

THE PUTNAM COUNTY COMMUNITY FOUNDATION
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I. POLICY:

The Putnam County Community Foundation serves the charitable interests of its donors and the community through its gift acceptance and philanthropic services. The purpose of these gift acceptance policies is to provide guidelines for negotiating and accepting various types of gifts for different types of funds. These policies are designed to serve the best interests of the Foundation, donors who support the Foundation's programs through charitable gifts, and a healthy and caring community. These policies are established to encourage financial support for the Community Foundation without encumbering it with gifts which either generate more cost than benefit, or which may be restricted in a manner that is not in keeping with the Foundation's charitable purposes or applicable laws governing charitable gifts. These policies address both current and deferred gifts, with an emphasis on specific types of deferred gifts and gifts of non-cash property.

All gifts must serve the charitable purposes of the Community Foundation and are subject to the approval of the Board of Directors. The Community Foundation cannot accept gifts, which include material restrictions.

Exceptions to these policies must be approved by 2/3 vote of the Board of Directors at a regular or special meeting.

II. DEFINITIONS:

Charitable Purposes: The Foundation exists for charitable purposes. It can accept gifts only if the donor intends for the gift to be used for charitable purposes as defined by the law. Charitable activities are defined in Treas. Reg. Section 1.501 © (3)-1(d)(2) to include: "Relief of the poor and distressed or of the underprivileged; advancement of religion; advancement of education or science; erection or maintenance of public buildings, monuments, or works; lessening of the burdens of Government; and promotion of social welfare by organizations designed to accomplish any of the above purposes; or (i) to lessen neighborhood tensions; (ii) to eliminate prejudice and discrimination; (iii) to defend human and civil rights secured by law; or (iv) to combat community deterioration and juvenile delinquency."

Material Restriction: A material restriction is a condition on a gift placed by a donor that prevents the Community Foundation from "freely and effectively employing the transferred assets, or the income derived therefrom, in furtherance of its exempt purposes." The component funds of the Community Foundation (including donor advised funds) cannot contain any material restrictions. For detail and IRS codes, see Legal Compendium, pp. 65-75.

Minimum gift: Subject to the policies set forth in this document, the Foundation may accept gifts to existing funds of any size. However, no distribution shall be made from an endowment fund until such time as the endowment's historic gift value equals or exceeds the minimum required for an endowment of that type as that minimum may be changed by the Community Foundation from time to time. If after three years, the endowment's historic gift value is less than the required minimum, the Foundation reserves the right to close the endowment and devote the remaining assets in the Fund for charitable purposes that most nearly resemble, in the opinion of the Board of the Community Foundation, the original intended purpose of the Fund.

Fund Agreement: A legal contract describing the conditions and responsibilities involved in establishing a designated, named fund within the Foundation. Foundation legal advisors will review all formal fund

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agreement templates. Each potential Fund Founder is encouraged to obtain legal review of the fund agreement.

Variance Power: The Community Foundation's Board of Directors has the legal power to make changes to a fund or endowment when its purpose is no longer necessary, can no longer be fulfilled, or has become inconsistent with the charitable needs of the community. This power to update funds when needed, helps protect donors by avoiding the need for complex and costly legal proceedings. The Community Foundation will submit required reports to the Indiana Attorney General's Office in accordance with the law, as the law may be amended from time to time.

III. ETHICAL STANDARDS IN DEALING WITH DONORS:

The Foundation is committed to the highest ethical standards of philanthropy and development. In all transactions between potential donors and the Foundation, the Foundation will aspire to provide accurate information and full disclosure of benefits and liabilities that could influence a donor's decision, including Foundation's fees, the irrevocability of a gift, prohibitions on donor restrictions, items that are subject to variability (such as market value, investment return, and income yield), the Foundation's responsibility to provide periodic financial statements with regard to funds, and investment policies and other information needed by donors to make an informed choice about using the Foundation as a vehicle for charitable giving. Policies, forms, literature, and verbal conversations consistently encourage donors to consult with independent professional advisors prior to making gifts to the Community Foundation. All persons establishing a fund will be informed of the Community Foundation's Statement of Donor Rights.

It is the policy of the Community Foundation that the best interest of the donor and donor intent is always primary. The role of the Foundation's staff is to inform, guide, and assist the donor in fulfilling his or her philanthropic goals, without pressure or undue influence. No program, agreement, trust, contract or commitment shall be knowingly urged upon any prospective donor, which would benefit the Foundation at the expense of the donor's interest and welfare. The Community Foundation strives to discern and follow not only the technical and legal requirements of a donor's gift, but also the spirit of the gift and the donor's charitable intent.

