



## GIFT ACCEPTANCE POLICIES

**GIFT ACCEPTANCE POLICIES**  
*(Revised 10/20/15)*

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## Gift Acceptance Policy No. 1

### ***BASIC GIFT ACCEPTANCE POLICIES***

A gift to establish a fund with the Foundation must have the purpose of the gift defined in a written fund agreement or deferred gift instrument signed by the donor(s), or the donor(s) appointed representative and the President or appointed representative of the Foundation. The purpose of the gift must fall within the broad charitable purposes of the Foundation, as stated in its charter and bylaws.

The President or appointed staff shall have the authority to handle inquiries, negotiate with donors, assemble documentation and execute agreements on behalf of the Foundation, unless one or more of the following circumstances apply:

- The property that is the subject of the gift or bequest is not cash, marketable securities, or other readily marketable assets. As an example, all real estate, limited liability company and partnership gifts shall be reviewed by the Executive Committee;
- The gift or bequest includes a restriction or suggestion regarding the Foundation's use of funds that would raise legal, ethical, policy or practical concerns for the Foundation; or
- In the judgment of the President, there are other risks or concerns that should be reviewed by the Executive Committee.

The Foundation reserves the right to refuse gifts. Examples where the Foundation might refuse a gift would be 1) the cost to manage the asset exceeds the eventual

benefit of the gift or 2) the gift or gift purpose would potentially jeopardize the Foundation's tax exempt status. The President has the authority to refuse gifts that do not benefit the Foundation's goals. If the future benefit of a gift is questionable or difficult to determine, the Executive Committee shall make the final decision whether to accept or refuse the gift.

The Foundation shall develop standard forms of fund agreements. All such standard forms shall be reviewed by legal counsel and approved by the Board of Directors. The Foundation shall provide these forms to prospective donors and their advisors upon request and encourage their use whenever practical.

In most cases, additional gifts may be made to existing funds of the Foundation without restating the original purpose of the gift.

The Executive Committee shall have the responsibility to consider and accept gifts. By majority vote, the Committee shall determine that gifts received are consistent with these policies and are in the best interest of the Foundation. In the event a decision must be made unusually quickly, any three Committee members in consultation with staff and legal counsel may render a decision in lieu of the full Committee.

Gift Acceptance Policy No. 2

**ASSETS ACCEPTED BY THE DAVIE COMMUNITY FOUNDATION**

**Cash.**

**Publicly- traded Securities.** These securities shall be accepted at a value as determined under Internal Revenue Service rules.

**Closely-held Securities.** It is the donor's responsibility to pay for any necessary appraisals of securities (*Accepted only after Executive Committee approval*)

**Real Estate.** Real estate shall be accepted at fair market value as established by at least one qualified independent appraisal paid for by the donor. (Policy No. 5) (*Accepted only after Executive Committee approval*)

**Life Insurance Policies.** The Foundation may accept gifts of life insurance policies where the Foundation is named as both owner and beneficiary. Prior to accepting a policy requiring premium payments, the Foundation shall obtain a written agreement with the donor regarding how such premiums shall be paid. (Policy No. 6) (*Acceptance only after Executive Committee approval*)

**Partnership Interests.** The acceptability of a gift of a limited partnership interest shall depend on the ultimate financial liability of the Foundation and the amount of management attention required. Each case shall be evaluated prior to acceptance. The Foundation does not accept gifts of general partnership interests. (Policy No. 7) (*Accepted only after Executive Committee approval*)

**Life Tenancy.** The Foundation may accept a gift of residential real estate whereby the donor(s) reserves the right to live in the property for the rest of the donor(s) lifetime.

Such gifts would be subject to the same provisions outlined in Gift Acceptance Policy No. 5, page 10, of this policy. (Policy No.8) (*Acceptance only after Executive Committee approval*)

**Tangible Personal and Other Property.** Tangible property may be accepted as a gift. The Foundation and the donor must comply with Treasury regulations for obtaining and reporting qualified appraisals. (Policy No. 9) (*Accepted only after Executive Committee approval*)

**Retirement Plan Assets.** A donor(s) may name the Foundation as the designated beneficiary of retirement plan assets as a way to establish or add to an existing named fund.

**Gifts by Will or Trust.** Bequests received shall be applied for the charitable purpose requested by the donor, as long as those purposes are reasonable and practical, and within the mission of the Foundation.

