiliate to distribute in a restricted geographic area. This gives the local affiliate board of directors the flexibility to respond quickly to emerging needs and changing priorities within its community.
- **Field of Interest or Geographic Region Funds** are established to support unspecified programs or organizations in a general field of interest such as education, historic preservation, children or the elderly and/or designated for a particular geographic area.
- **Donor Advised Funds** allow the donor to make recommendations as to how distributions are spent. Although federal tax law requires the Foundation be the ultimate decision-maker on grant distributions, the Foundation makes every effort to follow the donor’s

wishes. Donor advised funds operate similarly to a private foundation without the expense and tax reporting requirements.

- **Designated Funds** are established to benefit one or more specific charitable organizations or programs. If a designated organization ceases to exist, the Foundation works with the donor or successor advisors to identify a similar program and maintain the spirit of the original charitable intent.

*The Foundation's *Community Development Assistance Program (CDAP)* is one such type of designated fund designed to enhance public/private community development efforts. The Foundation offers, through CDAP, a flexible, cost effective and financially advantageous method to help local government units realize greater financial flexibility for funds devoted to community facilities and development programs.

- **Scholarship Funds** provide grants for educational purposes at both undergraduate and graduate levels. Donors may recommend an academic focus for their scholarship fund (e.g., nursing, the arts, engineering) and eligibility criteria (e.g., financial need, academic merit, geographic residence, community service). The original donor also selects the scholarship committee that chooses the recipient.
- **Agency Funds** are established by a nonprofit agency for the benefit of that nonprofit agency. Although the assets in the fund are committed by the Foundation to serve the agency's charitable purpose as defined in the fund agreement, by law the fund and all assets therein become the irrevocable property of the Foundation and are subject to the operating policies established by the Foundation. See *Grants* (Page 16) for more information on this type of fund.
- **Non-endowed Gift Funds** are established by donors with no intent to preserve the principal. A donor can make a contribution to the Foundation and thereafter recommend distributions of the entire amount immediately or over time to a desired charitable beneficiary or cause. Non-endowed gift funds are not set up for long-term growth. *The Foundation will only establish a gift fund in conjunction with an endowment fund.*
- **North Carolina Community Foundation Operating Funds** are endowments established to fund the day-to-day operations of the Foundation, as well as specific Foundation-related issues and projects. These funds are separate from all other funds and may be added to through donations.

Spending Policy for Funds

The Board of Directors of the Foundation has determined that the annual spendable amount distributed through each fund is five percent (5%) of the fund's average balance, unless otherwise stated.

The Board of Directors considers these factors in determining the annual spendable amount:

- Long-term preservation of charitable funds
- Expected and reasonable total return on the investments of funds
- Reasonable cost of investing and administering funds
- Effects of inflation
- Price level trends and general economic conditions
- Payout trends in the community foundation field

The donor, upon establishing the fund, chooses to follow the Foundation's standard spending policy or to select a variation of that standard policy as described below:

1. *Quasi-Endowed Fund*: Entire balance of the fund is available for distribution; payout may be made even if principal is disturbed provided the corpus does not fall below the minimum required fund balance amount (see Minimum Endowment Fund Balances in this Section II); ensures that a consistent amount is available every year for payment to charitable causes; invested for long-term growth (majority of funds administered by the Foundation are this type)
2. *Endowed Fund*: A permanent asset of the Foundation where the principal is completely preserved; no payout is made if such payment disturbs principal; invested for long-term growth
3. *Non-Endowed Gift Fund*: Entire balance available for distribution; invested for the short term to provide liquidity

Asset Managers

The Foundation's Board of Directors has ultimate responsibility for selecting asset managers and determining asset allocations, performance objectives and other matters pertaining to the funds held by the Foundation. A list of approved asset managers, including our recommended Longleaf Fund, is available from your regional staff person as well as online at www.nccommunityfoundation.org. The Foundation has the right to replace an asset manager at any time in the best interests of the Foundation and the endowment fund.

