

**Fairfax County Public Library Foundation, Inc.**  
doing business as

**FAIRFAX LIBRARY FOUNDATION**

**FUND MANAGEMENT POLICIES**

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# **Policy on Gifts**

## **I. Acceptance of Gifts**

All gifts -- cash, planned, or in-kind -- will be accepted only if policies are met and any stipulation is approved by the Foundation Board of Directors or its designee.

The Foundation, will not accept gifts that do not serve the best interest of the Foundation or the Library or obligate the Foundation or the Library to undertake responsibilities, financial or otherwise, that they may not be capable of meeting.

Any gift may be made in honor of anyone the donor designates.

Naming and commemorative options and all donor recognition will follow approved Foundation guidelines.

### **A. Cash**

The Foundation will accept gifts of cash, checks, or credit cards.

### **B. Securities**

The Foundation will accept gifts of liquid (or readily-transferable) securities. The Executive Director (or the Board's designee), with the Board Treasurer's approval, will authorize the sale of securities at the earliest opportunity.

The Foundation will report gifts of securities at market value on the date the Foundation, or its designated broker, receives the certificate. The closing price of the day will be used.

The donor will be credited for the full amount of the stock gift established on the day of its receipt based upon current IRS rules. This amount will be entered in Foundation records (e.g., ledgers, thank-you letters, pledge fulfillment, honor roll or other recognition).

The difference between the gift amount and the cash actually realized from the stock's sale is handled through appropriate accounting entries.

The Finance Committee will consider gifts of non-liquid securities subject to committee approval and economic conditions.

### **C. Real Estate**

The Foundation may accept gifts of real property, including a personal residence, a commercial building or any undeveloped parcel of land. The gift can be the entire property or a fractional interest in the property.

The Board of Directors, following review by the Finance Committee must approve donations of real estate. The Board may choose to hold donated property for investment purposes at its discretion.

In the event that real estate or interests in real estate not readily saleable is offered to the Foundation, the property will be accepted only if ownership imposes minimal financial, managerial, or other burdens on the Foundation.

Gifts of real estate must follow state regulations and Foundation policy on new environmental and liability issues.

When submitting an offer of real estate, a prospective donor will be requested to furnish an MAI or SREA appraisal, a clear title search, verification of the absence of environmental hazards and any other inspections that are deemed advisable by legal counsel as if the property were being purchased. The Foundation's Board of Directors may approve payment for some or all of these expenses, including the environmental survey.

#### **D. In-Kind Gifts**

In-kind gifts are any contribution of property - except for used books and materials - that benefits the Foundation or the Library.

Gifts must follow IRS guidelines and forms on obtaining objective appraisals and tax filings.

Following receipt of gifts in-kind, the Library branch/department completes and sends a gift form to the Foundation office. The Branch Manager, or designee, will send an acknowledgment to the donor. The Foundation will acknowledge all in-kind gifts received through the Library's Collection Management & Acquisitions Department.

Gifts in-kind donated to the Foundation and transferred to the Library must be determined in advance by the Library to ensure the gift is appropriate.

## **E. Planned Giving**

The Foundation may receive planned gifts but is not in a position to administer certain types of gifts without specific approval by the Board of Directors. Planned gifts must be reviewed by the Finance Committee and approved by the Executive Committee.

The Foundation may accept the following types of planned gifts:

1. Bequests
2. Life Insurance
3. Charitable Remainder Trust
4. Charitable Lead Trust
5. Gift of Remainder Interest in Personal Residence or Farm

Other types of planned gifts will be considered as appropriate, recognizing that administrative expenses will be cost justified.

Planned gifts will be included in the Foundation's financial statements as directed by the auditors.

## **F. Grants**

The Foundation will accept grants following the policy on Grants.

## **II. Unrestricted Gifts**

The Board may set aside or designate, from time to time, unrestricted monies for specific projects. However, since the Board may change the designation, the funds remain unrestricted.

## **III. Restricted Gifts**

Though unrestricted gifts are encouraged; a donor may make a restricted gift directed toward general categories as established by the Foundation.

Acceptance of restricted gifts imposes a legal obligation to comply with the terms established by the donor.

The terms of restricted gifts must be clearly documented in writing and staff responsible for administering the gift should follow these guidelines.

# Policy on Grants

## I. Approval of Grant Applications

### A. Approval authorization

All Grant applications submitted on behalf of the Fairfax Library Foundation require prior approval by the Foundation. They must be submitted to the Foundation with adequate lead time to allow for appropriate review and approval.