**Charitable Remainder Trusts.** Donors may name the Foundation as the designated charity of a charitable remainder trust. Under a charitable remainder trust, a donor irrevocably transfers property to the Foundation as trustee. The trustee pays the donor, or income beneficiaries designated by the donor, either a fixed percentage of the market value of the trust's assets, or a fixed dollar amount, depending on the type of trust. The payments are made for the life or lives of the income beneficiaries or for a fixed period of years not to exceed twenty years. Upon termination of the income interest 50% of the assets of the trust are transferred to create a permanent named fund at the Foundation as determined by the donor or to the unrestricted fund of the Foundation. The other 50% may be directed to charity(s) designated by the donor.

**Charitable Lead Trust.** Donors may name the Foundation as the lead beneficiary of a charitable lead trust. Under a charitable lead trust, the donor irrevocably transfers property to a trustee. The trustee pays the Foundation, either a fixed percentage of the

market value of the trust's assets, or a fixed dollar amount, depending on the type of trust. Upon termination of the income interest, the assets of the trust are transferred to the ultimate beneficiary as determined by the donor.

Gift Acceptance Policy No. 3

## ***FUND TYPES AND MINIMUM GIFTS TO ESTABLISH A FUND***

### **FUND TYPES**

#### **Community Funds**

Community Funds benefit the community by supporting issues and needs that other funds do not. These funds are opened by community members who simply want to help people in Davie County. Grant-making decisions are left to the Foundation Grants Committee, who looks at the community's current needs and directs money where it will have the greatest impact. Currently, Community Funds are directed toward youth and literacy projects.

Fees: Community Funds are assessed a 1.5% annual fee for their administrative care. The fee is levied each fiscal quarter at the rate of .375 of 1% computed on the previous month-end balance.

#### **Donor Advised Funds**

You can be a partner in the giving process when you create a Donor Advised Fund at the Davie Community Foundation. You recommend grants from your fund, allowing you to organize your charitable giving. You partner with the Foundation in identifying needs and in the grant making process. A Donor Advised Fund may also be an option for a private foundation.

Fees: Endowed Donor Advised Funds are assessed a 1% annual fee for their administrative care. The fee is levied each fiscal quarter at the rate of .25 of 1% computed on the previous month-end balance.

## **Church and Non-Profit Funds**

You can create a Church or Non-profit Fund with the Davie Community Foundation to support a church or charity you care about. This fund will provide support for one or more organizations during your lifetime and beyond.

Fees: Church and Non-profit Funds are assessed a 1% annual fee for their administrative care. The fee is levied each fiscal quarter at the rate of .25 of 1% computed on the previous month-end balance.

## **Scholarship Funds**

Scholarship Funds help deserving students accomplish their educational goals. Donors name the scholarships, as well as determine applicant criteria. The Davie Community Foundation provides objective, professional management of scholarship funds based upon the criteria established. Donors can also give to the General Scholarship Fund, which accepts gifts, honorariums, and memorials of any size, to support qualified students as they pursue a post-secondary education.

Fees: Scholarship Funds pay a 1.5% annual fee for their administrative care. The fee is levied each fiscal quarter at the rate of .375 of 1% computed on the previous month-end balance.

## **Acorn Funds**

Just as a tiny acorn grows into a mighty oak, your Acorn Fund will grow in its impact on the community year after year. You can plant your named acorn with \$1,000. Once your acorn grows to \$5,000, it becomes a permanent fund, able to make grants.

Minimum annual contributions of \$500 must be made until the Acorn Fund reaches \$5,000. If a period of 12 months expires without contributions to the Fund, the Donor will be notified that no contributions have been received. If the appropriate contributions are not made to the Fund within the following 60 days, the Fund balance will be transferred to the Davie Community Foundation's "Community Impact Fund" and the



Davie Community Foundation will make an annual distribution in accordance with the Foundation's spending policy.

Fees: Acorn funds do not pay a fee until they reach grant-making status.

### **Administrative Funds**

By establishing an administrative fund, you support the work of the Davie Community Foundation. Your gift is a lasting tribute for a better community.

Fees: Administrative Funds are assessed a 1% annual fee for their administrative care. The fee is levied each fiscal quarter at the rate of .25 of 1% computed on the previous month-end balance.