Should a fund representative desire to change a fund's asset manager, he or she must request the change in writing to the President of the Foundation. Upon receipt of the written request, the President will place the request on the Agenda of the next regularly scheduled meeting of the Finance Committee for review. The Finance Committee will select a new asset manager if an alternate has not been recommended by the fund representative. The fund representative will be notified of the Committee's decision in writing. The Finance Committee meets quarterly in March, June, September and November.

Minimum Endowment Fund Balances

To be classified as an endowment fund, the Foundation will set minimum fund balance guidelines. *Minimum fund balances* by fund type include:

Unrestricted Funds	\$10,000
Field of Interest & Geographic Region Funds	\$10,000
Donor Advised Funds	\$10,000
Designated Funds	\$10,000
Scholarship Funds	\$25,000
Agency Funds	\$10,000
Non-Endowed Gift Funds:	Any amount as long as minimum is met for one of the above funds

The North Carolina Community Foundation recommends a balance of at least \$25,000 by the end of the third year in order to achieve a donor's charitable intent and increase charitable giving opportunities.

Policy Statement on Amending Fund Agreements

Once a fund agreement has been established, the assets transferred to the Foundation in connection with that fund agreement are the sole and exclusive property of the North Carolina Community Foundation and the Foundation is able to freely and effectively employ the transferred assets to further its charitable purpose bound only by those restrictions, if any, that are established on the date of the gift. Because of IRS regulations, established agreements may only be amended under limited circumstances. The Foundation may, but is not required, and in its absolute and sole discretion, provide its consent to an amendment to a fund agreement (endowment or gift fund) *only* under the following circumstances:

1. To release restrictions originally imposed by the donor in the fund agreement
2. To change the name of the fund
3. To change the name of a successor advisor
4. To correct a typographical error or a scrivener's error
5. Upon initiation by the Foundation based on unusual facts and circumstances that dictate amendment is appropriate **AND** the Foundation has sought and obtained approval from legal counsel

By law, the Foundation may NOT provide its consent for the following donor proposed amendments:

1. To add additional restrictions to a fund agreement
2. To substitute one restriction for another
3. To designate the timing of distributions

III. Contributions

The North Carolina Community Foundation accepts contributions in many forms as explained in the table below. Contributions can be made to an existing endowment fund or to establish a new endowment fund.

Acknowledgement of Contributions

- The Foundation will substantiate all contributions that it receives by a written acknowledgment to the donor. This acknowledgment is in accordance with IRS requirements and should be used by the donor to support the charitable deduction taken on his/her tax return.
- The Foundation will include the amount of cash and description of (but not value of) any property, other than cash, contributed. Valuation of donated property is the responsibility of the donor.
- The Foundation cannot accept contributions for endowment funds for which the agreements have not been completed.

Note: For acknowledgment of contributions and donations that relate to special events, please request a copy of the Foundation's *Special Events Guide*.

Contributions Accepted

The following types of contributions are accepted by the Foundation:

Type of Contribution	Special Instructions
Cash	<ul style="list-style-type: none">• Checks should be made payable to the North Carolina Community Foundation with the name of the component fund being established or added to clearly indicated.
Credit Card Gifts	<ul style="list-style-type: none">• The Foundation accepts credit card gifts. Such gifts may be made by calling the Foundation or referring to the Foundation's website.
Publicly Traded Securities (Equities, Bonds, Mutual Funds)	<ul style="list-style-type: none">• Notify the Foundation prior to the transfer of any contributions of securities so that the proceeds will be transferred to the proper fund and an accurate acknowledgment can be made.• All transfers will be made through the Foundation's brokerage account; generally the securities will be liquidated immediately.• In certain circumstances, the security may be held for a period of time if facts and circumstances support this action.• The Foundation will not handle securities transfers through any broker other than its own.• The value of the security will not be included in the acknowledgment of the donation. An

	accurate description (such as number of shares and security name) and date of receipt will be included.
Closely Held Stock	<ul style="list-style-type: none"> • The Foundation will accept contributions of closely held stock only after approval by the Finance Committee pending an independent appraisal and receipt of the donor's most current financial statements. • Appraisal costs are the donor's responsibility. • Closely held stock may be accepted if there is a reasonable expectation that holding the stock will not be a burden for the Foundation. • The stock may be given with the intention of the company redeeming the stock in the near future. • For the donor to receive the most favorable tax deduction, there can be no requirement that the Foundation sell the stock if redemption offer is made.
Tangible Personal Property	<ul style="list-style-type: none"> • While the Foundation does not normally accept gifts of tangible personal property such as works of art, antiques, vehicles, jewelry or other items, these may be accepted on a case by case basis.
Real Property (See documentation required and restrictions below)	<ul style="list-style-type: none"> • The Foundation will accept contributions of real property only after approval by the President and Chairman of the Board.

