



## INCOURAGE COMMUNITY FOUNDATION

### GIFT ACCEPTANCE POLICY

*Approved by Board of Directors on August 4, 2010*

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- Community Property, Inc. Guidelines for Acceptance of Donated Real Property
- Incorporate Investment Policy Statement

## **INCOURAGE COMMUNITY FOUNDATION GIFT ACCEPTANCE POLICY**

### **PURPOSE**

The purpose of this policy is to serve the best interests of the Incentive Community Foundation (“Incentive” or “Community Foundation”) and its donors by providing guidelines for negotiating and accepting various types of gifts for various types of funds. Given the increasing complexity of IRS regulations, the volume of real estate and other property gifts, and state and federal environmental laws, Incentive recognizes the value in carefully screening proposed gifts.

The purposes of the gift must fall within the broad charitable purpose of the Community Foundation. In addition, Community Foundation Board and staff must be able to ensure that gifts accepted by Incentive do not place other assets of the Community Foundation at risk, and that they can be easily converted into assets that fall within the Community Foundation’s investment guidelines. The Community Foundation must also ensure that it can administer the terms of the gift in accordance with the donor’s wishes.

### **COMMUNITY FOUNDATION RESPONSIBILITIES**

Incentive Board of Directors is responsible for policy-making and oversight of the Community Foundation’s operations. All gift policies referenced in this gift acceptance policy have been adopted by a majority vote of the Board of Directors (the Board). Incentive bylaws give the Board of Directors the power to modify fund restrictions and conditions. This variance power states the Community Foundation’s Board is permitted to amend, modify or vary any of the directions, restrictions or conditions on distribution of funds for any specified charitable purpose or specified organization if such restriction or condition becomes in effect, unnecessary or incapable of fulfillment.

Incentive staff should disclose to all prospective donors the benefits and liabilities that could reasonably be expected to influence the donor’s decision to make a gift to the Community Foundation. Donors will be encouraged to consult with legal counsel and financial advisors in making their decision. In particular, donors should be made aware of:

- the irrevocability of a gift,
- prohibitions on donor restrictions,
- items subject to variability (market value, investment return, and income yield),
- the Community Foundation’s responsibility to provide periodic fund statements on donor funds,
- the Community Foundation’s variance power.

Staff should maintain a written record of discussions with donors. The role of Community Foundation staff shall be to inform, guide and assist a donor in fulfilling his or her philanthropic wishes, but never to pressure or unduly influence a donor’s decision.

## **GIFT ACCEPTANCE COMMITTEE**

*The Chief Financial & Operating Officer, the Vice President of Donor Services and the Board Treasurer shall constitute the Gift Acceptance Committee, hereafter known as the "Committee."*

In circumstances where a clear determination cannot be made by the Committee, the matter will be submitted to the President/CEO. A decision will be made at this level, or advice will be sought from legal counsel or other professionals, or the matter will be addressed by the Board of Directors.

## **FORMS OF GIFTS TO THE COMMUNITY FOUNDATION**

### **Guidelines on Assets Used to Make Gifts**

Gifts to the Community Foundation take on a variety of forms. Many are outright gifts by living donors, either on a one-time or periodic basis. Others are testamentary gifts that take effect upon a donor's death or other forms of deferred gifts. It is the policy of the Community Foundation to convert all gifts to cash as soon as practicable.

### **Gifts Not Requiring Committee Review**

- Cash or cash equivalents, checks - *except as noted below*
- Marketable securities
- Gifts of personal property for use in Community Foundation offices or programs
- Life insurance policies - *except as noted below*
- Planned gifts: Bequests - in accordance with Appendix A and B guidelines

**See Appendix A - "Forms of Gifts to the Community Foundation"**

### **Gifts Requiring Committee Review**

- Gifts of cash from public or donor initiated fundraising
- Other business interests
- Pooled income funds and gift annuities
- Life insurance policies requiring future premium payments by the Community Foundation
- Tangible personal property that is not readily marketable
- Intangible property: Gifts of intellectual property
- Accounts receivable (gifts of loans, notes, mortgages, etc.)