Gift Acceptance Policy No. 4

***CLOSELY HELD CORPORATIONS***

The policy of the Foundation is to dispose of all closely held stock as soon as practicable after it is received by the Foundation. Donors wishing to make gifts of stock in a closely held corporation must have it valued by a reputable independent accounting or appraisal company prior to making the donation.

## ***GIFTS OF REAL ESTATE***

The Foundation will assist donors who wish to make charitable gifts using real estate. The following policies and procedures are designed to protect the interests of the donor and the Davie Community Foundation. Each situation will be evaluated on a case-by-case basis.

### **Appraisal Requirements:**

The donor will be responsible for obtaining a qualified appraisal complying with IRS regulations for the purposes of establishing the value of the gift for federal income tax purposes. The appraisal must be performed no more than 60 days before the gift and no later than the due date for filing the donor's income tax return. The donor is not entitled to a charitable income tax deduction in the absence of an appraisal.

### **Minimum Investment:**

The Foundation will accept gifts of real estate where the net proceeds are expected to meet minimum fund requirements.

Property which is subject to liens, unpaid mortgages, deeds of trust, judgment liens, unpaid taxes or assessments, mechanics' liens or other encumbrances will be accepted only in exceptional circumstances and upon advice from the Foundation's legal counsel. If accepted, property which is subject to encumbrances will be evaluated as a "bargain sale" (a bargain sale is an arrangement whereby a donor offers property to the Foundation for an amount less than its current fair market value.)

### **Time Considerations:**

Donors should be advised that gifts of real estate require an average of 4-6 weeks to be processed.

**Federal Tax Implications:**

If the donor itemizes his or her deductions, s/he is entitled to receive a charitable income tax deduction equal to the fair market value of the gift (for property held longer than 12 months), subject to the 30% adjusted gross income limitation established by the IRS. Real property held for less than 12 months is deductible at cost subject to the 50% adjusted gross income limitations. The donor may carry over any unused charitable deduction for an additional five years.

**Need for Counsel:**

The Foundation assumes no responsibility for providing financial, investment, or legal advice to donors but shall encourage all prospective donors to seek independent financial, investments and legal advice prior to entering into any real estate transaction with the Foundation.

**Ultimate Use:**

The donor may use the proceeds from the sale of the real estate to establish any of the funds offered by the Foundation. If no instructions are received by the Foundation as to the recommended charitable purpose or the minimum funding requirement can not be satisfied, the gift can be added to the Community Fund for general grant making.

## **INVESTMENTS IN AND RETENTION OF REAL ESTATE**

- Following an offer of a gift of real estate, a member of the Foundation staff or an authorized representative will visit the property to determine the nature and type of property and to identify any potential problems not evident from information supplied by donor.
- Donor will be responsible for obtaining a qualified appraisal complying with IRS regulations for the purposes of establishing the value of the gift for federal income tax purposes.
- Donor must furnish the Foundation with evidence of a free and clear title. In general, the Foundation will require that title be conveyed to it by a general warranty deed.
- The Foundation will obtain a Level 1 Environmental Impact Audit (other than in the case of single family residences). The cost of the study will be charged to the donor's fund or paid from the net proceeds of the sale. No property will be accepted if there is a likelihood of any liability which could attach to the Foundation. The Environmental Study report will be addressed to the Foundation for future liability protection.
- Prior to accepting a gift of real estate, the Board of Directors will conduct an analysis of anticipated cash flow in the proposed transaction. This analysis shall determine the maximum exposure the Foundation may incur and the level of risk that is associated with the receipt, ownership, and eventual sale of the property.
- Prior to acceptance of the property, the Foundation and the donor must agree in writing on arrangements for paying expenses associated with the property, such as commissions, real estate taxes, utilities, insurance, and maintenance costs.