An acceptable contribution of **real property** requires the following **documentation**:

- Standard Foundation gift agreement setting forth any restrictions on the property's use.
- Current independent appraisal of the property at donor's expense.
- Title insurance policy with all endorsements or title opinion from the donor's attorney stating that the donor is conveying clear title; a copy of the deed or other instrument which vested title of the property to the donor, as well as deeds executed by the donor when they held title to the property.
- Current survey and/or legal description of property.
- Phase 1 environmental audit. Based on results, Phase 2 and Phase 3 audits may be necessary.
- A general warranty deed executed by the donor(s) to the North Carolina Community Foundation, Inc. recorded in the office of the Register of Deeds in the county in which the property lies.
- If the Foundation retains and does not liquidate property, new title insurance should be obtained.
- In the event of co-tenancy, an acceptable co-tenancy agreement outlining the rights and obligations of the parties prior to the sale of the real property.

Real Property Restrictions:

- The Foundation will not accept real property that cannot or is not reasonably expected to be sold within two years from the date which title passes to the Foundation.
- The Foundation will not accept real property that will generate income or any property on which the Foundation is being asked to assume debt, to contract or lease, or to retain.
- Any related administrative and maintenance costs of accepted real property (i.e., real property taxes, liability insurance, maintenance, environmental cleanup costs, etc.) will be covered by the donor. The donor may set up an additional fund to pay for these costs.

Special Events Fundraising

To help individuals and organizations who establish endowment funds with the North Carolina Community Foundation to operate more effectively and efficiently, the Foundation offers a range of support services to help these endowments grow. Some endowment donors or fundraising groups choose to host special events to increase their funds. Please refer to the Foundation's Special Events Guide for endowed funds of the Foundation found on our website at www.nccommunityfoundation.org or contact a Foundation representative for more details, including how to submit an application to host a fundraising event.

Pledges

In certain circumstances, a component fund may request that the Foundation provide administrative support for a pledge campaign to benefit that component fund. Administrative support services include recording, billing and collecting pledges for a campaign. In such cases, the Foundation is acting as a fiscal sponsor for the component fund. Below are policies and procedures for a pledge campaign conducted through the Foundation:

Pledge Management Policies

- Recording of Pledges: Under accounting standards, pledges are to be recorded once written documentation is received from the donor clearly indicating an unconditional promise, within a specific timeframe, to make a contribution to a charitable endowment affiliated with the Foundation.
- Matching Pledges: Under accounting standards, matching pledges will be recorded when payment to be matched is made and accompanied by the appropriate documentation.

Pledge Management Procedures

- It is the responsibility of the group sponsoring the pledge campaign to provide a list of donor names and addresses, pledge amounts and payment terms.
- Donors may determine quarterly, semi-annual or annual payment terms.
- The Foundation mails pledge reminders each fall.
- Pledge contributions will be acknowledged by the Foundation upon receipt.

IV. Ways of Giving

In addition to the types of contributions that the North Carolina Community Foundation accepts, there are a number of ways you may establish an endowment fund or give to an existing fund. Many of these ways of giving focus on including philanthropy in estate planning, which often provides donors and their heirs the benefit of lower income and estate taxes.

The Foundation is able to provide sample documents, review documents prepared by professional advisors or potential recipients, and prepare illustrations of the income and tax effects of proposed planned gifts. Foundation staff will work with attorneys, accountants, bankers, brokers, financial planners and other professional advisors to assure that planned gifts meet the expectations of donors, charities, heirs and income beneficiaries.

