

THE VERMONT COMMUNITY FOUNDATION

CHARITABLE GIVING HANDBOOK FOR PROFESSIONAL ADVISORS



**WORKING TOGETHER FOR
MORE POWERFUL PHILANTHROPY**

GUIDE FOR PROFESSIONAL ADVISORS

WORKING TOGETHER FOR MORE POWERFUL PHILANTHROPY

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1. About the Vermont Community Foundation



“Professional advisors are some of our most trusted partners in helping meet the philanthropic goals of Vermonters.”

— Dan Smith
Vermont Community Foundation
President & CEO

OVERVIEW

The mission of the Vermont Community Foundation is to align philanthropy to support the strength and vitality of Vermont communities and provide personalized service for your clients’ charitable giving. Many estate attorneys, accountants, and financial advisors around the state view the Community Foundation as a key partner in helping their clients meet and achieve their charitable goals.

Community foundations are public charities serving people who share a common interest—improving the quality of life in their area. Individuals, families, businesses, and organizations create permanent charitable funds that help their region support opportunities and meet challenges over time, and community foundations invest and administer these funds.

All community foundations are overseen by a volunteer board of citizens that works toward the greater good of the community.

The first community foundation was established in 1914 by a Cleveland banker, and today nearly 800 community foundations in the United States administer more than \$84 billion in charitable funds to address the core concerns of the communities they serve. And worldwide, there are more than 1,800 place-based foundations empowering people to address local challenges and opportunities. Community foundations are designated tax-exempt public charities, rather than private foundations, because they raise a significant portion of their resources from a broad cross-section of the public each year.

The Vermont Community Foundation was established in 1986 as a permanent source of support for the state. We are a family of hundreds of funds and foundations created by Vermonters to serve their charitable goals. We provide the advice, investment vehicles, and expertise to make your clients’ giving easy and inspiring.

WHAT WE DO

The Vermont Community Foundation is a leader in supporting charitable organizations and strengthening our communities by:

- Helping donors find and fund the causes they love.
- Building strong communities by supporting nonprofits with investments and direct grants.
- Providing leadership to inspire giving and coalesce philanthropic resources by working with donors and partners across the state.

2. Working With Us

The Community Foundation is focused on building sustainable philanthropic resources that will benefit Vermont for generations to come. Our goal is to develop strong, trusting relationships with our partners over time—we want to help people explore, understand, and evolve their philanthropic goals. And we also believe that anyone can make a difference, regardless of their capacity to give.

The Vermont Community Foundation family is made up of hundreds of generous individuals, families, businesses, and nonprofit organizations. They may have chosen to work with us for different reasons, but what they all have in common is their love of Vermont and their love of giving. Read some of their stories at vermontcf.org/stories.

We also invite you to watch a series of videos at vermontcf.org/videos that provide a real sense of our history and mission, along with the different people and organizations that work with us.



“I value the Community Foundation’s ability to listen to the unique needs of my clients and provide expertise on a broad range of charitable giving options.”

— Molly Bucci, Esq.
Clarke Demas & Baker, PLC

3. Partnering with Professional Advisors



“The Community Foundation is one of the pillars of Vermont’s resiliency. The people and the organization continue to be a key resource for me and for my clients.”

— Jason Cadwell
Vermont Pure Financial

Whether you are an attorney, financial planner, or tax advisor, the Community Foundation can assist you and your clients in structuring charitable gifts that establish an enduring community legacy.

The Foundation is your trusted partner in the business of philanthropy and provides a full, flexible range of charitable giving options. A relationship with us makes it easier for your clients to give effectively, receive significant tax benefits, and take advantage of our expertise in philanthropic advising in Vermont.

Our staff manages everything from basic to complex structures. Whether your clients want a donor advised fund that functions like a charitable checking account or like a family foundation that has its own board of directors and competitive grant rounds, we have the expertise to take care of all the details. Your clients can enjoy the pleasure of giving without the burden of administration because we provide the support services, including accounting, auditing, financial management, due diligence, grantmaking, and evaluation. And one supporting fee covers all of our services.