- After requirements have been satisfied, the Executive Board will have the authority to accept or refuse a gift of real property. Acceptance of income-producing property may subject the Foundation to unrelated business income tax, so such properties must be considered carefully.
- The Executive Board may refuse any offered gift of real property that is judged not to be in the best interests of the Foundation.
- It is the donor's responsibility to prepare the deed and other instruments, which are necessary to transfer the property to the Foundation. All proposed transfer instruments must be reviewed by the Foundation prior to acceptance.
- Legal title to all real property conveyed to the Foundation shall be held in the name of the Davie Community Foundation, Inc. or shall be conveyed to a trust of which the Foundation is the ultimate remainder beneficiary.
- The Foundation shall acquire property insurance to cover casualty losses to any improvements on the real estate and, if such improvements are located in a HUD designated flood area, obtain flood insurance, if available.
- If the gift is accepted, staff will have the deed recorded, acknowledge the gift and provide the donor with IRS Form 8283 which must be signed by the Foundation and the appraiser and submitted to the IRS by the donor. (This form substantiates the charitable deduction for real property in excess of \$5,000 in value.) Establishing the value is the responsibility of the donor.

- After accepting a real estate gift, arrangements will be made to sell the property through a qualified real estate professional. Any offer that is below 70 percent of the appraised value must be approved by the Executive Board.
- If the Foundation sells the property within two years, the Foundation must file IRS Form 8282 informing the donor and the IRS of the amount for which the property sold.

### **Testamentary Gifts of Real Estate:**

Upon becoming aware that the Foundation has been named to receive a gift under any Will that has been admitted to probate or any trust arrangement, the President will contact the executor, trustee, or other legal representative of the estate, and determine if the Foundation's gift consists of land or, if the Foundation is a residuary beneficiary of the estate, whether the residue passing to the Foundation will contain any land.

If the Foundation will or may receive land in satisfaction of the gift, the Executive Board will ask the executor, trustee, or other legal representative to conduct an environmental study similar to the one that the Foundation would require if it were to receive an inter-vivos gift. If the executor, trustee, or other legal representative has not made the study and if it does not do so, the Foundation should make its own study or decline to accept the gift.

***LIFE INSURANCE POLICIES***

The policy of the Foundation is to accept Life Insurance with the approval of the Investment/Finance Committee. Donors may make a gift of life insurance to the Foundation in several ways (1) by irrevocably designating the Foundation as the owner and beneficiary of the policy or (2) designating the Foundation as a beneficiary of a life insurance policy owned by the donor.

- I. When the Foundation is named the owner and sole beneficiary of a policy, the Foundation shall retain the original policy.
- II. For policies in which premiums are still being paid, donors have the option of either paying the premium directly or making a contribution to the Foundation in the amount of the premium at least fifteen (15) days prior to the premium due date.

Prior to accepting a policy requiring ongoing premium payments the Foundation shall obtain a written agreement with the donor regarding how such premiums shall be paid. The Foundation shall not assume responsibility for delinquent premium payments.

- III. At the death of the donor, insurance proceeds, if \$5,000 or greater, may be used to establish a permanent named fund if the donor has indicated prior to the donor(s) death. If the donor has not provided recommendations as to the eventual purpose of the fund, or if the face value of the policy is less than \$5,000, the proceeds shall be added to the Unrestricted Fund of the Foundation.



## ***PARTNERSHIP AND LIMITED LIABILITY COMPANY (LLC) INTERESTS***

### **I. GENERAL GUIDELINES**

Contributions of partnership or LLC interests to the Foundation raise several issues which bear on the advisability of accepting the contribution. These issues include (i) exposure to creditors' claims and contingent liabilities; (ii) the Foundation's obligations to obtain a reasonable rate of return and to invest prudently; (iii) possible exposure to the unrelated business income tax (UBIT); and (iv) possible adverse effects to the Foundation's tax exempt status. The purpose of this Policy and Procedure is to assure that these issues are addressed prior to the acceptance of a contribution of a partnership or LLC interest.

- A. Type of Interest: The Foundation shall only accept contributions of limited partnership and LLC interests and shall not accept general partnership interests.
- B. Nature of Activity: The Foundation shall only accept interests in a passive, investment-type partnership or LLC such as those holding rental real estate, stocks, bonds, and other investments. The Foundation cannot accept an interest in a partnership or LLC that carries on an active, for-profit business.
- C. Sale or Liquidation: It should reasonably appear that the partnership or LLC shall be sold or converted into income-producing property within a specific time frame, not to exceed five years.