Gifts by Will or Testamentary Transfers

A will is a simple and effective way to provide support for favorite charitable organizations and causes. A bequest of a specific amount or a portion of the residuary estate can create an endowed fund or support an existing fund within the Foundation. The Foundation accepts bequests or devises pursuant to the last will and testament of a donor. A testamentary transfer may include recommendations for distributions of funds. The Foundation can provide sample language for consideration, though an attorney should review each estate plan from time to time to assure that estate planning documents are accomplishing the client's goals.

Charitable Remainder Trusts

The “gift that gives back,” a Charitable Remainder Trust makes it possible for the donor to make an irrevocable gift of cash or property while retaining an annual income stream from the trust. The following policies apply to this type of trust:

- Donors using this form of gift are allowed an income tax deduction for federal returns equal to the present value of the remainder interest.
- The donor irrevocably transfers cash, securities or other property to a trustee (usually financial institution), who manages those assets and makes payments to the donor or other named individuals for their lifetimes or for a period not to exceed 20 years. On the death of the beneficiary (or surviving beneficiary if more than one), the assets of the trust are distributed to the Foundation, usually to a named fund, or other named charitable beneficiaries.
- The remainder must have at least a \$10,000 value at the time of donation.
- The Foundation does not act as trustee of the Charitable Remainder Trust but rather works with donors and their chosen financial institution who serves as trustee.

Charitable Lead Trusts

Described as the “gift you get back,” a Charitable Lead Trust allows a donor to give the income from assets placed in trust to the Foundation for a term of years while retaining the principal for

the donor's heirs or third party on termination of the trust. The following are policies governing this type of trust:

- Under a qualified non-grantor lead trust, the trust assets pass to heirs at the end of the trust term.
- The donor receives a charitable gift tax deduction at the time the trust is created and also avoids all income tax on the trust income.
- The appreciated value of the lead trust passes without a gift tax to the heirs at the end of the trust term.
- Under a qualified grantor lead trust, the trust assets revert to the donor or spouse at the end of the trust term. The donor, however, gets a charitable income tax deduction in the year the trust was created for the present value of the gifts to charity during the trust term.
- The Foundation does not act as trustee but rather works with donors and their chosen financial institution who serves as trustee.

Life Insurance

With this type of gift, the donor names a component fund of the Foundation as the owner and beneficiary of a new or existing policy. The donor commits to make annual tax-deductible gifts to cover the costs of annual premiums.

Retirement Plan Assets

Assets held in qualified retirement plans or individual retirement accounts (IRAs) can be contributed to charity. The Foundation is willing to work with donors and their financial advisors to analyze the tax effects of using retirement plan assets for charitable giving. Under current tax law, a gift of qualified plan assets to a charity during life is a taxable event for the donor, but a gift of qualified plan assets at death can reduce adverse tax consequences and provide a wonderful gift. The donor may name the Foundation or a component fund as the designated beneficiary of retirement account assets upon his/her death or the death of family beneficiaries. Examples of retirement plan assets accepted by the Foundation include 401(k) plans, 403(b) plans, IRAs, SEP Accounts, etc.

Private Foundations

A private foundation is a charitable organization usually established by an individual, family or corporation for the purpose of controlling the use of the donor's charitable gifts to the fullest extent possible. Private foundations are subject to more complex tax and administrative rules than other charitable vehicles. Donors who have established private foundations may find over time that those foundations have become administrative burdens and thus may desire to involve the North Carolina Community Foundation in handling those administrative tasks. The donor advised fund has many of the benefits of a private foundation, and thus a number of private foundation boards in North Carolina are choosing to merge their foundation into a donor advised fund with the North Carolina Community Foundation, thus relieving them of the administrative burden while allowing the private foundation board to continue to carry out the philanthropic

work they originally intended. (See description of Donor Advised Fund in *Types of Funds, Section II*). A Foundation staff member can provide you with more information upon request.

Tax and Estate Planning

The Foundation provides an overview of the various aspects of contributing to component funds and is able to provide educational strategies, techniques and ideas. It is not the intention of the Foundation to offer specific legal, investment, accounting, tax or other professional advice. For advice on all aspects of a donor's overall charitable gifting plan, donors should consult professional advisors who are specialists in these areas.