Each potential and current donor seeking information about the services of the Foundation will be treated with the utmost respect and sensitivity to privacy and confidentiality issues. The Community Foundation will take action to assure the charitable intentions of each donor are achieved, including offering options for giving to other charities if that would be in the donor's best interest.

IV. AUTHORITY TO ACCEPT GIFTS AND SIGN GIFT INSTRUMENTS:

See Board Delegation of Authority Policy. Any of the Community Foundations directors or employees may accept gifts of cash, checks, or electronic transfers on behalf of the Community Foundation. The Executive Director has authorization to accept and process gifts of cash, marketable securities, bequests, life insurance, gifts of grain, and charitable gift annuities within Community Foundation guidelines.

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Review by the Finance Committee and approval by the Board of Directors is required for all other types of gifts. The Board reserves the right to refuse a gift and will provide a written explanation for any such refusal within 60 days.

In the judgment of the Executive Director, gifts with the potential of causing appearances of impropriety, creating an expectation of improper influence, or requiring activities the Foundation is unable to fulfill will be reviewed by legal counsel and the Executive Committee prior to acceptance.

V. COSTS OF ACCEPTING AND ADMINISTERING GIFTS:

Generally, costs associated with the acceptance of a gift, such as a donor's attorneys' fees, accounting fees, and appraisal and escrow fees, are borne by the donor. The direct costs of administering gifts are generally paid out of the assets of the individual funds.

VI. INVESTMENT OF GIFTS

- A. The Foundation reserves the right to make any or all decisions regarding investment of gifts in accordance with its Investment Policy, as amended from time to time. In making a gift to the Foundation, the donor gives up all rights, title, and interest to the assets contributed. In particular, the donor relinquishes the right to choose investments and investment managers, brokers, or to veto investment choices for the contributed assets.
- B. The Community Foundation does offer various investment vehicles, and when allowed by Community Foundation policy and permitted by law, the Foundation will consider investment recommendations from donors.

VII. FUNDRAISING BY DONORS:

Because the Community Foundation is legally responsible for all fundraising undertaken on its behalf, fundraising undertaken by donors in connection with funds of the Foundation must be approved in advance by the Foundation pursuant to the Foundation's **Donor Initiated Fundraising Policy**. All such fundraising activities are also subject the Foundation's supervision.

VIII. GIFT ACKNOWLEDGEMENT AND RECOGNITION:

- A. If a gift is accepted, each donor will receive documentation of receipt of the gift and regular communication from the Community Foundation regardless of the amount of the gift.
- B. It is the policy of the Community Foundation to publicly recognize gifts unless instructed otherwise. In carrying out the Foundation's development program, staff will recognize and acknowledge donors in appropriate ways, both publicly and privately, subject to the Community Foundation's **Confidential Information Policy**. Donors reserve the freedom to determine the degree and type of recognition that they prefer, and the Foundation respects the confidentiality of donors who do not wish to be publicly recognized.
- C. Every gift acknowledgement letter informs the donor that gifts are irrevocable and that the Community Foundation has exclusive legal control of the gift and contains the following statement:

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IX. TYPES OF GIFTS ACCEPTED:

To most fully fulfill donor wishes, the Community Foundation accepts a variety of different types of gifts, including but not limited to:

- Cash
- Publicly traded securities
- Wills and bequests
- Life insurance
- Tangible gifts/Real property
- Real estate
- Gifts of grain
- Retirement assets (IRA charitable rollover)
- Charitable gift annuities (immediate and deferred).

The Foundation accepts, but does not administer Irrevocable and Revocable Charitable Remainder Trusts.

On a case-by case basis, the Community Foundation will consider proposed gifts of many types of assets, including but not limited to closely-held and S corporation stock, partnership interests, limited liability company interests, intellectual property, mineral reserves, and other types of assets.

X. GIFTS OF CASH

- A. The Community Foundation accepts gifts of cash in United States currency; by checks made payable to the Community Foundation or to a component fund; or by credit card or electronic transfer to the Community Foundation's accounts.
- B. Gifts of cash will generally be accepted and processed by Foundation staff unless the Foundation's Board determines that: a) Acceptance of the gift may be seen as a conflict of interest; b) Acceptance of the gift may cause the appearance of impropriety; or c) The Foundation cannot meet the restrictions placed upon the gift or on the recognition request.