**See Appendix A - "Forms of Gifts to the Community Foundation"**

- Gifts whose structure fall outside the ordinary purposes, bylaws, and procedures of the Community Foundation

### **Gifts of Real Estate**

- Real Estate/Real property – **See Community Property, Inc. Guidelines for Acceptance of Donated Real Property**

## **GIFTS DECLINED**

The Community Foundation reserves the right to refuse any gift it believes is not in the best interests of the Community Foundation. In addition, the Community Foundation will not knowingly accept a charitable gift from a donor who:

- A. Has an apparent insufficient mental capacity to make a rational decision.
- B. Has insufficient input from competent financial, legal, and/or personal counsel.

## **TYPES OF FUNDS**

The Community Foundation offers a continuum of funds designed to be responsive to donor needs. While all philanthropy adds value to the community, each type of Community Foundation fund provides differing added value to philanthropy in the community. A fund agreement is required to establish an individually named fund with the Community Foundation.

The Community Foundation will consider special requests for accepting funds below the fund minimum subject to review of the Committee and approval of the President/CEO. This is generally the case with fiscal sponsorship funds, memorial funds or funds established in conjunction with a future bequest.

**See Appendix C - *“Incorporate Community Foundation Types of Funds and Fund Minimums”***

**See Appendix D - *“Incorporate Community Foundation Service Fees”***

## **ACKNOWLEDGMENT**

Donors shall receive an expression of sincere thanks and gratitude from the Community Foundation and an acknowledgement of the gift in accordance with federal regulations.

## **PUBLICITY**

No public media exposure with respect to a donor’s gift will be generated without the consent of the donor.

## **RESTRICTIONS**

In conformance with Treasury Department regulations governing community foundations, gifts to Incorporate may not be directly or indirectly subjected by a donor to any material restriction or condition that prevents the Community Foundation from freely and effectively employing the transferred assets, or the income derived therefrom, in furtherance of its exempt purposes.

## **ACTING AS TRUSTEE**

No employee shall serve as a trustee, conservator, executor, or personal representative for any of the Community Foundation’s donors or prospects unless specifically approved by the Community Foundation’s President/CEO. The Board of Directors will be made aware of such trusteeships. All Directors shall report such relationships in the “Related Parties” section of the Duality & Conflict of Interest Policy of Incorporate completed annually by each member.

## **INVESTMENT OF GIFTS**

It is the policy of the Community Foundation to convert all gifts to cash as soon as practicable. The Community Foundation reserves the right to make any or all investment decisions regarding gifts in accordance with its Investment Policy Statement.

In making a gift to the Community Foundation, donors give up all rights, title, and interest to the assets contributed. Donors give up the right to choose investments and investment managers, brokers, or to veto investment choices for their gifts.

In unusual and exceptional circumstances, the Community Foundation will consider requests from donors for separate investment of fund assets subject to Incentive's Investment Policy Statement. Such requests may be made only at the time a fund is established. However, donors give up all rights, title, and interest to the assets contributed. Such gifts shall be reviewed and accepted by the Committee.

#### **COSTS OF ACCEPTING AND ADMINISTERING GIFTS**

Generally, costs associated with the acceptance of a gift such as attorney fees, accounting fees, other professional fees as well as other costs to establish a gift such as appraisal, escrow, evaluation, and environmental assessment fees will be borne by the donor.

The direct costs of administering outright and planned gifts of the Community Foundation will be borne from the assets of the individual funds, except for those special circumstances as determined by the Committee. Custodial, investment, and service fees will be paid from the respective funds in accordance with the Foundation's guidelines and service fee schedules.

#### **CONFIDENTIALITY**

Community Foundation staff shall maintain strict control over files and information received from or about donors or prospective donors so as to maintain confidentiality of such information.

#### **AUTHORITY TO NEGOTIATE**

The Community Foundation management and administrative officers authorized to accept letters of transmittal and amendments thereto and to negotiate and sign charitable giving agreements with prospective donors are:

- President/CEO, or
- Chief Financial and Operating Officer, or
- Vice President of Donor Services

## Appendix A

### Forms of Gifts to the Community Foundation Guidelines on Assets Used to Make Gifts

Gifts to the Community Foundation take on a variety of forms. Many are outright gifts by living donors, either on a one-time or periodic basis. Others are testamentary gifts that take effect upon a donor's death or other forms of deferred gifts.

If the value of a gift other than cash or marketable securities exceeds \$5,000, a donor is required to have a qualified appraisal performed and submitted to the IRS on form 8283. If such gifts are sold within two years of receipt at a price other than the appraised value, Form 8282 must be filed by the Community Foundation.