V. Grants and Scholarships

Grants to Public Charities

Distributions are made primarily to charitable organizations that are tax-exempt under IRS Code Section 501(c)(3). Distributions may also be made to governmental agencies and most religious organizations. Foundation policy prohibits making distributions to nonprofit organizations in satisfaction of legally enforceable pledges or for dues, memberships, benefit tickets, goods bought at charitable auctions, fundraising dinners, golf tournaments or to secure ticket rights. Distributions may not be made for political purposes. All grants are subject to the approval of the NCCF Grants and Distributions Committee and ratification by the NCCF Board of Directors.

General Policy

As stated in Section II of this guide, the North Carolina Community Foundation's standard policy is to distribute annually 5% of the fund's average balance (less any outstanding pledges). All fund advisors will be sent a "*Recommendations for Charitable Distributions*" form by February 20th of each year indicating the amount available for spending based on the current 5% payout rate. The fund advisor should fill out the form and return it to the Foundation in a timely manner. Advisors who do not wish to make a payout in any given year in favor of endowment growth are permitted to do so for up to five years. Funds established after October 1 in any given year typically do not receive a distribution in the following year to avoid invasion of principal.

Types of Grants by Fund

- **Unrestricted Grants:** Each affiliate recommends grants at the discretion of the local affiliate board, specific to a particular geographic area. Grants in this category involve a competitive application process administered through the local affiliate. The fund advisor for the Unrestricted Fund (usually the affiliate president) must fill out a "*Recommendations for Charitable Distributions*" form so that checks may be written to those nonprofit organizations awarded a grant.
- **Field of Interest or Geographic Region Grants:** Restrictions are placed on these grants to address needs in a specific area in the community. A field of interest grant can be restricted to a program area such as arts and humanities, education, or may support geographic areas, such as a county or city. The fund advisor must complete a "*Recommendations for Charitable Distributions*" form so that checks may be written to those nonprofit organizations of the donor's choice that fall in the field of interest category.
- **Donor Advised Grants:** Donors recommend grants from their funds to the Foundation, which in turn reviews the grants and, if approved, issues a check to the recommended charitable organization(s). These grants support organizations and

causes that are important to the individual donor. Donors must complete a “*Recommendations for Charitable Distributions*” form sent to them in the spring along with the amount recommended for distribution in order to initiate payment of grants. The Foundation staff and statewide Board of Directors have final say in accepting or rejecting distribution recommendations. All recommendations are solely advisory, and the Foundation is not bound by such recommendations. Donors of advised funds may choose to allocate all or a portion of their spendable assets to the local affiliate for distribution, providing greater support for local needs.

- **Designated Grants:** Funds granted in this category come from endowments established by donors for designated purposes, such as providing annual support for a specific nonprofit organization. Upon request from the fund advisor, a check is cut annually to the designated nonprofit organization(s).
- **Agency Fund Grants:** Funds granted in this category come from endowments established by a nonprofit organization on its own behalf. Upon request from the fund advisor, a check is cut annually to the agency. The Foundation shall have the ultimate authority over and control of all property in the fund and all distributions from the fund.
- **Scholarships:** The Foundation administers a variety of scholarship opportunities for North Carolina residents seeking funding for higher education. Each scholarship committee recommends its recipients. The original donor defines the scholarship committee, criteria for candidate selection and award use when the fund is established. Scholarship grants of \$500 or more are made in two payments (fall and spring semesters) to the institution to be credited to the student’s account. No payments are made to individuals. The scholarship fund contact is responsible for filling out a “*Recommendation for Scholarships*” form provided through the Foundation for payment of the scholarship(s) along with a copy of the scholarship committee minutes.
- **Non-Endowed Gift Funds:** A donor can make a contribution through the Foundation and immediately distribute the entire amount to a charitable beneficiary. Non-endowed gift funds are not established for long-term growth. The Foundation will only allow a non-endowed gift fund to be established in conjunction with an already-established endowment fund.

Contributions to Enable Additional Distributions

Donors may make contributions to an endowed fund which would enable additional distributions to be made beyond the Foundation’s 5% annual recommended payout. Such information should be noted in writing when the contribution is made.