### **II. RESPONSIBILITIES OF THE DONOR**

- A. The donor shall be responsible for obtaining and paying for a qualified appraisal complying with IRS regulations for the purposes of establishing the

- value of the gift for federal income tax purposes including the preparation of IRS Form 8283 (a non-cash Charitable Contribution).
- B. The donor must furnish the Foundation with copies of the partnership or LLC agreement and the most recent Schedule K-1 that the donor has received from the partnership or LLC. The Schedule K-1 shall be reviewed to determine the nature of the income generated by the partnership or LLC (active vs. passive).
  - C. The Foundation's legal counsel shall review the limited partnership or LLC agreement to determine the nature of the interest being contributed and whether there are any liabilities associated with holding the limited partnership or LLC interest, such as capital calls or contingent liabilities.
  - D. It is the donor's responsibility to prepare the appropriate instruments which are necessary to transfer the partnership or LLC interest to the Foundation. All proposed transfer instruments must be reviewed by the Foundation's legal counsel prior to acceptance by the Foundation.
  - E. Prior to acceptance of the partnership or LLC interest, the Foundation and the donor must agree in writing on arrangements for paying expenses associated with the partnership or LLC interest.

***LIFE TENANCY***

Donor(s) may deed real estate including a personal residence, vacation property, etc. to the Foundation and continue to live in the property for the rest of the donor(s) life.

- I. During the time of occupancy, the donor(s) is responsible for payments for insurance, taxes, upkeep and maintenance.
- II. Other rules governing gifts of real estate apply (See Gift Acceptance Policy No. 5).
- III. Proceeds from the eventual sale of the property shall be applied for charitable purposes as documented by the donor in a named fund. If no instructions are received by the Foundation during the donor's lifetime as to the recommended purposes, or if the value of the gift is less than \$5,000, the proceeds shall be added to the Unrestricted Fund of the Foundation.

***TANGIBLE PERSONAL PROPERTY AND OTHER PROPERTY***

Tangible Personal and Other Property may be accepted as a gift to the Foundation. The Foundation shall comply with Treasury regulations for obtaining and reporting qualified appraisals.

Establishing the value of the gift is the responsibility of the donor. If the value exceeds \$5,000, the donor must have a qualified appraisal performed and submitted on IRS form 8283. If the Foundation sells the property within two (2) years, IRS form 8282 must be filed by the Foundation informing the donor and the IRS of the sale price of the item(s).

***GIFTS OF ART***

Gifts of art generally shall be accepted; however, the Foundation shall make the final decision as to whether it is put to related use, sold or otherwise disposed of.

***GIFTS OF VEHICLES***

Gifts of automobiles or other vehicles may be accepted at the option of the Investment/Finance Committee.

**ADDENDUM A  
REPRESENTATION LETTER FOR GIFTS OF REAL PROPERTY**

Davie Community Foundation, Inc.  
PO Box 546  
Mocksville, NC 27028

Dear Madam:

Regarding the property located at \_\_\_\_\_, I represent and warrant that,

1. the property and all operations thereon comply with applicable environmental laws, regulations and court or administrative orders;
2. there are no pending or threatened private or governmental claims or judicial or administrative actions relating to environmental impairment or regulatory requirements;
3. all necessary permits, licenses and government approvals have been obtained for use of the property;
4. there are no areas of the property where hazardous or toxic material or substances have either been disposed of, discharged or found;
5. there are no hazardous or toxic materials or substances other than possible asbestos contained in the material used to insulate the heating pipes (which was common in many building products prior to 1978) on the property on in improvements constructed on the property, and
6. I have legal title to the property with powers to sell or assign.

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

## **ADDENDUM B EXCESS BUSINESS HOLDINGS**

### Gifts for Donor Advised Funds:

Under the Pension Protection Act of 2006 (PPA), the private foundation excess business holdings rule applies to Donor Advised funds as if they were private foundations.

The holdings of a Donor Advised fund in a business enterprise, together with the holdings of persons who are disqualified persons with respect to that fund, may not exceed any of the following:

- Twenty percent of the voting stock of an incorporated business
- Twenty percent of the profits interest of a partnership or joint venture or the beneficial interest of a trust or similar entity
- Any interest in a sole proprietorship

Donor Advised funds receiving gifts of interests in a business enterprise have five years from the receipt of the interest to divest holdings that are above the permitted amount, with the possibility of an additional five years if approved by the Secretary of the Treasury.

### Illiquid Assets:

Prior to acceptance, all gifts shall be evaluated to determine marketability. Illiquid assets may be accepted only after determination of charitable benefit to the Foundation and acceptance of a management plan by the Board of Directors or the President and the Chairman of the Board.