

**HILLSDALE COUNTY COMMUNITY FOUNDATION
GIFT ACCEPTANCE POLICIES AND GUIDELINES**

(Revised August 2015)

Hillsdale County Community Foundation, a not for profit organization organized under the laws of the State of Michigan, encourages the solicitation and acceptance of gifts to the Hillsdale County Community Foundation for purposes that will help the Foundation to further and fulfill its mission.

The mission of the Hillsdale County Community Foundation is to receive and administer funds for artistic, charitable, educational and scientific purposes in a manner that both promotes the spirit of philanthropy and meets the needs of the people of Hillsdale County.

The Board of Trustees of the Hillsdale County Community Foundation and its staff solicit current and deferred gifts from individuals, corporations, and foundations to secure the future growth and missions of the Foundation. These policies and guidelines govern the acceptance of gifts by the Foundation and provide guidance to prospective donors and their advisors when making gifts to the Foundation. The provisions of these policies shall apply to all gifts received by the Foundation for any of its programs or services.

I. Final Acceptance

The Board of Trustees has the authority to refuse gifts that clearly do not benefit the Foundation. If the benefit of a gift is questionable, the Board of Trustees shall review the proposed gift and make the final decision whether to accept or refuse the gift. When necessary, the advice of legal counsel shall be sought.

II. Use of Legal Counsel

Hillsdale County Community Foundation shall seek the advice of legal counsel in matters relating to acceptance of gifts when appropriate. Review by counsel is recommended for:

- a. Closely held stock transfers that are subject to restrictions or buy-sell agreements
- b. Documents naming Hillsdale County Community Foundation as Trustee
- c. Gifts involving contracts, such as bargain sales or other documents requiring the Hillsdale County Community Foundation to assume an obligation
- d. Transactions with potential conflict of interest that may invoke IRS sanctions
- e. Other instances in which use of counsel is deemed appropriate by the Executive Director

III. Conflict of Interest

Hillsdale County Community Foundation will urge all prospective donors to seek the assistance of personal legal and financial advisors in matters relating to their gifts and the resulting tax and estate planning consequences.

IV. Restrictions on Gifts

The Foundation will accept unrestricted gifts, and gifts for specific programs and purposes, provided that such gifts are not inconsistent with its stated mission, purpose, and priorities. The Foundation will not accept gifts that are too restrictive in purpose. Gifts that are too restrictive are those that violate the terms of the corporate charter (or trust document if charity is established under trust), gifts that are too difficult to administer, or gifts that are for purposes outside the mission of the Foundation. All final decisions on the restrictive nature of a gift, and its acceptance or refusal, shall be made by the Board of Trustees of the Foundation.

V. Treatment of Excess Business Holdings

Under the Pension Protection Act of 2006 (PPA), the private foundation excess business holdings rule apply to donor-advised funds as if they were private foundations. That is, 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:

- 20% of the voting stock of an incorporated business
- 20% of the profits interest of a partnership or joint venture or the beneficial interest of a trust or similar entity

Ownership of unincorporated businesses that are not substantially related to the fund's purposes is also prohibited.

VI. Types of Funds

The Foundation will generally accept gifts to establish or add to these types of funds.

- **UNRESTRICTED FUNDS.** Enable the Foundation to respond to the changing needs of the community without donor restrictions. **To establish an Unrestricted Fund, the original donation must be at least \$3,000.**
- **FIELD-OF-INTEREST FUNDS.** Used to support areas of interest specified by the donor. **To establish a Field of Interest Fund, donations must reach a minimum of \$5,000 within three years.**

- **SCHOLARSHIP FUND.** A fund that supports educational opportunities for people according to eligibility and selection criteria specified by the donor. **To establish a Scholarship Fund, donations must reach a minimum of \$10,000 within three years.**
- **DESIGNATED FUNDS.** Created by individual donors or organizations so that income is given regularly to the named charitable organization. **To establish a Designated Fund, donations must reach a minimum of \$5,000 within three years.**
- **DONOR ADVISED FUNDS.** Allows a donor to make recommendations about distributions of income to charities recognized as tax-exempt by the Internal Revenue Service. **To establish a Named Donor Advised Fund, a minimum donation of \$25,000 or more is required.**
- **PASS-THROUGH FUND.** Allows the donor to channel a gift through the community foundation that is designated for a particular organization or purpose. **To establish a Named Pass-Through Fund, an agreement must be established between the donor and the foundation. There is no minimum balance for non-endowed funds.**