XI. GIFTS OF PUBLICLY TRADED SECURITIES:

- A. Types of securities that may be accepted are publicly traded stocks, bonds, mutual funds, and Treasury bills.
- B. Gifts of securities that are not readily marketable may be accepted only after thorough investigation by the Board and such advisors that the Board deems appropriate.
- C. Gifts of Securities that will not be accepted include:
1. Securities which could in any way create a liability to the Foundation;
 2. Securities that have no apparent value.
- D. Gifts of securities accepted by the Foundation are subject to the same guidelines identified in the gifts of cash policies.
- E. The Foundation Board and its investment professionals will govern the disposition of securities, and will make all decisions regarding the sale or retention of securities.
- F. Securities will not be sold until they are in the Foundation's account to prevent the donor from incurring capital gains.
- G. The amount of the income tax deduction is determined by the donor's financial advisors
- H. Value of gift. The amount of the donation of the securities will be determined by taking the

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mean between the high and low quotes on the date of the gift, multiplied by the number of shares tendered, or as determined by current IRS regulations.

- I. Date of gift. Depending upon the means of transfer, the date of the gift will be as follows:
 - 1. The date that the Foundation receives the hand-delivered certificate and the stock power.
 - 2. The date that the certificate and stock power are postmarked (if mailed).
 - 3. The date that the transfer is received by the Foundation account (if an electronic transfer).
- J. In general, gifts of bonds that require a holding period will be accepted and cashed when the holding period has expired.
- K. Prior to acceptance of an E Savings Bond or other non-assignable security, the Foundation will inform a potential donor that ordinary income may be incurred.
- L. **PROCEDURES FOR ACCEPTANCE OF SECURITIES:**
 - 1. Foundation staff will assist donor to determine the purpose of the gift.
 - 2. Foundation staff will determine what type of security is being gifted.
 - 3. Foundation staff will determine when security will be transferred.
 - 4. Foundation staff will determine where certificates of securities are held (with donor or broker).
 - 5. If securities are in possession of a broker:
 - a. Foundation staff will provide broker with the account number where the securities are to be transferred by wire.
 - b. Foundation staff will notify broker that securities are not to be sold prior to transfer.
 - c. Foundation staff will provide broker with Foundation tax ID number.
 - d. Foundation staff will notify investment manager of the transfer.
 - e. Upon receipt of securities transfer, the investment manager will provide Foundation with documentation that includes the high low and average market price of the securities on the date of the gift.
 - 6. If security certificates are in the possession of the donor, Foundation staff will arrange an inventory of the certificates, which would include a representative for the donor. There are two methods of transfer of ownership:
 - a. Donor (or other authorized signer) will sign the backs of the stock certificates to the ownership of the Community Foundation.
 - b. If the backs of a certificate are not signed by an authorized signer, a stock power will be completed. A stock power is a power of attorney document used to transfer ownership of a registered security or account from the owner to another party. If the securities are to be mailed, they should not be endorsed. A signed stock power with signature guarantee should be mailed separately. Foundation staff will never send or store security certificate and stock power together.

XII. GIFTS OF TANGIBLE PROPERTY:

- A. Authority to accept gifts of tangible property are subject to the Board Delegation of Authority Policy.
- B. The Foundation accepts gifts of personal tangible property (e.g. artwork, coin collections,

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jewelry) which is either a) usable by the Foundation in furtherance of its exempt purposes, or b) can be sold in a reasonable amount of time.