The funds we manage grant out more than \$32 million annually throughout Vermont and beyond, and our staff is here to help your clients expand their portfolio of giving options by diving deeper in a specific interest area or learning something new. Many of our fundholders enjoy supporting innovative and inspiring projects they learn about through Giving Together, our program that shares the best grant proposals we receive from Vermont nonprofits throughout the year. When you and your clients partner with the Community Foundation, you become part of something bigger than any one individual—you join a family of people who care deeply about Vermont and are committed to doing great things together for their community.

BENEFITS FOR YOUR CLIENTS

- Option for personalized guidance from a Community Foundation philanthropic advisor.
- Wide variety of charitable giving options.
- Flexibility to establish funds with appreciated securities.
- Efficient grantmaking through donor advised funds.
- Option to involve family members.
- Opportunities to collaborate with other Foundation fundholders.
- Simplified tax deductions

- Access to a diversified investment strategy with a track record of growth over time. The Community Foundation’s prudent strategy aims for a strong long-term average investment return. Please visit vermontcf.org/investments to see our current and historical investment performance.

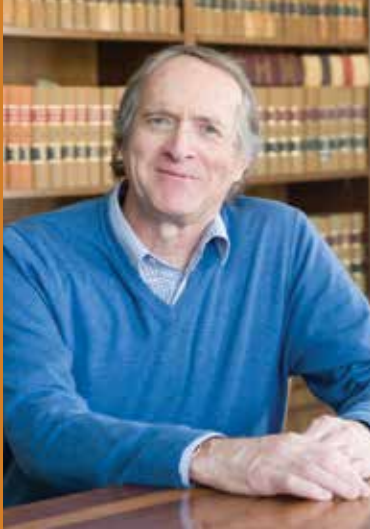
IT’S EASY TO GET STARTED

- We meet with you and/or your clients to explore philanthropic goals and create a charitable giving plan.
- We discuss the most effective way to leverage assets. Our public charity status provides maximum tax advantages under state and federal law, and we accept a wide variety of assets and can facilitate even the most complex forms of giving.



Pictured: Gravel & Shea attorneys Jeanne Blackmore, Navah Spero, Livia DeMarchis, and Jerry O’Neill often work with the Foundation to help clients meet their charitable goals.

4. Charitable Gift Options



“The Vermont Community Foundation is a fantastic resource for estate planning professionals in formulating and implementing the charitable goals of their clients.”

— Ed Campbell
Woolmington, Campbell,
Bent & Stasny, PC

We have experience with many sources of funding for establishing and growing charitable funds, some of which may allow your clients to contribute more than they originally considered. There are also some key tax considerations that may help your clients increase their gift amount.

CASH GIFTS

The simplest method of giving is to send a personal check.

APPRECIATED SECURITIES

When your clients give long-term appreciated securities, not only do they receive an income tax deduction equal to the market value of the securities, they also avoid capital gains taxes on the transfer.

BEQUESTS AND RETIREMENT PLANS

A will provision allows your clients to make a substantial contribution without diminishing the assets available during their life. Since bequests are deductible from a taxable estate, significant estate tax savings are possible.

CHARITABLE GIFT ANNUITY, CHARITABLE REMAINDER TRUSTS, AND CHARITABLE LEAD TRUSTS

A person could designate the Vermont Community Foundation as a beneficiary of a Charitable Gift Annuity, Charitable Remainder Trust, and/or Charitable Lead Trust. The assets of the annuity or trust can support either the Vermont Community Foundation’s discretionary grantmaking or a specific organization.

IRA ROLLOVER

- Donors over 70½ can make a direct transfer of up to \$100,000 to charity from a traditional IRA or Roth IRA. The rollover to charity counts toward satisfying the donor’s required minimum distribution and is not included as income to the donor. The donor avoids all income tax on the withdrawal, even if the donor doesn’t itemize after the new law. The net effect of making a charitable IRA rollover gift is to keep at least the same tax benefit as donors who still itemize their deductions.
- Remember the donor must strictly follow the rules to make a qualified charitable distribution from their IRA. Here is a checklist to follow:
 - ◆ Donor must have attained the age of 70½ at the time of the gift. It is not enough to have attained 70½ in the year the rollover is made.