VII. Types of Gifts

A. The following gifts are acceptable:

1. Cash
2. Securities
3. Real Estate
4. Life Insurance
5. Charitable Gift Annuities
6. Charitable Remainder Trusts
7. Charitable Lead Trusts
8. Retirement Plan Beneficiary Designations
9. Bequests
10. Life Insurance Beneficiary Designations

Securities, tangible personal property, real property and other forms of illiquid assets will be sold as soon as possible after conveyance, unless it is to be used in connection with the Foundation's tax exempt purpose. Closely held stock will be evaluated on an individual basis. All gifts of illiquid assets must show a benefit to the Foundation and meet the following criteria:

- The gift is useful for the purpose of the Foundation.
- The gift is marketable.

- There are no restrictions, reservations, easements, or other limitations associated with the gift.

B. The following criteria govern the acceptance of each gift from:

1. **Cash:** Cash is acceptable in any form. Checks shall be made payable to the Hillsdale County Community Foundation and shall be delivered to the Hillsdale County Community Foundation in the Foundation's administrative offices.
2. **Securities:** The Foundation can accept both publicly traded securities and closely held securities.

Publicly Traded Securities: Marketable securities may be transferred to an account maintained at one or more brokerage firms or delivered physically with the transferor's signature or stock power attached. As a general rule, all marketable securities shall be sold upon receipt unless otherwise directed by the Donor. In some cases marketable securities may be restricted by applicable securities laws; in such instance the final determination on the acceptance of the restricted securities shall be made by the Board of Trustees of the Hillsdale County Community Foundation.

Closely Held Securities: Closely held securities, which include not only debt and equity positions in non-publicly traded companies but also interests in LLP's and LLC's or other ownership forms, can be accepted subject to the approval of the Board of Trustees of the Foundation. However, gifts must be reviewed prior to acceptance to determine that:

- there are no restrictions on the security that would prevent the Hillsdale County Community Foundation from ultimately converting those assets to cash,
- the security is marketable, and
- the security will not generate any undesirable tax consequences for the Foundation.

If potential problems arise on initial review of the security, further review and recommendation by an outside professional may be sought before making a final decision on acceptance of the gift. The final determination on the acceptance of closely held securities shall be made by the Board of Trustees of the Hillsdale County Community Foundation and legal counsel when necessary. Every effort will be made to sell non-marketable securities as quickly as possible.

3. **Real Estate:** Gifts of real estate may include developed property, undeveloped property, or gifts subject to a prior life interest. Prior to acceptance of real estate, the Foundation shall require an initial

environmental review of the property to ensure that the property has no environmental damage. In the event that the initial inspection reveals a potential problem, the Foundation shall retain a qualified inspection firm to conduct an environmental audit. The cost of the environmental audit shall generally be an expense of the donor.

When appropriate, a title binder shall be obtained by the Foundation prior to the acceptance of the real property gift. The cost of this title binder shall generally be an expense of the donor.

Prior to acceptance of the real property, the gift shall be approved by the Board of Trustees of the Foundation and by the Foundation's legal counsel.

4. **Remainder Interests In Property:** The Foundation will accept a remainder interest in a personal residence, farm, or vacation property subject to the provisions of paragraph 3, above. The donor or other occupants may continue to occupy the real property for the duration of the stated life. At the death of the donor, the Foundation may use the property or reduce it to cash. Where the Foundation receives a gift of a remainder interest, expenses for maintenance, real estate taxes, and any property indebtedness are to be paid by the donor or primary beneficiary.
5. **Life Insurance:** The Hillsdale County Community Foundation must be named as both beneficiary and irrevocable owner of an insurance policy before a life insurance policy can be recorded as a gift. The gift is valued at its interpolated terminal reserve value, or cash surrender value, upon receipt. If the donor contributes future premium payments, the Foundation will include the entire amount of the additional premium payment as a gift in the year that it is made.