- C. The following procedures apply to all proposed gifts of personal tangible property:
1. The Foundation will review all prior appraisals and authentication documents, if any, relating to the property.
 2. If the property is to be sold, the Foundation will ascertain the market for such property and estimate the costs to be incurred in connection with the sale as well as the costs of holding the property prior to sale.
 3. All costs incurred by the Foundation in connection with the holding and sale of the property shall be charged against the sale proceeds, with the balance being credited to the fund to which the property has been contributed.
- D. The establishment of the value of the property is the responsibility of the donor. Each gift of personal tangible property for which the donor expects a charitable deduction exceeding \$5,000 must be appraised in accordance with federal tax law.
- E. In accordance with the law, the appraisal summary must be described on the back of the IRS form 8283 and signed by the appraiser.
- F. If the Foundation sells the property within two years, the Foundation will file IRS Form 8282 informing the donor and the IRS the amount for which the item(s) were sold.
- G. The Foundation Board will take various factors into account when deciding to accept gifts of personal property, including: the appraised value of the property, transportation, storage costs, costs of selling, maintenance and repair, usefulness, management and administrative costs, marketability, etc.
- H. In general the donor is responsible for the costs incurred through the evaluation of the property, i.e. appraisal, survey, etc.
- I. The Foundation reserves the right to consult with its own counselors and appraisers in determining whether or not to accept gifts of tangible property.
- J. Tax Deductions:
1. The Donor's tax advisor must determine the legal tax deduction allowed for a gift of tangible property. Acknowledgement letters will only include a description of the tangible property that is being donated and the intentions of the Foundation for its use, i.e. sale or use.
 2. Fair Market Value. In general the donor may claim a tax deduction for the fair market value if the donor has held the property for at least one year and one day and the property has a use related to the exempt purposes of the Foundation.
 3. Cost Basis. A donor who makes a gift of tangible property that has an unrelated use to the organization may claim a charitable deduction for the cost basis of the property. Property that has an unrelated use or property that is immediately sold is property that is not related to the purpose or function of the Foundation's exempt purposes.
- K. Acceptance of Gifts of Art and Collectibles
1. The decision whether or not the art is put to a related use remains with the Foundation.
 2. The donor must provide one qualified appraisal as to the value of the Artwork /

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Collectibles dated no earlier than 60 days before the proposed date of the gift. The Foundation reserves the right to obtain its own independent appraisal if necessary.

3. The gift will be placed on the Foundation's books at \$1.00 unless a valid, independent appraisal is supplied.
4. In reviewing the acceptance of the gift, the Board shall take the following into consideration: the Foundation's interest in the item; whether the item(s) is usable by the Foundation; whether the item(s) is marketable; the Foundation's ability to safeguard the item(s); the cost to insure the item(s) from theft/loss/destruction.
- L. Gifts of furniture may be accepted if the furniture is either usable by the Foundation or can be quickly sold.
- M. Gifts of automobiles and other vehicles may be accepted if the vehicle is in working order and can be used by the Foundation or sold. Vehicles will be valued by the Foundation at the retail "blue book" price, less any necessary repairs.

XIII. GIFTS OF LIFE INSURANCE:

- A. Authority to accept gifts of life insurance policies are subject to the Board Delegation of Authority Policy.
- B. Persons naming the Community Foundation as a beneficiary of a life insurance policy are eligible to become members of the Legacy Society but are not eligible for a charitable gift tax deduction.
- C. In order for the IRS to view a gift of life insurance as a charitable gift, the donor must make the Community Foundation both the owner and beneficiary of the insurance policy. Indiana Code 27-8-18 allows a charity to own a life insurance policy on an individual.
- D. The Community Foundation may accept gifts of life insurance policies so long as the policy is not encumbered, i.e., there is no outstanding loan against the policy.
- E. Each gift of a life insurance policy giving rise to a charitable deduction of more than \$5,000 must be appraised in accordance with federal tax law.
- F. Donors choose the life insurance agent and insurance company.
- G. For policies currently in existence, the donor must provide a statement from the issuing insurance company regarding the value of the policy at the date of the contribution.
- H. The donor will identify the charitable purpose of the life insurance policy in writing. A fund agreement may be established. If there is no designation, the Foundation Board will determine the philanthropic purpose.
- I. The amount of the income tax deduction is determined by the donor's financial advisors, but in general it is the cost basis or cash surrender value, whichever is less. It is not the face value of the policy.
- J. The Foundation will accept life insurance gifts that are both paid up in full and not paid up.
- K. In general, the Foundation will not accept life insurance gifts with the expectation that the Foundation will make the premium payments. ~~out of its own operations.~~
- L. For non-paid up life insurance policies, donors may arrange with the Foundation to make the premium payments in the following manner: The donor may make annual gifts in the amount of

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the life insurance premium payments to the Foundation. These gifts are tax deductible to the fullest extent of the law. The Foundation will make the life insurance premium payments.