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- ◆ The total amount that an individual taxpayer can make in charitable IRA rollover gifts in any year is limited to \$100,000.
 - ◆ Donors cannot give directly to donor advised funds, but can give to Community Foundation discretionary funds like the Philanthropic Leadership Fund, Samara Fund, Vermont Women's Fund, or Northeast Kingdom Fund.
 - ◆ The IRA administrator must make the rollover distribution directly to the charity. If the donor takes a distribution and then makes a gift, that does not qualify.
 - ◆ The donor can receive no benefit in exchange for the rollover gift, so only outright gifts to public charities qualify. No life income gifts. The gift also cannot go to a donor advised fund or supporting organization. It can be used to fulfill a pledge, however.
 - ◆ The donor is not entitled to an income tax charitable deduction for a charitable IRA rollover. The donor never paid tax on the IRA money and it will not be included as income on the donor's tax return, so there is no offsetting tax deduction.

REAL AND PERSONAL PROPERTY

A residence or other property, such as a farm or vacation home, may be given as an outright gift. Or your clients may prefer to give their property while retaining the right to occupy it for life. Personal property such as paintings, library books, cars, or musical instruments are also gifts to consider.

LIFE INSURANCE

When a life insurance policy is given to charity, the cash surrender value of the policy or the cost of a replacement policy is deductible as a charitable contribution. If your clients continue to pay premiums after the gift, these premiums are also deductible.

PRIVATE FOUNDATIONS

Some people decide to establish a fund with the Vermont Community Foundation with a grant from a private foundation or by converting the full assets of a private foundation into a fund or supporting organization at the Vermont Community Foundation. With one fee at the Community Foundation, your clients get all the services they need while being able to put their full focus and attention on their charitable endeavors. Our services include accounting, investments, grantmaking and check distribution, philanthropic advising, compliance and due diligence, informational and networking events with other philanthropists and fundholders, and succession planning.

5. Our Products and Services: Make a Difference Now



“We like the ‘community’ part of the Community Foundation... that’s very important to us. Giving a check is great, but we both love being connected to the work.”

— Josh and Kate Traeger

If your clients would like to establish a charitable fund and begin making grants right away to support the causes they care about, we have numerous options available. To help you and your clients compare available charitable giving options, please see the descriptions below and the charts on the following pages.

DONOR ADVISED FUND (ESTABLISHING MINIMUM \$25,000)

Donor advised funds offer a convenient, flexible way for individuals, families, businesses, or other groups to take an active role in making grant recommendations to support the causes they care about. Donors directly support qualified, publicly supported, 501(c)(3) nonprofit organizations through grant recommendations to the Vermont Community Foundation. Contributions to donor advised funds qualify for all available tax deductions and benefits allowable by current law. Contributions can be made to the fund at any time, and the donor has access to Foundation staff expertise, programs, and services as desired.

DESIGNATED FUND (ESTABLISHING MINIMUM \$10,000)

When a donor wants to provide permanent ongoing support for one or more of their favorite organizations.

DISCRETIONARY FUND (ESTABLISHING MINIMUM \$25,000)

We offer two types of discretionary funds:

With an UNRESTRICTED discretionary fund, the donor provides resources for the Community Foundation staff to make grants that respond to Vermont’s most pressing needs and challenges.

With a FIELD OF INTEREST discretionary fund, the donor specifies that staff-directed grants will support the causes they care about—the environment, the arts, or a specific community or region.

SUPPORTING ORGANIZATION (ESTABLISHING MINIMUM \$5 MILLION)

A supporting organization is part of the Community Foundation and is a good choice for donors who want the feel and identity of their own charitable foundation, without the administrative burden. A supporting organization maintains its own board of directors, makes grants, makes investment decisions, and takes other actions without needing approval of the Community Foundation's board. Gifts to a supporting organization are fully deductible at the current fair market value, including publicly traded or closely held stock.