Grant applications seeking up to \$25,000 may be approved by the Executive Director of the Foundation, with board consultation, when deemed necessary. Grant applications from \$25,000 to \$150,000 must be reviewed and approved by the Executive Committee. Any grant application over \$150,000 must be approved by the Foundation Board of Directors.

Any grant application that requires the raising of matching funds by the Foundation must be approved by the Board of Directors.

Any grant application that would trigger additional audit requirements for the Foundation, especially an A-133 federal audit requires special consideration prior to submission.

### B. Approval Criteria

To be approved, grant requests must:

1. Include appropriate and original signatures.
2. Relate to the Foundation's mission and annual priorities.
3. Include standard overhead % as stated in the Fund Management Policy Manual for the Foundation in the grant budget, unless otherwise determined by Foundation.
4. Provide a clear and accurate budget, and a clear narrative describing project goals, objectives, and activities.
5. Include a clear assignment of responsibilities for grant administration and reporting. Grant reporting requirements must follow established Foundation guidelines in the Fund Management Policy Manual.
6. Ensure that all grant funding must be made directly to the Foundation from the grantor.
7. Provide accurate and appropriate contact information for Foundation and Library staff.

## **II. Tracking and Reporting**

### **A. Tracking**

In consultation with Library staff and others submitting grants, the Foundation will maintain a grants' tracking list including:

1. Grants proposals being developed
2. Pending grant proposals
3. Awarded grants
4. Denied grants

Grant proposals in this list will be referenced by the prospective funder name immediately followed by the grant title (e.g., Dept. of Education: Computer Clubhouses).

Library staff or others submitting grants on behalf of the Foundation, will provide written updates on grant status as information is received and transmit a copy of all correspondence and documentation to the Foundation.

This will provide a cross-departmental list of all grants to facilitate awareness and avoid duplication.

### **B. Reporting**

Library staff charged with carrying out grant-funded activities will provide the Foundation with appropriate and timely written material and budget accounting to be used in grant reporting, including all evaluation reports, expenditures and in-kind support from every source (time sheets, supplies, printing, etc...).

## **III. Public Relations**

Public announcements of grants received will be coordinated between the Foundation and the FCPL Public Information Office, and will include the Foundation as the grantee (i.e.: sponsored by XYZ Company through the Fairfax Library Foundation).

All FCPL programs resulting from a Foundation grant will include a credit to the Foundation in all written and internet materials and will include the Foundation's logo where possible.

In coordination with the FCPL Internet Services Department, approved information concerning awarded grants will be included on the Foundation's website.

The Foundation's Executive Director, in consultation with the Public Relations Committee, as necessary, will approve all press information about Foundation grants prior to release.

# Policy on Accounting Practices

## I. Fund Development

Funds will be raised for well-defined, pre-approved and prioritized needs.

Unrestricted funds will always be a major priority.

Restricted-fund requests will include, when appropriate, indirect costs or overhead expenses the Foundation and the Library will incur managing the program.

Pledges or commitments should only be counted as "raised" or "recorded" once they are in written form with the donor's signature and date.

Interest income on restricted and unrestricted funds can be counted as "new money" toward funding goals. This may be calculated quarterly or annually.

*Note: Donors of restricted funds have the option of the interest income to be restricted to the program/service.*

As standard practice, gift acknowledgments will be mailed within five business days after a gift is received. The gift acknowledgement will serve as the donor's receipt.

The donor of a significant gift or pledge will receive a phone call from the staff, Committee member or Board Director.

## II. Fund Management

Timely acknowledgement and reports will be generated and distributed to donors, Committees, and the Board, as appropriate.

Restricted and unrestricted funds will be segregated in a way that ensures fund control, management of information and donor confidence.

The Foundation will follow state and standard guidelines on modes of operation. Examples include:

- A. Reimbursement or advances will not be made to the Library without proper documentation.
- B. The Foundation must not be used to circumvent County procedures that the Library must follow.

### **III. Banking**

All receipts for contributions, proceeds from special events and other sources will be deposited in a Foundation bank account immediately upon receipt. Documentation associated with the cash receipts will be kept on file, including copies of written receipts, deposit slips, etc.

Bank accounts will be in the Foundation's name with monthly statements mailed to the Foundation's office. Signature cards for the Foundation Board Chair, Treasurer, and Executive Director will be filed with all banks. One signature is required for checks under \$1,000. Two signatures are required for amounts over \$1,000. Checks made payable to staff (i.e. expense reimbursements) must be signed by the Foundation Board Chair and/or Treasurer.