If the donor does not elect to continue to make gifts to cover premium payments on the life insurance policy, the Foundation may:

- continue to pay the premiums,
- convert the policy to paid up insurance, or
- surrender the policy for its current cash value.

6. **Charitable Gift Annuities:** The Hillsdale County Community Foundation may offer charitable gift annuities. The minimum age for life income beneficiaries of a current or deferred gift annuity shall be 60. No more than two life income beneficiaries will be permitted for any gift annuity.

Annuity payments may be made on a quarterly, semi-annual, or annual schedule. All Charitable Gift Annuities must be reviewed by

the Investment Committee of the Foundation with all annuities subject to final approval by the Board of Trustees.

Hillsdale County Community Foundation will not accept real estate, tangible personal property, or any other liquid asset in exchange for current charitable gift annuities. The Hillsdale County Community Foundation may accept real estate, tangible personal property, or other liquid assets in exchange for deferred gift annuities so long as there is a least a 5 year period before the commencement of the annuity payment date, the value of the property is reasonably certain, and the Executive Director of the Hillsdale County Community Foundation approves the arrangement.

Funds contributed in exchange for a gift annuity shall be set aside and invested during the term of the annuity payments. Once those payments have terminated, the funds representing the remaining principal contributed in exchange for the gift annuity shall be transferred to the Hillsdale County Community Foundation's general endowment funds, or to such specific funds as designated by the donor.

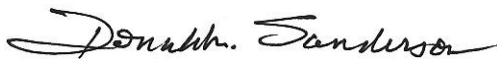
7. **Charitable Remainder Trust:** The Foundation may accept designation as remainder beneficiary of a charitable remainder trust with the approval of the Board of Trustees of the Foundation. The Foundation will not accept appointment as Trustee of a charitable remainder trust.
8. **Charitable Lead Trust:** The Foundation may accept a designation as income beneficiary of a charitable lead trust. The Board of the Hillsdale County Community Foundation will not accept an appointment as Trustee of a charitable lead trust.
9. **Retirement Plan Beneficiary Designations:** Donors and supporters of the Hillsdale County Community Foundation will be encouraged to name the Foundation as beneficiary of their retirement plans. Such designations will not be recorded as gifts to the Foundation until such time as the gift is irrevocable. When the gift is irrevocable, but is not due until a future date, the present value of that gift may be recorded at the time the gift becomes irrevocable.
10. **Bequests:** Donors and supporters of the Hillsdale County Community Foundation will be encouraged to make bequests to the Foundation under their wills and trusts. Such bequests will not be recorded as gifts to the Foundation until such time as the gift is irrevocable. When the gift is irrevocable, but is not due until a future date, the present value of that gift may be recorded at the time the gift becomes irrevocable.

11. **Life Insurance Beneficiary Designations:** Donors and supporters of the Hillsdale County Community Foundation will be encouraged to name the Foundation as beneficiary or contingent beneficiary of their life insurance policies. Such designations shall not be recorded as gifts to the Foundation until such time as the gift is irrevocable. Where the gift is irrevocable, but is not due until a future date, the present value of that gift may be recorded at the time the gift becomes irrevocable.

VIII. Miscellaneous Provisions

- A. **Securing appraisals and legal fees for gifts to the Foundation:** It will be the responsibility of the donor to secure an appraisal (where required) and independent legal counsel for all gifts made to the Foundation.
- B. **Valuation of gifts for development purposes:** The Foundation will record a gift received by the Foundation at its valuation for gift purposes on the date of gift.
- C. **Responsibility for IRS Filings upon sale of gift items:** The Executive Director of the Foundation is responsible for filing IRS Form 8282 upon the sale or disposition of any asset sold within two years of receipt by the Foundation when the charitable deduction value of the item is more than \$5,000. The Foundation must file this form within 125 days of the date of sale or disposition of the asset. Form 8282 with Filing Instructions is attached as an appendix to these policies.
- D. Acknowledgement of all gifts made to the Foundation and compliance with the current IRS requirements in acknowledgement of such gifts shall be the responsibility of the Board of the Foundation.

This Policy was approved by the Foundation's Board of Trustees on: August 4, 2015



Board Secretary