Current supporting organizations of the Vermont Community Foundation include:

- Addison Community Athletics Foundation
- The Curtis Fund
- The J. Warren & Lois McClure Foundation
- Let's Grow Kids

A NOTE ABOUT PRIVATE FOUNDATIONS

Private foundations allow extensive donor control over grantmaking and board selection. However, they are more highly controlled by the government with special restrictions, including administrative and reporting requirements, excise taxes, and a required minimum payout.

COMPARING CHARITABLE OPTIONS

	VCF Donor Advised Fund	Commercial Donor Advised Fund
How It Can Support Your Charitable Giving	For individual, family, and corporate donors who wish to actively engage in their philanthropy through an administrative and programmatic partner. Donors can remain anonymous.	For donors who seek a transactional tool to give to causes and organizations with which they are familiar.
Personalized Charitable Advising	The Community Foundation provides personalized charitable advising to help donors find and fund causes that meet their philanthropic interests and passions. We offer educational events and materials, as well as opportunities to network with other Vermont donors.	Rarely
Individual and Family Strategic Charitable Planning	Philanthropic Advisors are available to work with individuals and families to facilitate and develop customized strategic plans for giving.	Rarely
Nonprofit and Community Expertise	The Community Foundation possesses unparalleled knowledge of Vermont nonprofit organizations, expertise in important community and state trends, ideas for where donors can make an impact, and opportunities to support distinctive projects.	Rarely
Succession and Legacy Impact	Fund remainder honors the intent of the donor with a geographic and issue-based focus on Vermont communities.	Varies. Absent a fund purpose that specifies a beneficiary organization, the fund remainder can be applied to charitable initiatives defined by the commercial financial institution.
Planned Giving	Comprehensive planned giving services provided, including vehicles such as charitable gift annuities, lead and remainder trusts, gifts of property, and bequests.	Rarely
Annual Costs	2% annually, with reduced fees for assets over \$3 million. Minimum initial gift of \$25,000.	Varies
Minimum Annual Payout Requirements	None	None
Administration (personnel, facility, gift and grant management)	Skilled financial services, operations, technology, administration, and compliance; full service support for finances and record keeping, and human resources. Online grant and fund management available.	Services provided by the financial institution.
Tax-exempt Status	Shares public charity tax-exempt status of the Community Foundation; not a separate corporate entity. No separate tax return required.	Shares public charity tax-exempt status of the financial institutions; not a separate corporate entity. No separate tax return required.
Annual Taxes & Filings	Not required (reported as part of the Community Foundation's annual reporting); exempt from regularly accruing excise taxes.	Not required (reported as part of the financial institution's annual reporting); exempt from excise taxes.

VCF Supporting Organization

Private Foundation

For individual, family, and corporate donors who want to retain involvement in grantmaking and investment decisions while avoiding the costs and structure needed to run a private foundation.	For donors who want extensive control over board selection, investments, and grantmaking.	How It Can Support Your Charitable Giving
The Community Foundation provides personalized staffing to supporting organizations and their Board, with support in developing grant guidelines and processes, identifying organizations and programs, reviewing grants, and evaluating results.	The foundation hires and manages staff, investment managers, and consultants.	Personalized Charitable Advising
Philanthropic Advisors can work with the supporting organization founders to facilitate the development of a customized strategic plan for giving.	The foundation hires and manages staff, investment managers, and consultants.	Individual and Family Strategic Charitable Planning
The Community Foundation possesses unparalleled knowledge of Vermont nonprofit organizations, expertise in important community and state trends, ideas for where donors can make an impact, and opportunities to support distinctive projects.	The foundation hires and manages staff, investment managers, and consultants.	Nonprofit and Community Expertise
N/A	N/A	
Comprehensive planned giving services provided, including vehicles such as charitable gift annuities, lead and remainder trusts, gifts of property, and bequests.	The foundation hires and manages additional consultant support.	Planned Giving
Customized per client, generally 0.75% to 2% (tiered) with minimum initial assets of \$5 million.	Varies	Annual Costs
None, although strongly encouraged.	Required payout for charitable purposes minimum of 5% of asset value.	Minimum Annual Payout Requirements
Skilled financial services, operations, technology, administration, and compliance; full service support for managing board meetings, gift and grant processes, finances, record keeping, and human resources.	Establishes, obtains, and maintains personnel, board members, facility, accounting, record keeping, grant and gift processing, tax accounting, etc.	Administration (personnel, facility, gift and grant management)
Uses public charity tax-exempt status of the VCF, but remains a separate corporate entity.	Established as a separate corporate entity with private foundation tax-exempt status from IRS.	Tax-exempt Status
Prepared and filed by VCF; exempt from regularly occurring excise taxes. Initial contributions to the fund have favorable deductibility benefits compared to private foundations.	Filed by private foundation with required supporting schedules (form 990PF); excise taxes are 1% to 2% of net investment income.	Annual Taxes & Filings