Recommendations for banking practices resulting from the annual audit will be reviewed and considered by Finance Committee, which will recommend appropriate changes to the Board of Directors.

### **IV. Budget**

The Finance Committee will submit an annual budget to the Board of Directors for adoption prior to the beginning of each fiscal year. The budget will set out in reasonable detail the planned & anticipated income and expenditures for the fiscal year.

- A. The Foundation's Executive Director is authorized to commit or obligate the Foundation for budgeted expenditures.
- B. Non-budgeted expenditures under \$500 require the approval of the Treasurer.
- C. Non-budgeted expenditures of more than \$500, but under \$2,500 require the approval of the Finance Committee.
- D. Non-budgeted expenditures of more than \$2,500 but under \$10,000 require the approval of the Executive Committee.
- E. Non-budgeted expenditures over \$10,000 require the approval of the Board of Directors.

## **V. Recording and Reporting**

Records of all financial contributions will be maintained in detail, and copies of all documentation related to expenditures will be kept on file in the Foundation office. Financial accounts will be reconciled monthly.

A financial report, including a summarized balance sheet and summarized income and expense statement, will be presented at each Board of Directors meeting.

The Foundation will maintain appropriate backup information at an off site location.

## **VI. Audit**

The Foundation's financial statements will be audited by independent certified public accountants during the first quarter of each fiscal year.

The accountants' audit report will be presented to the Board of Directors at the first Board meeting after the audit report is received.

# **Policy on Investments**

## **I. Purpose**

The purpose of the Investment Policy is to provide general guidelines for the prudent investment management of the Foundation's assets.

## **II. Authority for Implementing the Investment Policy**

The overall responsibility of investment management duties for all of the Foundation's assets resides with the Board of Directors, following the overall investment policy guidelines established by this policy statement.

The Board of Directors delegates the day-to-day management of the Foundation's assets to the Finance Committee, following the overall investment policy guidelines established by this policy statement.

The Treasurer is authorized to implement the approved investment decisions of the Finance Committee, following the overall investment policy guidelines established by this policy statement.

## **III. General Investment Objectives and Guidelines**

The following objectives and guidelines will be followed to ensure the investment policy statement is consistent with the current mission of the Foundation and accurately reflects the current financial condition:

- A. The policy on investments will be reviewed at least annually by the Finance Committee.
- B. Recommendations for any revisions or modifications will be made by the Finance Committee to the Executive Committee.
- C. The Executive Committee will approve, reject or modify recommendations and submit them to the Board of Directors for final approval and implementation.

## **IV. Operating Reserves**

The Operating Reserves will not exceed two years of budgeted expenditures.

The purpose of the Operating Reserves is security of principal and liquidity with income secondary.

Operating Reserves shall include high yield bank deposits which may include money market instruments, repurchase agreements and other bank deposits. Deposits must be FDIC insured.

At fiscal year end, up to 50% of any surplus may be distributed to the Library for unbudgeted requests and the balance will be transferred to the Endowment.

## **V. Endowments**

### **A. Purpose**

The purpose of the Endowments is to provide financial stability for the Foundation and income to enhance the Library.

### **B. Objectives**

The objectives of the Endowments will be pursued as a long-term goal designed to maximize the returns without exposure to undue risk, as defined in this Policy. It is understood that fluctuating rates of return are characteristic of the securities markets. The greatest concern should be long-term appreciation of the assets and consistency of total portfolio return against the designated benchmarks. Recognizing that short-term market fluctuations may cause variations in the account performance, the expectations of the account will be to achieve the following objectives over a three to five year time period:

1. The target return on the investment portfolio will be an annualized real rate of total investment return net of any fees of 6%. Total investment return is the income received (interest and dividends) plus realized and unrealized capital gains and losses.
2. The total expected return on the equity portion of the account net of all fees will meet or exceed the Standard & Poor's 500 Composite Index.
3. The total expected return on the fixed income portion of the account net of all fees will meet or exceed the Lehman Brothers Government Bond Index.

Understanding that a long-term positive correlation exists between performance volatility (risk) and expected returns in the securities markets, the following is a short-term objective:

*The portfolio should be invested to reduce the likelihood of low negative total returns.*

### **C. Policies**

The investment policies serve as a framework to achieve the investment objectives at a level of long-term risk to principal deemed acceptable. These policies are designed to minimize interfering with efforts to attain overall objectives and the exclusion of appropriate investment opportunities.