- M. In general, the Community Foundation will keep the policy in force.
- N. In the event that a donor ceases making premium payments, the Foundation will consider the following options: cash surrender; exchange for paid up policy with a lower face value; using accumulated/future dividends to make premium payments; using cash value to keep policy in force, or other options.
- O. Donor gift recognition for policies not paid in full will be the cash value of the policy on the date of the contribution.
- P. Donor gift recognition for policies that are paid in full will be the face value of the policy.

XIV. GIFTS OF REAL ESTATE:

- A. Authority to accept gifts of real estate are subject to the Board Delegation of Authority Policy.
- B. This policy applies to all gifts of real property, including outright gifts of residential and commercial property and farmland; bargain sale transactions; and gifts of remainder interests in which the donor retains a life estate.
- C. The Foundation does not accept gifts of time shares.
- D. The Board will accept real estate which is either usable by the Foundation, or readily marketable, i.e. can be sold and converted to income-producing assets within a reasonable amount of time.
- E. Distributions from a component fund that consists entirely of real property are limited to the net income generated by the property less associated costs, fees assessed by the Foundation, and any unrelated business tax imposed thereon.
- F. An independent licensed appraiser selected by the Foundation will perform the appraisal and will submit the completed appraisal and IRS Form 8283 to the Foundation. The appraisal of the property must be done within 60 days of the date of the gift.
- G. A copy of the completed IRS Form 8283 will be provided to the donor upon acceptance of the gift by the Foundation Board.
- H. The value of the gift for tax deductions is established by the donor and his/her tax advisors, but is generally the appraised value.
- I. In general any costs associated with the acceptance of a property will be charged to the Fund or to the donor. In some circumstances the Board will consider whether the advantages of the potential gift warrant incurring these costs itself.
- J. Each potential donor will be required to warrant that the property is free from environmental hazards and agree to pay such costs should they arise in the future.
- K. If the Foundation sells the property within two years, the Foundation will file IRS Form 8282 informing the donor and the IRS the amount for which the item(s) were sold.
- L. The donor cannot have previously arranged for the sale of the property as this constitutes a material restriction.
- M. No property will be accepted which has excessive environmental or structural problems, or where the holding (carrying) cost may approach or exceed sale proceeds.

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- N. If there is a problem with the title or the title insurance, the Foundation may not accept the property.
- O. The Foundation reserves the right to consult with its own counselors and appraisers in determining whether or not to accept gifts of real estate.
- P. INFORMATION REQUIRED WHEN CONSIDERING A GIFT OF REAL ESTATE:**
1. In general, it is the responsibility of the donor (to include the donor's attorney, realtor, and/or CPA) to provide the following information to the Foundation:
 - a. Recorded legal description of property;
 - b. Copy of current year's property tax bill;
 - c. A title review, identifying the chain of owner's in the title for fifty (50) years and including deed, conditions, covenants, restrictions, assessed value, improvements, tax level, and back taxes (if any).
 - d. Signed environmental problems disclosure statement
 - e. Depending upon the history of the real estate, a Phase I Environmental Review and a Phase II Environmental Review may be required.
 - f. Staked survey may be required in some circumstances.
 - g. An inspection by a licensed inspector may be required.
 - h. Association agreements to discern fees or assessments that may be due, if applicable;
 - i. Lease or rental agreements, if applicable;
 - j. Notes or mortgages, if applicable;
 - k. Engineer's report, if deemed necessary
 2. The Community Foundation may request additional information or documents when necessary to its evaluation of the proposed gift.
 3. Whenever possible a representative of the Community Foundation will visit the property to determine its nature and type and to identify any potential problems not evident from information supplied by the donor that might hinder or prevent the sale of the property.
- Q. ISSUES TO CONSIDER IN DETERMINING WHETHER TO ACCEPT A GIFT OF REAL ESTATE:** In deciding whether to accept real property gifts the Foundation will:
1. Determine whether the real estate gift is an acceptable minimum value.
 2. Confirm that the donor has legal capacity and is entitled to convey the property through copies of deed, title report, etc., provided by donor.
 3. Determine whether, if property is encumbered by debt, the debt is of a level that will not unduly burden the Foundation or adversely affect the marketability of the property.
 4. Perform a market and financial analysis prior to acceptance of the gift to determine whether the gift is a financially sound acquisition.
 5. Weigh its ability to manage commercial property for the time necessary to sell the property. For example, income producing property may subject the Community Foundation to unrelated business income tax and/or other types of expenses, including but not limited to, upkeep of land, maintenance of buildings and management of property.
 6. Evaluate whether any restrictions on the gift desired by donor will jeopardize the classification of such gift as charitable.