NONPROFIT FUND (ESTABLISHING MINIMUM \$25,000)

In addition to offering charitable products for individuals, families, and companies, the Foundation also offers services to Vermont nonprofit organizations. The Foundation is home to more than 150 nonprofit funds, which give even the smallest nonprofits access to low-fee, world-class investment management. By choosing to establish a nonprofit fund at the Foundation, nonprofits can focus on building healthy and vital Vermont communities while receiving support from an organization whose only business is philanthropy.

We offer two types of funds for nonprofits, and the primary difference is the process by which an organization may access the fund assets beyond the annual spending amount. Both fund types receive an annual spending amount that is available for distribution to the organization. The amount is based on a carefully calculated formula called a spending policy—currently set at 5% of the average balance of the fund over the previous 36 months.

- **NONPROFIT ENDOWMENT FUND:** Fund assets beyond the annual spending amount may be accessed only in circumstances of financial emergency or extreme need, and then only at the request of the organization's board and at the discretion of the Foundation. This fund type is suitable for organizations that intend to maintain assets in perpetuity, while providing annual support for programs and operations.
- **NONPROFIT RESERVE FUND:** Fund assets beyond the annual spending amount may be accessed without having to demonstrate circumstances of financial emergency or extreme need. Additional distributions are requested by the organization and are made at the discretion of the Foundation. Due to the nature of the investment pools, please note that this fund is not intended to be used as a "charitable checking account." This fund type is suitable for organizations that intend to maintain assets in perpetuity, but want to have flexibility in accessing the entire fund balance.

NONPROFIT ENDOWMENT FUND VS. NONPROFIT RESERVE FUND

	Nonprofit Endowment Fund	Nonprofit Reserve Fund
Description	A fund that protects medium to long-term assets (typically endowment or quasi-endowment) while receiving relatively even annual distributions.	Same as the Endowment Fund.
Minimum Contribution	\$25,000 to establish the fund; no gift minimum thereafter.	Same as the Endowment Fund.
Access to Fund Balance	The Community Foundation is required to evaluate and approve any requests for fund distributions in excess of the annual distribution.	The nonprofit organization has the ability to access the full balance of the fund.
Annual Distribution	Currently 5% of the fund's 36-month rolling average balance is used to calculate the fund's annual distribution amount. The spending policy—for each investment pool—is reviewed and set annually by the Foundation's Board of Directors.	Same as the Endowment Fund.
Supporting Fee	0.80% of the fund's market value annually. The minimum fee is \$200. The minimum fee will be assessed to funds with balances below \$25,000.	1.0% of the fund's market value annually. The minimum fee is \$250. The minimum fee will be assessed to funds with balances below \$25,000.
Assets in the Fund	Unlike a traditional investment institution, a community foundation cannot legally manage assets it does not own. Therefore, fund assets become the property of the Vermont Community Foundation. This layer of separation often helps bolster the confidence of your donors regarding the long-term health of your organization and helps protect your assets from liability and litigation.	Same as the Endowment Fund.

6. Our Products and Services: Leave a Legacy



As much as anything else, Karl Pfister loved to give. His children (pictured) are happy to know that his legacy of learning and curiosity will endure through the Pfister Fund for Vermont Education at the Foundation.

If your clients prefer to consider charitable giving that is fulfilled after their passing, we also have options for them to consider—some of which provide an income stream during their lifetime.