## **1. Fiduciary Standards**

The assets of the Endowments will be invested in a manner that is consistent with generally accepted standards of fiduciary responsibility. The safeguards that would guide a prudent person will be observed. All transactions that utilize assets of the Endowments will be undertaken for the sole benefit of the Endowment.

## **2. Cash Income Requirements**

The investment of the Endowments will provide adequate liquidity to meet annual disbursement requirements.

## **3. Measurement Period**

In most cases, a market cycle of from three to five years duration is required for judging whether that Rate of Return and the Relative Performance objectives have been met.

## **4. Permissible Investments**

Assets may be invested in publicly-traded common and preferred stocks, Exchange Traded Funds (ETFs), separately managed accounts (SMAs), mutual funds, wrap programs, and fixed income securities, whether interest-bearing or discount instruments, including money market instruments, subject to any restrictions as specified. No other securities are permissible investments without the specific approval of the Finance Committee.

## **5. Asset Allocation**

The long-term financial requirements of the Endowments suggest a balanced investment approach. Specifically, the investments must conform to the following asset allocation guidelines without significant overweight in any single asset class:










	<u>Long-Term Target</u>	<u>Allowable Range</u>
Equity	60%	40% - 75%
Fixed Income	35%	10% - 45%
Cash Equivalents	5%	0% - 10%

These percentages will be based on the fair market value of investments determined at the time of settlement.

## **a. Equities**

The overall management of the asset allocation of Endowments that is committed to equity securities should be characterized by the following:

- i. A focus on long-term equity performance, not short-term trading opportunities, achieved through capital appreciation and dividend growth.
- ii. Diversification should be sufficient to moderate risk, but not so excessive as to preclude attainment of optimal results. No more than 5% of the market value of the portfolio may be initially invested in the stock of any one issuer. No more than 10% of the market value of the portfolio may be invested in the stock of any one issuer without the approval of the Finance Committee. Broad economic sector and industry diversification should be maintained.
- iii. Sector weighting is acceptable.
- iv. The following are not permissible investments:





-  Investment in non-public corporations
-  Short sales on any type
-  Letter or restricted stock
-  Buying or selling on margin
-  Penny stocks
-  Commodities or commodity contracts
-  Venture Capital
-  Arbitrage
-  Individual options contracts

## **b. Fixed Income**

The portion of the Endowments committed to fixed income securities is to emphasize intermediate-maturity bonds, defined as having an average maturity between 4-7 years.

- i. The weighted-average maturity of fixed income investments should be 7 years or less at all times. The maximum on an individual issue will be 10 years.
- ii. Fixed income investments are to be of high quality. The minimum quality rating should be investment grade or higher.
- iii. Adequate diversification by issuer and sector should be maintained. However, this diversification requirement shall not apply to U.S. Treasury and agency obligations which may be held in unlimited amounts within the fixed income component of the Fund. The maximum investment in any individual corporation's debt shall not exceed 10% of the fixed income portfolio.

iv. The following are not permissible investments:

-  Tax-exempt Bonds
-  Bonds, notes or other indebtedness for which there is no public market (private placements)
-  Corporate obligations not rated at least “BBB” or investment grade by both Standard & Poor’s and Moody’s at the time of purchase
-  Unrated corporate bonds

### **c. Cash and Cash Equivalents**

The investments in this category include: cash, money market funds, demand deposits, U.S. government and agency issues, and corporate issues of one year or less, certificates of deposit, commercial paper and repurchase agreements.

## **D. Investment Manager Guidelines**

The following procedure will be followed to engage a new or replace a current investment manager:

1. The Finance Committee will recommend removal or replacement based on performance or a change in the requirements of the Foundation or their investment activities.
2. An independent committee appointed by the Board Chair will follow procedures established by the Finance Committee.
3. The Finance Committee will make recommendations to the Executive Committee.
4. The Executive Committee will submit recommendations to the Board for final approval.

The investment manager will provide a monthly report to the Treasurer, Executive Director, and all others requested of all activities of the Endowments showing all assets held by investment category, income earned during the period and transactions. In addition, the investment manager will provide a quarterly performance report to the Treasurer and Executive Director which compares results achieved with the various standard indices (i.e. S&P 500, Lehman Intermediate, etc.). On a semi-annual basis, or more often at discretion of the Finance Committee, the investment managers will meet with the Finance Committee to discuss portfolio content, investment strategy, portfolio performance and any proposed changes in the objectives of the Investment Policy.

## **E. Transfer of Funds**

Funds will be transferred into the Endowments on a quarterly basis.