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7. Determine whether the property has an exempt use by the Community Foundation and if the property will be held for or sold.
8. **Costs of acquisition, holding (carrying), and sale.** Prior to acceptance, the Board will consider the cost of evaluating, accepting, and disposing of the property to ensure that the Foundation will receive a significant contribution after these costs. This analysis will include the following:
 - a. Present market value
 - b. Future market value (potential for appreciation)
 - c. Encumbrances
 - d. Net cost of sale
 - e. Holding (carrying) costs (maintenance, management, repair, debt, taxes, insurance, etc.)
9. **Hazardous waste or other environmental problems.** The Foundation Board will investigate potential dangers of current and past hazardous conditions on or near the property, including any issues identified by the donor in the Environmental Impact Disclosure Statement. The following is a partial list of some of the prior uses that should be investigated by a thorough environmental study before a property is accepted: service stations and trucking facilities (underground fuel storage); chemical and manufacturing plants; printing facilities; photo development companies; dumps; dentist offices; and clothing cleaners. Property adjoining any past or present industrial use may have been contaminated by that use and may also bear further examination. The possible presence of asbestos should be considered.
10. **Public Relations.** Prior to acceptance, the Board will consider if there are any potential negative public relations issues that could be incurred as a result of the acceptance or rejection of the gift.
11. **Donor gift expectations.** If the market analysis is significantly less than the appraisal or the donor's expectations, this should be reviewed with the donor.
12. **Liability issues.** The Board will consider whether the gift of real estate should be held in a separate corporation or trust until its sale, i.e. a supporting organization rather than a component fund.

R. DETERMINING WHETHER TO HOLD OR LIST DONATED REAL ESTATE.

1. Within 60 days of the date of the receipt of a real estate gift, the Board will decide whether donated property will be listed immediately or retained for future sale or use.
2. In general, donated property will be sold.
3. The Board will hold property in some situations, including, but not limited to:
 - a. The property will be used by the Foundation for program purposes.
 - b. The property has potential for exceptional appreciation.
 - c. There is a charitable reason for holding the property.
 - d. There is a financial benefit for the Foundation.

S. IF THE REAL ESTATE IS TO BE SOLD, THE FOUNDATION WILL:

1. List the property either directly or with an experienced broker;

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2. List the property at no less than the original appraised value;
3. The Foundation has total discretion regarding when and at what price the property will be sold.
4. In general, the Foundation will not sell property for less than the appraised value within two years of the date of the gift.
5. An offer to purchase must be accepted by the Board of Directors.
6. Acceptance will be documented in the Board meeting minutes and by the signatures of the individuals identified in the Corporate Resolution.
7. Whenever possible, the conveyance of the property will be made “as is.”
8. The Foundation will obtain release from liability for environmental problems.

XV. GIFTS OF COMMERCIAL REAL ESTATE OR A BUSINESS.

- A. Authority to accept gifts of commercial real estate or a business are subject to the Board Delegation of Authority Policy.
- B. Gifts of commercial properties or business will be evaluated not only on the basis of property taxes and mortgage liabilities, but also taking into consideration the following:
 1. The Foundation may not operate a business or engage in unrelated business, unless specifically authorized to do so by the Board.
 2. The Foundation may have to pay income tax on unrelated business income (UBIT). For additional information on UBIT and the tax code, see the Legal Compendium, pp. 96-104.
 3. In addition, the Foundation could incur the additional administrative costs to establish more elaborate accounting systems and to prepare a separate tax return (Form 990-T).
 4. The Foundation as a not-for-profit corporation receives no tax benefit from depreciation of property.
 5. A requirement to assume mortgages, leases, or contracts in connection with the contribution of property could be a “material restriction,” which would make the contribution a non-component fund.
- C. The Foundation must consider operational responsibilities and costs in connection with holding the property.