The Community Foundation reserves the right to accept or reject any gift as it sees fit. It is the policy of the Community Foundation to convert all gifts to cash as soon as practicable. Real estate and other assets which have potential liability associated with them will only be accepted by Community Property, Inc.

#### **Cash**

The Community Foundation accepts cash, checks, or money orders made payable to the Community Foundation or any of its funds.

#### **Marketable Securities**

The Community Foundation will add the net proceeds of a marketable securities contribution to a fund of the Community Foundation. The Community Foundation will govern the disposition of securities, and will make all decisions regarding the sale or retention of securities.

#### **Other Business Interests**

Gifts of stock in closely-held C corporations, S corporations and limited partnership interests for current or deferred gifts will be evaluated on a case by case basis and will be subject to approval by the Gift Acceptance Committee. All such gifts must be valued by a qualified appraiser. The qualified appraiser cannot be the donor, taxpayer, donee, nor an agent of any of these. The cost of an appraisal shall be paid by the donor. Incourage will accept a business interest only subject to the absence of any liability by the Community Foundation, including cash calls on limited partnerships or other liabilities that would have adverse consequences for the Foundation. In the case of a business interest that is to be sold, Incourage generally will not join in or participate in the issuance of warranties, representations, indemnification agreements, or covenants not to compete.

Incourage will charge the resulting fund its costs associated with accepting the business interest (e.g. unrelated business income and attorney fees), upon assurance from the donor that there will be enough in the fund to pay these costs. Otherwise the donor must agree to contribute additional cash to the fund to pay such costs.

### **Limitation on Accepting Gifts of Assets to Donor Advised Funds**

Incourage places a limitation on accepting gifts of assets (e.g. gifts of stock in closely-held C corporations, S corporations and limited partnership interests) to a donor advised fund. When the aggregation of assets held by a donor advised fund, donor, donor advisors and related parties exceeds approximately 20% of the voting stock or profit interest in a business entity; the Community Foundation will divest excess holdings of the donor advised fund within 5 years.

### **Pooled Income and Gift Annuities**

The Community Foundation offers pooled income fund and gift annuity contracts. Income beneficiaries are limited to two and should be at least 55 years old when entering into the contract. The charitable remainder interest must be designated for an existing or new endowed fund at the Community Foundation.

### **Life Insurance Policies**

The Community Foundation will accept gifts of permanent life insurance policies if the Community Foundation is named as owner of or is assigned ownership in such policies. Policies continuing on a premium-paying basis will be maintained as such by the Community Foundation so long as gifts are made to the Community Foundation in the amount of the premiums due. Premiums can be of a reducing amount if dividends are directed toward future premiums. Should such premium gifts not be forthcoming, the Community Foundation may, on the recommendation of the Gift Acceptance Committee, elect:

- To have the Community Foundation continue the premium payments.
- To surrender the policy in exchange for its cash surrender value.
- To invoke procedures under which the existing policy values can sustain the policy without further outlay of Community Foundation funds for premium. This can take on any of the following forms:
  - Change the dividends to net (have the dividends pay future premiums)
  - Use the automatic premium loan feature (borrow against the cash value to pay future premiums)
  - Use a combination of the two previous options (have the dividends pay as much of the premium as possible and borrow against the cash value for the remainder amount)
  - Change the policy to paid-up in which case, no more premiums will be due

The Community Foundation discourages the contributions of life insurance policies subject to policy loans and reserves the right to accept or reject such policies as well as those carrying assignments to other entities. The Community Foundation will consider its own interest and the best interest of the donor in light of tax ramifications and determine on a case-by-case basis the acceptability of encumbered life insurance policies. The necessary due diligence will be conducted to avoid self-dealing, jeopardy investments, and unrelated business income.

### **Real Estate/Real Property**

Incourage, through its supporting organization, Community Property, Inc., will accept gifts of real estate for current or deferred gifts subject to the review and approval of Community Property, Inc. Gifts of real estate will be subject to Community Property, Inc.'s Guidelines for Acceptance of Real Property.

**Tangible Personal Property**

The donor will be advised whether the gift will be retained and used by the Community Foundation or disposed of as soon as practicable.

**Intangible Personal Property**

Incourage may accept gifts of royalties or distribution rights on published works (such as books or films) where there is clear evidence of marketability or assurance of an income stream. A qualified appraisal is required and paid for by the donor.

**Accounts Receivable**

Incourage will consider gifts of loans, notes, and mortgages, subject to review by the Gift Acceptance Committee.