## **F. Distributions**

A maximum of four percent of the total value of the Endowments may be withdrawn annually for distribution, based on the previous five year average. The distribution calculation from the General Endowment will be based on the fiscal year, while the calendar year will be utilized for the Macleod and Children's Reading Program accounts.

Eight percent of the distribution will be placed in the Operating Reserves. The remaining 92 percent of the distribution will be used for the purpose of that Endowment.

## **G. Types of Endowments**

Although contributions to the General Endowment are encouraged, contributions to Restricted Endowments and Donor Advised Endowments will be accepted.

A Named Donor-Advised Endowment generally requires a minimum gift level of \$1,000,000.

Agreements for Restricted Endowments and Donor Advised Endowments will include, when appropriate, a "Redirection Clause," allowing the Board to redirect the endowment if the original need or purpose of the Endowment ceases to exist.

### **1. Restricted Endowment**

A donor may make a Restricted Endowment gift directed toward general categories as established by the Foundation.

### **2. Donor-Advised Endowment**

A donor may recommend a Donor-Advised Endowment with its distributions directed toward a specific purpose. A Donor-Advised Endowment requires a minimum gift level of \$500,000.

Prior to acceptance of a Donor-Advised Endowment gift, the proposed gift will be reviewed and approved by the Foundation Executive Director, the Executive Committee, and the Library Director on behalf of the Library Board of Trustees.

# **Policy on Distributions to the Library**

## **I. Purpose**

The Foundation's Financial Distributions to the Fairfax County Public Library are intended to provide supplementary support to enhance, not replace the County's responsibility to the Library.

## **II. Financial Distributions**

The Library Director will keep the Foundation Chair and Executive Director aware of the Library's needs and priorities, so financial distributions to the Library should be well planned and budgeted annually.

- A. The Library Board of Trustees will submit a list of desired Library enhancements by February 1 to be considered for funding to the Foundation Chair.
- B. The Executive Committee will develop a plan with recommendations for allocation of funds stemming from a review of the Library's request and the Foundation's available funds.
- C. This plan will be included in the Foundation's budget.
- D. The Executive Committee will review requests proposed during the year that represent a change in the plan and make recommendations as appropriate following all Foundation Policies.

Financial distributions to the Library may occur in one of two ways: reimbursements to the Library or advances to the Library, as needed.

The Foundation may hold & invest funds to earn interest income until the Library requires the funds.

## **Amendments**

The Finance Committee shall periodically review the “Fund Management Policies” and will recommend changes as deemed necessary to the Executive Committee.

The Executive Committee will approve, reject or modify recommendations and submit them to the Board for final approval by the Board of Directors.

The Policies will remain in force until changed by Board motion and approval.

## Definitions

An Endowment is a gift accepted with the stipulation that the Endowment will be maintained in perpetuity, or until the occurrence of a specified event, or for a specified period. A maximum of four percent of the total value of the Endowment may be withdrawn annually, either for the Foundation's general purposes (General Endowment); for purposes specified by the Foundation and agreed to by the donor (Restricted Endowment); or for purposes specified by the donor and agreed to by the Foundation (Restricted-Designated Endowment).

Operating Reserves will be used whenever possible. Surplus income will be transferred to the Operating Reserves for budgeting and spending.

Gift In-Kind is any contribution of property - except for used books and materials - that benefits the Foundation or Library.

A Named Account will be considered with a minimum Endowment gift of \$1,000,000.

Planned Giving or deferred giving are terms used to describe gifts of money, securities, or other property made for future, or sometimes present, use. The Foundation will consider Planned Giving to include Bequests, Life Insurance, Life Income Plans, and other types of planned gifts after review & approval by the Finance Committee & Executive Committee. The administration by the Foundation staff (e.g. reporting, accounting, etc.) will be a consideration for approval & acceptance of Planned Gifts.

A Redirection Clause will be included and specific to each endowment to allow the Board to redirect the Endowment if the original need or purpose ceases.

A Restricted Gift is a contribution given with the donor's stipulation as to the specific use of the gift. Its purpose is specified by the Foundation and agreed to by donor.

A Restricted-Designated Gift is a contribution given for purposes specified by the donor and agreed to by the Foundation.

Short-Term Investments are funds not needed for the current operation of the Foundation. They will be invested in instruments guaranteed by the good faith and credit of the United States government, or money market funds, and/or insured Certificates of Deposit composed of such instruments with terms of eighteen months or less.

Total investment return is the income received (interest and dividends) plus realized and unrealized capital gains and losses.

An Unrestricted Gift is a contribution to the Foundation without any stipulation as to its use. Such a gift is used at the discretion of the Board of Directors.