Minimum Grant Distribution Amounts

The Foundation’s current minimum grant distribution is \$100.

Where Grants May be Made

The Foundation makes distributions to organizations in any geographic region of North Carolina and in certain limited circumstances outside North Carolina if they meet stated criteria and are approved by the Board.

Tax Exempt Status Determination

The Foundation staff will research the beneficiary organization to determine that it is recognized by the IRS as a tax-exempt 501(c) or similar organization and that it is in general good standing in the charitable community.

Grant Check Processing

The Foundation will distribute grant checks in a timely manner. Checks to charitable organizations are accompanied by a letter from the Foundation indicating the fund name as well as the donor's name and address (unless anonymity has been requested) as well as the project name or program area the funds are designated for.

Due Diligence

All charities receiving grants must complete a report form and submit it to the Foundation within sixty (60) business days of receiving the grant. If there is sufficient evidence to believe that a grant has not been used for the specified purpose, the Foundation will request that funds be returned to the Foundation immediately. Discrepancies or irregularities in the recipient's handling of distribution(s) will be reported to the donor.

VI. Fund Advisors

Designation of Fund Advisors

In order to protect your fund and ensure proper communication, all advisors to an endowed fund must be documented with a Foundation staff member. All records pertaining to your fund are confidential.

Advisors for Nonprofits and Business Entities

Nonprofit organizations and business entities establishing endowment funds may name individuals to serve as advisors to such funds. The advisor's title or position, rather than an individual's name, should be used to ensure that the role of the advisor is always filled (i.e., the president, community resource director, etc.) Organizations creating Agency Funds must verify in writing the authority of the advisors named.

Successor Advisors

The Foundation allows donors to create succession plans that meet their charitable objectives including the ability to transfer advisory privileges to successor advisors, including spouse, children, grandchildren, friends or professional advisors, upon the death or incapacity of the original donor. This is germane for the donor who establishes a donor advised fund, scholarship fund or field of interest fund in particular. These successor advisors have the same privileges as the original advisors. The original donor, and only the original donor, may assign their right to advise; however, the Foundation must be notified in writing of any assignment for it to be effective.

The Foundation allows successor advisor privileges for *two generations* (original donor's children and grandchildren). If at the end of two generations, there is just cause for continued family involvement, the Foundation will consider such requests. If there is no longer just cause, the Foundation will determine if the original donor created a succession plan either in the original agreement or through will and testament of how funds should be administered. Such administration of a fund could include designating one or more specific charitable beneficiaries (thus creating a designated fund carrying the name of the original donor), designating a local affiliate board to utilize annual payouts for the most pressing needs in a particular geographic region (thus creating an unrestricted fund), or providing for the North Carolina Community Foundation (thus creating an NCCF Operating Fund in the name of the original donor).

In the event that the original donor has not otherwise provided for the distribution of assets upon the death or incapacity of the last surviving advisor, the Foundation shall determine how assets are distributed consistent with the donor's charitable interests as outlined in the original fund agreement or by considering any relevant information about the donor's particular civic or charitable interests. However, the fund will remain a named component fund of the Foundation.

Fund Advisor Responsibilities

Unrestricted Fund Advisor Responsibilities

- Foundation affiliate board members and staff serve as advisors to these funds
- Affiliate board may designate a committee of the board to make recommendations
- The affiliate president and treasurer receive quarterly fund statements for the affiliate unrestricted fund

Field of Interest or Geographic Region Fund Advisor Responsibilities

- Recommend grant(s) or reinvestment of funds available
- Change or add advisors or successor advisors up to two generations
- Serve as fund contact for questions, statements and correspondence
- Foundation affiliate board members and staff may be named to serve as advisors to a fund, particularly when no successor advisors remain

Donor Advised Fund Advisor Responsibilities

- Recommend grant(s) or reinvestment of funds available
- In addition to advisory privileges of main advisor and his/her spouse, select succession plan naming successor advisors up to two generations (children and grandchildren). This privilege will be continuous with the existence of the fund unless earlier terminated by (1) death, (2) written notice to the Foundation of resignation or release, or (3) finding by the Foundation that the person involved is not available or is incompetent to exercise the privilege. In such cases, the Foundation will serve as advisor to the fund
- Serve as fund representative for questions, statements and correspondence