BEQUEST AND TESTAMENTARY FUND

If your clients are not able to make a substantial gift to charity at this time but want to leave something for Vermont, they might want to consider including the Vermont Community Foundation in their will or living trust. They can leave a stated dollar amount, a property, a percentage of their estate, or the remainder after distributions to other beneficiaries.

If your clients want to formalize a bequest and create a relationship with the Foundation, they might want to create a testamentary fund to eventually support the causes they care about. A testamentary fund is a means to guarantee the clients' charitable intentions are fulfilled after they have passed on. Setting up a testamentary fund with the Vermont Community Foundation is easy. The testamentary fund is established with a gift from the person's estate, either immediately by a bequest or after a period of time through a planned gift. For example, clients can choose to give a stated dollar amount, a specific property, a percentage of their estate; or they can make the gift contingent on certain events.

- The clients work with the Vermont Community Foundation to set up a testamentary fund, which includes outlining how they would like the fund administered. For example, the testamentary fund can be an advised, a discretionary, or a designated fund that benefits one or more nonprofit organizations.
- The clients keep a copy of the testamentary fund agreement with their estate documents.
- The gift that establishes the fund is fully deductible from any estate taxes.
- We support the charities in the name of the testamentary fund that their estate gift establishes.

BENEFICIARY DESIGNATION

Another way to leave a bequest is to name the Vermont Community Foundation as a beneficiary of the client's retirement plan or life insurance policy.

CHARITABLE GIFT ANNUITY

Establishing a Charitable Gift Annuity allows the clients and/or their beneficiaries to receive guaranteed income for life, benefit from an immediate income tax deduction, and leave a legacy that will support the causes they care about. Payments are based on age, and the clients may choose to defer receiving annuity payments.

After death, the remainder of the gift is used to establish a named charitable fund or added to an existing fund.

CHARITABLE REMAINDER TRUST

A Charitable Remainder Trust (CRT) allows the clients or their beneficiaries to receive income from an asset, knowing that whatever remains will benefit the causes they are passionate about.

When establishing a CRT, the clients transfer assets into a trust that provides them and/or the beneficiaries they select with income. The donors can choose fixed income for lifetime or a term of years or a variable income that changes annually with the value of the investments in the trust. At the end of the trust term, all remaining assets are distributed to a Vermont Community Foundation fund designated during the donor's lifetime.

We offer professional management, opportunities for diversification without loss to capital gains taxes, the prospect of tax-favored income, and a charitable deduction for the remainder value of the trust.

CHARITABLE LEAD TRUST

If your clients would like to establish a charitable fund but also want to transfer assets to heirs, a Charitable Lead Trust (CLT) may be the right fit. In the most common form, a donor creates a qualified trust document, names a trustee, and transfers assets to this trustee for a specified period of years or for the life of an individual. During the term of the trust, annual payments are made to the charitable organizations of choice. At the end of the trust term, the remaining assets pass to the heirs free of any further transfer taxes.

By carefully selecting the payout rate and the term length, the donor can greatly diminish or completely avoid the payment of any transfer taxes. Charitable lead trusts offer philanthropic individuals a splendid method of combining their annual philanthropy with a tax-efficient means of transferring wealth to the next generation.

7. The Power of Our Investments

The Foundation invests its assets to support the community's current needs while providing resources for future generations to address emerging needs. We use a well-diversified asset allocation strategy, executed through highly capable investment managers and index funds.

As a result, the Vermont Community Foundation Long-Term Investment Pool returns have historically exceeded the custom benchmark.

Please refer to page 22 (Section 10) to read about our Vermont-Based Mission Investing Program. Established in 2005, this program invests 5% of our pooled investments in Vermont.

To see the latest investment performance, please visit vermontcf.org/investments or contact us directly.

8. Our Investment Objectives and Strategy

We invest our assets to support the community's current needs while providing resources for future generations to address emerging needs. We use a well-diversified asset allocation strategy, executed through highly capable investment managers and index funds.

WHAT ARE THE FOUNDATION'S INVESTMENT OBJECTIVES?