XVI. DEFERRED GIFTS OR PLANNED GIFTS:

- A. **General.** The benefits from deferred or planned gifts do not fully accrue to the Foundation until some future time, and may be split with non-charitable beneficiaries. Foundation representatives are authorized to solicit direct charitable gifts through wills, as well as contributions to establish gift annuities or charitable trusts. The Foundation will work closely with donors and confer with financial advisors, at the request of the donors, to realize these gifts. In cases where the gifts are complex, the Executive Director may request review by the Finance Committee.
- B. **Bequests.** The Foundation accepts bequests from donors who have directed in their wills that certain assets be transferred to the Foundation and honors the wishes of the donor as

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expressed, but reserves the right of refusal as necessary and appropriate. Sample bequest language for restricted and unrestricted gifts is available from the Foundation, to donors and/or advisors, upon request. The Foundation may not be named as Executor for a donor in his/her will and will not serve if named. If the minimum gift size is achieved, the Foundation may create a named fund in memory of the donor, if there is no stipulation for anonymity.

- C. **Retirement Plans or IRA Accounts.** Donors may make lifetime gifts of retirement assets or name the Foundation as the beneficiary of their plan. Retirement plans include, but are not limited to, Individual Retirement Accounts (IRA), 401(k), 403(b), and defined contribution plans.
- D. **Life Income (Split Interest) Gifts.** Donors may create gifts that provide income to a donor or his/her designees, as well as financial benefit to the Foundation (split-interest gifts). Options include:

1. **Charitable Remainder Trust.** This trust makes payments to one or more beneficiaries for their lifetimes, or for a fixed term, or a combination of both. Assets are put into a trust, beneficiaries are paid, and when the trust term ends, the remainder in the trust passes to the Foundation for its charitable purposes. The donor names a Trustee to manage the trust and determines whether the payout will be fixed (a charitable remainder annuity trust (CRAT)) or variable (a charitable remainder unitrust (CRUT)). Trusts can be set up during the donor's lifetime or by will. The Foundation encourages donors to consult their own legal counsel and tax advisors to create a charitable remainder trust. At the donor's request, the Foundation will confer with his/her advisors to assist in establishing the trust from which it will ultimately benefit. The Foundation will not serve as Trustee of the trust.
2. **Charitable Lead Trust.** This trust first makes distributions to the Foundation for a specified period, with the remainder reverting to the donor or another beneficiary at the end of the period. It may be set up during one's lifetime or in a will. The Foundation will work closely with the donor and/or his advisor to create the trust, but will not serve as Trustee.
3. **Life Estate.** A donor may wish to contribute a personal residence or farm to the Foundation and retain the right to use the property until death. Upon the donor's death, the Foundation owns the entire interest in the property.
4. **Charitable Gift Annuity (CGA).** See below.

XVII. GIFTS OF CHARITABLE GIFT ANNUITIES:

The Community Foundation will accept and administer charitable gift annuities in accordance with the Indiana Code which provides a blanket statutory exemption from Charitable Gift Annuity Regulations.

A charitable gift annuity is a contractual agreement between a donor and the charity issuing the gift annuity under which the donor makes an irrevocable gift of cash or property to a qualified

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charity. In exchange for the donated property, the charity agrees to pay a fixed amount periodically for the lifetime of one or two annuitant(s). The gift transaction is part a gift to charity and part a purchase/sale of an annuity.

The Community Foundation will limit the total charitable gift annuity pool to no more than 20% of the total endowment.

A. CHARITABLE GIFT ANNUITIES GENERAL:

1. Authority to accept a charitable gift annuity is subject to the Board Delegation of Authority Policy.
2. The Community Foundation will create a Charitable Gift Annuity Contract which is the legal contract that establishes the terms of the agreement between the Community Foundation and the donor. It will specify the charitable purpose of the gift.
3. The minimum gift to establish a gift annuity at the Community Foundation will be cash or the fair market value of publicly traded securities valued at \$10,000.
4. The minimum age of an annuitant on the date that payments begin is 60.
5. The Foundation Board establishes the maximum annuity rate to be paid to each annuitant in a fair and prudent manner, and will not exceed the rates established annually by the American Council on Gift Annuities, Indianapolis, Indiana which are based upon actuarial data. The fixed annuity payout amount paid by the Foundation to the annuitant will conform to Clay Brown Rules and be determined by the Board of the Community Foundation. Each potential annuitant will be informed of the Uniform Gift Annuity Rate based upon the actuarial age of the annuitant(s).
6. The annuity rates must provide a charitable deduction of at least 10% of the value of the assets given. The annuity agreement will be written on the fair market value of the donation on the gift date.
7. In accordance with the Clay Brown Rules (IRC 514 (c)(5), the present value (charitable deduction) of the annuity must be less than 90% of the total value of the property transferred in exchange for the annuity; the annuity cannot be payable over more than two lives, and the lives must be in being at the time the gift annuity is established; the gift annuity agreement must not specify either a guaranteed minimum or maximum number of annuity payments; the amount of the periodic annuity payments cannot be subject to adjustment (by reference to the actual income produced by the transferred property).
8. The income payout period of a charitable gift annuity must be measured by one or two lives. The annuity cannot be: payable for a fixed term of years; guaranteed for a minimum number of years; terminated when a maximum number of years has been reached.
9. A portion of each payment will be tax free until the annuitant has reached actuarial life expectancy, and a portion of each payment will be ordinary income. If