Designated Fund Advisor Responsibilities

- Serve as fund representative for questions, statements and correspondence
- Person associated with designated organization is also listed as a fund representative to request the annual check and quarterly fund statements

Scholarship Fund Advisor Responsibilities

- Recommend scholarships in partnership with the designated scholarship committee. Such committee members may include the original donor or his/her designee, a high school guidance counselor, college administrator, a committee established through the local affiliate board of directors or any other representative in the community. The scholarship committee member's title or position, rather than an individual's name, should be used to ensure that the committee member seats can be filled (i.e., Watauga County High School guidance counselor, Principal of New Bern High School, etc.)
- Receive fund statements and appropriate correspondence

Agency Fund Advisor Responsibilities

- Recommend whether to receive the recommended payout or reinvest
- Designate fund representative for questions, statements and other correspondence

The Foundation will recognize recommendations from any single advisor unless otherwise specified in the Fund Agreement signed by the original donor. If a nonprofit organization, group of individuals, or business entity has established an endowment fund, one or two individuals may be designated to make recommendations.

Changing or Adding Advisors

Only advisors named in the Fund Agreement and/or communicated in writing by the original donor to Foundation staff may make advisory recommendations for the fund. During the lifetime of the advisor(s) to the fund, the advisor(s) may request in writing that the Foundation add or change advisors to the fund which will be carried out through an addendum to the original agreement. The original donor may also add or change advisors by a direction in his or her will.

Fund Correspondence

Unless otherwise noted, the fund advisors specified will be the main contacts to receive quarterly statements and other information pertaining to the fund. It is the fund advisor's responsibility to apprise the Foundation of changes in status or address.

VII. Investment of Funds

The North Carolina Community Foundation has ultimate responsibility for investing component funds and allocating investment earnings. The Foundation Board of Directors has appointed a Finance Committee to advise the full Board as to its investment and allocation functions. The Finance Committee monitors performance of the component funds.

The overall investment objective of the Foundation is to preserve and protect fund principal while achieving a rate of return of 5% above the rate of inflation, as measured by the CPI index, over a complete market and economic cycle (generally 3 to 5 years). Achieving these objectives will require assuming a moderate level of risk, a long-term investment horizon and diversification among assets.

Retention and Investment

The Foundation has entered into revocable trust agreements with various trust departments of North Carolina-based commercial banks and various other financial managers for the actual investment of component fund assets in their general combined trust investment pools (common trust funds). The Foundation maintains a number of asset managers that are monitored by Foundation staff and the Finance Committee.

Endowment fund assets are commingled, for investment purposes, with those of other endowment funds, with other Foundation funds, and with other funds unrelated to the Foundation under the control of the same manager in the common trust funds. The Foundation, however, shall have no obligation to commingle assets for investment purposes and may, in its discretion, retain any assets received or hold the assets of a component fund as a separate unit for investment purposes.

Common trust fund investments will be made in accordance with policies recommended by the Finance Committee and approved by the statewide Board of Directors. Any investment or reinvestment of assets shall be made only if such investments are appropriate for a prudent fiduciary.

Non-endowed gift funds will be held in temporary cash management accounts pending distribution to beneficiaries and will earn interest based on current money market rates.

Upon request, the Foundation will provide investment information to the public, including the names of investment managers, investment and administrative fees, and committee members responsible for the Foundation's investment objectives, policies and decisions.

Allocation of Income and Market Value Adjustments

On a monthly basis, all component funds will have the interest, dividends, and realized and unrealized gains and losses allocated to the fund. Allocations are based on the previous month's ending fund balance.

VIII. Fees

As your trustee, the North Carolina Community Foundation provides expert portfolio management through our family of financial institutions and fund accounting by financial professionals in our office. Annual fees are applied for administration of endowed and non-endowed gift funds. Additionally, investment fees are netted from fund performance by the investment manager.

The Foundation assesses annual fees on all funds at the rates listed below OR at a minimum of \$250 annually (\$20.83 per month), whichever is greater.