Our investment objectives aim to:

- Earn a sufficient real rate of return on the Long-Term and Socially Responsible Pools to support the Foundation's spending guideline and maintain the purchasing power of its assets adjusted for inflation in perpetuity. For funds that will be granted out in a shorter time horizon, we have alternative options to provide less volatility and/or principal preservation.
- Control portfolio risk and volatility in order to provide as much year-to-year spending stability as possible and still meet the Foundation's return objective. The Foundation's strategy is designed to achieve its long-term objectives given that there will be both good and challenging years.
- Earn a rate of return that exceeds its customized benchmark over each five-year time period.

WHAT IS OUR INVESTMENT STRATEGY?

Our portfolio is constructed with the following in mind:

- Fully invest each pool's assets with disciplined rebalancing to achieve its goals. Allocate the majority of the portfolio to asset classes with high long-term returns, i.e., equities and alternative asset classes.
- Consistently utilize meaningful asset class diversification to achieve return objectives during a variety of economic and market conditions.
- Avoid attempts to predict short-term market behavior via market timing strategies.
- Retain world-class investment managers who are expected to outperform index funds over most three- to five-year periods. In areas where the Foundation does not believe meaningful or reliable above benchmark performance is available, index strategies are used.

WHAT TYPE OF INVESTMENT OVERSIGHT AND MANAGEMENT IS PROVIDED?

Through the Foundation's investment policy, the board of directors delegates investment management decisions to the CEO. The CEO seeks counsel from our investment committee and from Crewcial Partners, our investment consultant.

This investment team is responsible for reviewing the asset allocation, investment management performance, due diligence, and selection of investment managers. Crewcial Partners provides monthly investment manager performance reports and performs ongoing due diligence on investment managers, all of which is shared with the Foundation's investment team.

To see a list of our current investment committee members and learn more about Crewcial Partners, please visit vermontcf.org/investments or contact us directly.



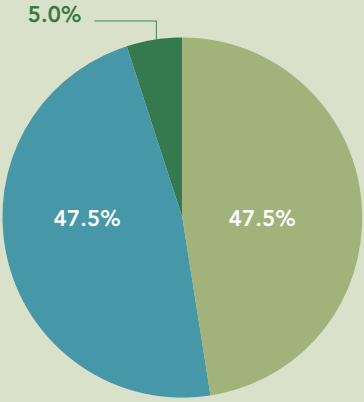
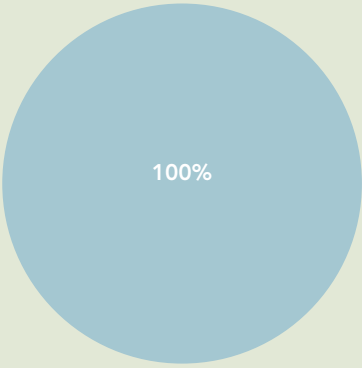
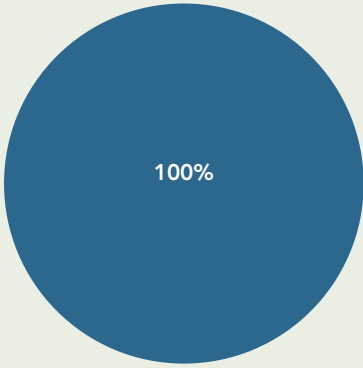
9. Our Investment Options

INVESTMENT OPTIONS

A choice of five investment pools is designed to meet a range of philanthropic goals and time horizons. Asset allocation is maintained through regular rebalancing.

Investment pool:	Long-Term	Socially Responsible
Your goal is:	Maximizing long-term growth while providing for a steady stream of grants with the most diversified pool	Pursuing long-term returns while evaluating investments against an environmental, social, and governance values framework
Your time horizon is:	Greater than seven years	Greater than seven years
Annual expected return, net of investment management fees:	7% to 8%	6% to 7%
Estimated investment fees*:	0.95% to 1.05%	0.70% to 0.80%
Asset allocation:	<p>50.6% 23.3% 21.1% 5.0%</p>	<p>60.0% 30.0% 5.0% 5.0%</p>
CHART KEY <ul style="list-style-type: none"> ■ Equity ■ Fixed Income ■ Alternatives ■ Vermont Investments ■ U.S. Government Money Market Funds ■ Cash and Cash Equivalents 		

Return objectives are net of fees over full market cycles of ten years or more. Actual returns will fluctuate and losses may occur from year to year. Past performance may not be indicative of future results. Alternative investments include hedge funds, private equity, and real assets, which are included to enhance returns, dampen volatility, and hedge against inflation.