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appreciated stock was used to create the annuity, a portion of the payment will be capital gains income.

10. Administrative fees will be assessed annually upon the fair market value of the assets, based upon the current administrative fee schedule of the Community Foundation.

B. CHARITABLE GIFT ANNUITY PROCEDURES:

1. To create the annuity contract, the Community Foundation must obtain the following information from a potential donor: One or two lives, deferred or immediate, the start date, birth date(s), type of gift, cash basis (if applicable), and social security number. Sometimes current earnings on gift assets and current tax bracket are helpful.
2. The Community Foundation will establish Gift Annuity contracts with gifts of cash, publicly traded securities, real property and life insurance.—Real property and life insurance gifts will be considered on a case-by-case basis to fund a gift annuity upon recommendation of the Finance Committee and approval of the Board of Directors.
3. The Community Foundation will write Immediate Gift Annuity contracts, which begin within one year of the gift date, as well as Deferred Gift Annuity contracts whose initial payment is at least a year after the gift date. The deferral period may be at the discretion of the donor.
4. The Community Foundation may write annuity contracts for one life, two lives in succession, or joint and survivor annuity contracts. Gift annuity agreements are limited to one life or two lives in being at the time of the gift. The Community Foundation will also offer testamentary gift annuity contracts for the benefit of another person.
5. The gift annuity date will be the later of either
 - a. the date the gift was approved by the Board, or
 - b. the date the gift was given to a Foundation representative, or the stock was transferred.
6. The Community Foundation will ensure semi-annual annuity payments unless otherwise designated by the donor.
7. As required by Federal law, the Community Foundation will document that it has disclosed to an annuitant the following information:
 - a. Name, address of the Foundation, identification of the Foundation Directors and administrators, non-profit corporation information, and the entity having custody of the assets.
 - b. A description of different types of funds and an explanation that the fund only contains assets devoted to charity;
 - c. The total assets of the Foundation;
 - d. Reporting information;

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- e. General investment management information, objectives, strategy, asset allocation, the use of consultation and professional advisors, historical investment returns, and fees.
 - f. Foundation exemption from Federal Laws requiring registration with the Securities Exchange Commission.
 - g. Higher annuity rates available through a commercial insurance company or other financial institutions. No charitable gift is intended in the purchase of a commercial annuity.
 - h. Current ACGA rates for persons of the same age.
 - i. Estimated taxable income information.
- 8. The Community Foundation will follow all the regulations in the states in which it offers gift annuity agreements and will consider requirements such as a segregated gift annuity fund, maintaining a minimum segregated reserve for gift annuities, registration requirements, separate checking account, investment requirements, fees, reporting, etc.
 - 9. Annuity payments will be made only with the social security number or the tax identification number.
 - 10. A 1099 form (including capital gain information) will be issued to each annuitant by January 31 of each year and copies sent to the government by February 28.
 - 11. In the event that an annuitant cannot be located, the Foundation shall conduct a reasonable search, pursuant to the laws of the State of Indiana and Internal Revenue Code.
 - 12. The Community Foundation will account for gift annuities separately and be able to determine the remainder market value of each gift annuity at its termination.
 - 13. The remaining value of the annuitant's estimated life payments is adjusted annually as part of the annual audit and is listed as a liability.
 - 14. The Board may elect to insure any annuity contract with an "A" rated insurance company, registered to do business in Indiana.
 - 15. Annuity payments will be rounded upward to ensure that each payment will be the same amount.
 - 16. Annuity payments will be mailed in time to arrive on the payment due date.
 - 17. The Foundation will determine prudent investment protocol for each gift annuity and will consider establishing a gift annuity pool with enough assets.
 - 18. Exceptions to these policies must be approved by 2/3 vote of the Board of Directors at a scheduled meeting.

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Michelle Zolt Lun

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