## **Appendix B**

### **Public Fundraising for Funds of the Community Foundation**

The Foundation is staffed to develop endowment and other funds through the acquisition of major and planned gifts and to cultivate new and existing relationships with donors. The Community Foundation is not equipped to operate public fundraising events for its funds. In general, the Community Foundation will administer a public fundraising event in association with a fund only under extenuating circumstances.

Public fundraising events refer to those special events that are intended to raise dollars for funds. For example, a golf outing, fundraising dinner, raffle, or other special event would be considered a public fundraising event. The term is not intended to encompass the annual giving to funds through the Community Foundation's year-end letter and other solicitations for purely charitable purposes.

#### **Community Foundation Approval of Events**

In the event the Community Foundation approves a fundraising event, the guidelines listed below must be adhered to. These guidelines encompass the legal and other requirements the Community Foundation is subject to and, therefore, must be abided by.

Before undertaking public fundraising events, the fundraising event coordinator will define to the Community Foundation each program, event, or other effort to raise money for the fund. The fundraising event coordinator will then obtain Community Foundation approval to proceed according to Community Foundation guidelines. All uses of the Community Foundation's name in advertising and promotion must be approved in advance by the Community Foundation's Vice President of Communications or Vice President of Donor Services.

#### **Responsibilities of the Community Foundation**

The Community Foundation is held accountable for all public fundraising events related to funds of the Community Foundation. It cannot delegate this responsibility to any other parties. In considering whether to approve the event, staff should take into account the following responsibilities:

- Budget and financial reporting
  - Who will prepare a budget?
  - Who will be responsible for authorization for and payment of expenses?
  - Who will oversee the budget and ensure that the budget is adhered to?
  - Will the Community Foundation assess a special administrative fee for this service?
  - Who will prepare full income and expense report for the Community Foundation's regulatory reporting requirements?
  
- Compliance with laws
  - Is the event included under the scope of the annual solicitation license?
  - Is there a need for a special raffle or gambling license?
  - Are the appropriate sales taxes being collected on items sold and who will file the sales tax return?
  - Is there a clear understanding that the expenses of fundraising events are not exempt from sales tax?
  
- Liability covering the Community Foundation

- Is there a need for additional general liability or other insurance due to the event?
- Should a letter of credit or a written personal guarantee be provided?
- Acknowledgements
  - If the contributors receive goods or services in return for their payment, who will determine the appropriate charitable portion of the payment so that correct tax acknowledgements will be prepared?
- Management of money and property received from the event
  - Will all checks be made payable to the fund at the Community Foundation?
  - Where should checks and other forms of payment be sent?  
If someone else is collecting cash, what safeguards need to be in place?
- Application of income and principal to charitable uses
  - Can the fund be administered in the manner in which it is advertised?

**Right to Refuse Gifts:** Incourage reserves the right to refuse any gift that it believes is not in the best interests of the Community Foundation.

## Appendix C

### Incorporate Community Foundation Types of Funds and Minimums

#### **What types of funds are available?**

Incorporate Community Foundation currently administers more than 380 individual charitable funds. Each of these funds is a reflection of their founding donor(s) and every fund benefits from the economies of scale achieved when charitable assets are pooled for administrative and investment purposes. Each individual fund can be broadly defined as 'Unrestricted' or 'Restricted'. Donors make the choice based on personal preference and charitable interests. All fund types may be established anonymously if so desired.

**Community Grants Fund (unrestricted)** – this is an endowed fund that generates interest and earnings in the name of the donor. The Grants Committee of the Community Foundation determines who the beneficiaries of these grants are through a quarterly application process open to all charitable organizations serving County. These grants support changing needs in the broadly defined areas of: education, health & human services, arts & culture and community development.

It is the unrestricted funds that are the most flexible and used to meet the immediate and changing needs of our community. The minimum required to establish a named, endowed unrestricted fund is \$5,000. The general unrestricted fund accepts contributions of any size.

**Restricted** funds are any of the fund types listed below. They are termed "restricted" because they have a donor-imposed restriction when established that must be honored by the Community Foundation.

**Field of Interest** – this endowed fund is for the donor who has an area of interest they would like to support such as youth, the arts, elderly, education and so forth. The grant decisions are left to the Grants Committee of the Community Foundation who must award the grants in the area of interest specified by the founding donor. These grants are available to area charitable organizations through the quarterly application process. Grantees receive

their awards in the name of the founding donor(s). The minimum required to establish an endowed field of interest fund is \$10,000.