Type of Fund	Fee Rates
Affiliate Unrestricted Funds	1.0% of average balance
Field of Interest & Geographic Region Funds	1.5% of average balance
Donor Advised Funds	1.5% of average balance
Designated Funds	1.0% of average balance
Scholarship Funds	1.5% of average balance
Agency Funds	1.0% of average balance
Non-Endowed Gift Funds	1.5% of average balance
Funds in Excess of \$1,000,000	Negotiable

- The fee is assessed monthly for the Foundation Operating Fund and constitutes an administrative charge for all services routinely provided by the Foundation.
- In the event a donor requests services beyond the routine, the Foundation reserves the right to assess additional reasonable administrative fees.
- Unusual or extraordinary legal fees will be charged to a fund with full disclosure.
- Fees in the table above are subject to change with approval of the Foundation's Board of Directors based on recommendations from the Finance Committee.

Extraordinary Distributions

Requests for an extraordinary distribution from a fund should be made to the President of the Foundation. The request will be reviewed for adherence to certain requirements, then submitted to the Finance Committee at the next regularly scheduled meeting. The Committee's decision will be communicated in writing immediately following the meeting.

Extraordinary distributions are subject to a 10% withdrawal fee, unless a satisfactory repayment plan has been arranged with the Committee. The 10% fee will be transferred to the local affiliate's unrestricted fund to continue the legacy of philanthropy and enhance the community's quality of life.

IX. Financial Reporting

The North Carolina Community Foundation's financial statements are prepared in accordance with generally accepted accounting principles. The Foundation's fiscal year end is March 31. The financial statements are audited annually by an independent accounting firm and are available upon request. A financial statement is included in the Foundation's annual report. A report of all distributions from component funds is included in the annual report as well.

All fund advisors and established beneficiaries receive quarterly fund reports. These reports summarize all activity in the fund for the quarter. These reports are mailed within 45 days after the appropriate quarter end. A detailed list of all contributors and grants from the fund will also be included in this report.

Presidents and treasurers of established community affiliates receive quarterly summary reports of the balance of their affiliate unrestricted fund. These reports may also be requested throughout the year.

X. Public Access to Tax Documents

Form 990 - Return of Organization Exempt From Income Tax - shall be made available upon request in writing or in person to anyone as required by the Internal Revenue Center, Code Section 301.61049(d).1 thru 301.61049(d).3 for no fee. Request for documents should be made to the Chief Financial Officer. Form 990 may also be accessed online at www.guidestar.com.

Request for other types of documents must be in written form and approved by the President with respect to privacy laws.

XI. Diversity

To effectively serve the charitable interests of North Carolina's diverse people, cultures and communities, the North Carolina Community Foundation continues to seek and retain diverse staff and board members, affiliate fund and advisory board members, donors and volunteers. The Foundation takes care that its community leadership efforts and grants programs address diverse causes and constituencies and that its policies and practices do not promote exclusivity.

XII. Confidentiality

In order that all private information with respect to donors and prospective donors is kept confidential, employees of the North Carolina Community Foundation are required to sign the Foundation's confidentiality agreement.

The Foundation does not provide donor contact information to any outside source.

Gifts to charitable organizations through an endowed fund may be made anonymously by communicating this desire to Foundation staff. Gifts may also be made anonymously to a Foundation component fund by communicating such a desire through a Foundation staff member.

XIII. Communications

In keeping with its mission of building philanthropy across North Carolina, the North Carolina Community Foundation actively shares information about its mission and operations with the public and welcomes public inquiry. As such, the Foundation publishes a newsletter twice annually, as well as a comprehensive annual report describing the Foundation's mission, activities, leadership and finances.

The Foundation maintains a website with up-to-date information located at www.nccommunityfoundation.org. All publications are disseminated widely by mail to current and potential donors, board members, committee volunteers, grantees and to the general public via the Foundation website. Some publications are disseminated based on the size and frequency of gifts made by an individual or group.

XIV. Information Printed in this Guide

The information contained in this document is as current as the printing of this document. The North Carolina Community Foundation makes every effort to keep this policy and procedures manual up to date. From time to time, changes or additions are possible. Please check with a Foundation staff member to make sure this disclosure statement is the most current copy available.