Mid-Term	Money Market	Pass-Through
Pursuing moderate growth and risk through a balanced portfolio	Preserving capital through a portfolio of U.S. Government Money Market Funds	Making periodic gifts for immediate grantmaking in the community
Three to seven years	One to three years	Less than one year
5% to 6%	0% to 1%	N/A
0.20% to 0.30%	0.2%	N/A
 <p>A pie chart for the Mid-Term category. It features three slices: a small dark green slice at the top labeled '5.0%', and two larger slices, one blue and one olive green, each labeled '47.5%'.</p>	 <p>A pie chart for the Money Market category, consisting of a single light blue circle labeled '100%'.</p>	 <p>A pie chart for the Pass-Through category, consisting of a single dark blue circle labeled '100%'.</p>

*Estimated investment fees include third-party investment management fees. Expenses exclude the cost of the independent investment consultant and custody fees, which are 13 basis points and also do not include the supporting fee charged by the Foundation. Expenses are subject to change in response to portfolio changes.

10. Vermont-Based Mission Investing



A Vermont Investment loan enabled residents of the Triangle Cooperative in Brandon to purchase the land underneath the homes they already owned—eliminating their vulnerability to displacement and providing full control over their housing.

The Community Foundation believes in using multiple resources to create healthy and vital Vermont communities. Along with grantmaking, programmatic and leadership work, and nonprofit capacity building, we are committed to our mission investing strategy. This strategy focuses on investments that reflect the Foundation’s core values by offering a socially responsible investment pool, being an active shareholder through proxy voting and shareholder filings, and investing 5% of our pooled investments in Vermont.

Our goal for the Vermont Investment Pool is to leverage our unique assets and partnerships to increase the flow of capital targeted at strengthening Vermont communities. We seek investments that increase access to opportunity for low-income youth and families through early care and education, college and career training, youth and family supports, and community and economic vitality. Read more about our Opportunity Gap work on page 23.

The Vermont Investment Pool invests in various asset classes—including fixed income, equity, quasi-equity (such as royalty financing), and loan guarantees. Fixed income investments are made primarily to intermediaries such as community development financial institutions (CDFI) and nonprofits and are used for community and housing projects, job creation, and community betterment. Equity and royalty financing investments are made through direct or venture capital funds or CDFIs. And we provide high-level stewardship for our investees, connecting them with outside resources and technical assistance where appropriate.

Our Vermont Investments must produce strong social and community returns. We engage thoughtfully with our investees, while holding space for them to create long-term social, community, and financial returns through bold solutions. Below market-rate returns may be anticipated, particularly in high-impact projects in traditionally underserved regions of the state. However, the overall investment return is benchmarked to a short-term bond index fund.

We believe investments in Vermont will create social and economic benefits that will continue to advance our mission and ultimately strengthen our communities.

CLOSING THE OPPORTUNITY GAP

Beginning in 2018, the Foundation began to align a significant portion of its time, energy, and discretionary resources on efforts to close the opportunity gap. We are committed to providing more Vermonters access to the opportunities that help people get ahead in life: affordable, high quality early care and learning; affordable pathways to college and career training; strong resources to support families; and communities that offer hope, connection, and meaning. We use a three-pronged approach of deep community engagement, grants, and place-based investments to narrow the opportunity gap in Vermont.

Philanthropic dollars can move quickly and nimbly to fill gaps, particularly in times of urgent need and crises. The COVID-19 pandemic exacerbated the conditions of the opportunity gap. However, donors and Community Foundation fundholders promptly stepped up to join a coordinated response to both immediate needs and long-term recovery through the VT COVID-19 Response Fund. Through focused grantmaking, our goal is to set the state on a pathway to more equity and greater resilience in the face of future disruption.

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