**Designated** – this endowed fund appeals to the donor who knows which organizations they would like to perpetually support. Up to three charitable organizations may be named as the permanent beneficiaries of the grant awards from a designated fund. Each year (or as often as the donor stipulates) the organization(s) receives a grant distribution check in the name of the founding donor(s). The minimum required to establish a designated fund is \$10,000.

**Scholarship** – this endowed fund generates scholarship awards to students in the name of the founding donor(s). The fund may be as specific (i.e. designated school, career, grade point, financial need, etc.) or general as the donor wishes. Foundation staff works with donors to establish criteria and a selection process specific to their fund. The minimum required to establish an endowed scholarship fund is \$10,000.

**Advised** – this is the most flexible type of restricted fund available to a donor through the Community Foundation. It may be endowed (grants generated by the interest and earnings made on the principal gift) or pass-through (grants generated by the principal itself and spent down to zero). Donors that prefer to be involved in their giving and support changing charitable organizations and areas of interest choose advised funds. Up to 50% of the grants from this type of fund can support charities outside of the south Wood County area, if the donor desires.

The donors are advisors to the Foundation and make recommendations regarding the recipients of the grants generated by their fund. Grant distributions are then forwarded to the organizations of choice in the name of the donor(s). The advisory role can be passed on to second generation or designees of the founding donor. The minimum for establishing an endowed donor advised fund is \$10,000. There is no minimum for a pass-through donor advised fund.

**All of the fund types listed above, unrestricted and restricted, may be built over time through the foundation's "Build-A-Fund" program. This program allows donors to build a fund over time through contributions and investment earnings. The minimum to establish a "Build-A-Fund" of any type is \$1,000.** The amount is then invested in your family name in a mutual fund where it will grow through interest and earnings as well as additional

contributions until such time as it matures into a grant-making fund.

**Fiscal Sponsorship/Pass Through Fund** – this non-endowed fund is for a particular short-term project to which all gifts will be expended in support of a charitable purpose. Pass-Through Funds do not exist in perpetuity. This type of fund requires board approval.

**Special fund requests:** The Community Foundation will consider special requests for accepting funds below the fund minimums subject to review of the Gift Acceptance Committee and approval of the President. This is generally the case with fiscal sponsorship funds, memorial funds or funds established in conjunction with a bequest. Fees are outlined in **Appendix D – "Incorporate Community Foundation Service Fee Schedule"**

**Appendix D**  
**Incourage Community Foundation**  
**Service Fee Schedule (as of 9/14/2021)**

There are two types of charges for funds held with Incourage Community Foundation. One is the investment manager fee and the other is the Incourage administrative fee. The investment manager fee is set by the various investment advisors/managers and will vary from year to year. Incourage service fee is per the schedule below. These fees collectively support about 25% of Incourage’s operating budget. The remaining 75% is supported by administrative endowment funds established specifically by donors to support the operational needs and growth of the foundation. The following fees will apply until revised by the Board of Directors.

**1) ENDOWMENT FUNDS:**

“Build A Fund”	Waive fee (until fund exceeds \$10,000 FMV)
Agency Endowments	1.0%
Donor Advised Funds \$1 mill	1.0%*
<i>*Amounts in excess of \$1.0 million are subject to a tiered fee structure</i>	
Designated Funds	1.0%
Scholarship Funds	1.0%
Field of Interest Funds	1.0%
Community Grant Funds	1.0%

**2) NON-ENDOWMENT/SPEND-DOWN/TEMPORARY ACCOUNTS:**

Administration of “spend-down funds” is a valuable service to the community; although, in most cases, this service does not advance the Community Foundation’s primary mission of building permanent endowment to benefit the area. A spend-down fund may demand the same, or more, investment of time and effort to administer as does an endowed fund. Therefore, spend-down funds will be assessed a higher fee.

**Fiscal Sponsorship Funds**

Incourage to keep earnings plus 1.0%  
(Short-term fund that is generally established to support community project)

**Non-Endowment Funds and Pass Thru Gifts**

1.0% fee or earnings, greater of the two, not to exceed 5%  
(Generally, includes non-endowed donor advised funds and “pass through” gifts)

Other direct costs (such as appraisal fees, legal fees, probate costs and unusual administrative tasks) attributable to the activities of any fund will also be passed directly to the fund with prior notification to the fund holders.