



community foundation[®]

Muskegon County

Gift Acceptance & Fund Establishment Policy

**Revised:
July 2016
Board of Trustees Approved: August 22, 2016**

Gift Acceptance

General Purpose

The need for such a policy of the Community Foundation *for* Muskegon County (the “Foundation”) arises from the fact that donors of charitable gifts must assign a value to their gifts to establish their charitable income tax deduction basis. The tax regulations relating to valuations of charitable gifts are complex, and tax deductions are often dependent on how the donor acquired the property, its current value, and the use to which the gift is being put by the Foundation. To avoid misunderstanding or conflict between a donor and the Foundation as to valuation when a gift is made to the Foundation, the Foundation will follow the guidelines set forth below. However, the Foundation cannot give assurance that any valuations given will be acceptable to the Internal Revenue Service for charitable tax deduction purposes. In every case, donors must rely on their own professional legal and tax advisors. The Foundation will abide by the substantiation rules for valuing charitable gifts as outlined in the IRS Code and regulations.

Scope of the Statement

The basic items to be covered by this policy are:

- Circumstances under which a gift will be accepted
- Circumstances under which a financial valuation amount will be acknowledged to the donor in the form of a receipt
- Circumstances under which no financial valuation amount will be acknowledged, but under which only a description of the item received will be issued to the donor in the form of a receipt

Definition of Kinds of Gifts and Foundation Administration

Creation of a Committee

Decisions relating to the acceptance and recording and acknowledgement of gifts will be made according to these Guidelines, and when necessary, by the Foundation Executive Committee. The Executive Committee is annually appointed and ratified by the Foundation Board of Trustees.

Function of the Committee

In accepting a gift, the Foundation will need to identify the motivation of the donor. If there is any question about the source or the appropriateness of the gifts or the donor, e.g., the gift might derive from sources inconsistent with the philosophy of the Foundation, the decision to accept such a gift must be made by the Foundation Executive Committee.

Because of the varied nature of charitable gifts, proposed or offered gifts which have unusual restrictions or which have limited application to the Foundation mission must be reviewed by the Executive Committee before acceptance. The Committee must evaluate both if the acceptance of a given gift is in the best interest of the Foundation, and if the Foundation can administer the terms of the gift to meet the wishes of the donor. Generally donors will be encouraged to make unrestricted gifts to the Foundation.

General Definition of Gifts

Many donors give gifts to the Foundation for use by the Foundation as the Foundation determines (unrestricted gifts), or for some specific purpose (restricted gifts) which is consistent with the Foundation mission. Gifts, whether restricted or unrestricted, are either made outright allowing the Foundation to use the gift immediately (current gifts) or the gifts are made subject to some manner of deferral resulting in the Foundation being unable to use the gifts until some certain or indeterminable time has past (deferred gifts).

Deferred gifts are usually personal will and trust charitable bequests, although other gifts may involve the payment of income from the donated gift assets to individuals over their lifetimes (life income gifts). Where life income deferred gifts are involved, in order to determine the income to be paid to the income beneficiaries and the value of the charitable income tax deduction taken by the donor, a valuation of the gift assets will need to be established in accordance with IRS regulations.

Policy Statements Concerning Specific Types of Gifts

The Foundation will accept gifts and issue gift receipts of various types depending on the nature of the charitable gift made.

- Cash (including cash equivalent, such as Certificates of Deposit and savings accounts)
Receipts including gift value will be issued to donors making cash gifts.
- Marketable Securities (stocks, bonds, U.S. Government securities)
Gifts of publicly traded securities will be accepted and will be acknowledged by a receipt for the number of shares given. The donor will be acknowledged by letter stating the median value of the high and low selling prices of the securities on the date of the gift. A donor should consult with tax advisors for a tax deduction determination.
- Non-publicly Traded Securities (closely held stock)
The Executive Committee will review the advisability of accepting gifts of closely held stock. Closely held stock will normally be accepted when Foundation has identified a ready market (buyer) for the stock. Usually, a receipt for a gift of such stock will reflect only the description.
- Insurance Policies
Term insurance policies are not usually accepted by the Foundation; however, if the Foundation is made the owner of such a contract, a receipt (without gift valuation) which describes the policy will be issued to the donor. If a permanent life insurance policy has a cash surrender value at the time of the gift (whole life insurance or similar product), a receipt containing the policy description and the amount of the policy interpolated terminal reserve plus unearned premium, plus accumulated value of dividends as of the date of the gift will be issued to the donor. If a new whole life insurance policy is given, a receipt will be issued for the value of the initial premium paid by the donor or paid by the Foundation from funds received from the donor.
- Real Estate (non-income producing)
An offer of real estate to the Foundation must be reviewed by the Executive Committee. Generally, if the real estate has potential for expeditious resale, the gift will be

accepted. If the Executive Committee determines that the real estate may be difficult to sell due to prevailing market conditions, or concerns about the suitability of the property, consideration will be given to declining the gift. To be acceptable, the property will be subject to all usual and customary due diligence, including an environmental impact study, to determine that no liability will be passed on to the Foundation. If accepted, the Foundation will issue a receipt containing the legal description of the property in question.

- **Real Estate (Income Producing)**
A gift of income producing real estate must be reviewed by the Executive Committee. Generally, if the real estate has potential for expeditious resale, the gift will be accepted. The receipt of unrelated business income and the administrative burden placed on the Foundation will be assessed by the Committee. To be acceptable, the property will be subject to all usual and customary due diligence, including an environmental impact study to determine that no liability will be passed on to the Foundation. If accepted, the Foundation will issue a receipt containing the legal description of the property in question.
- **Tangible Personal Property**
A gift of tangible personal property must be reviewed by the Executive Committee. Before acceptance of the property, the Foundation and the donor will need to agree on whether the property is to be retained by the Foundation or if it is to be sold. In general, the Foundation will issue a receipt containing the description of the property which has been gifted.
- **Other Gift Items**
All other items that may be offered to the Foundation that are not described above must be reviewed by the Executive Committee.

Fund Establishment Policies/Procedures

General Purpose

The creation and establishment of funds must be approved by the Foundation Board of Trustees. The Foundation staff will be responsible for working with the donor to insure that the donor's intent for the fund is realized. Upon the completion of a fund agreement, the Foundation staff will present the agreement to the Board of Trustees for its approval and authorization. The Trustees will authorize agreements which are consistent with the mission and intent of the Foundation.

Minimum Amounts

The Foundation will accept gifts to start a new fund and issue gift receipts of various types depending on the nature of the charitable gift made. Opening gifts of the following minimum amounts are required.

<u>Fund Type</u>	<u>Muskegon</u>	<u>Affiliates</u>
Scholarship Funds	\$20,000	\$10,000
All Other Endowed Funds	\$10,000	\$5,000

Build A Funds	\$500	\$500
Nonprofit Support Services Funds	\$500	\$500

Fund Development Procedure

The process for new fund development is as follows:

- Conduct meeting with donor to determine interest and intent
- Provide donor with relevant information about funds and Foundation
- Create a work in progress folder – FIMS profile if needed – add FIMS contact notes
- Create a draft agreement
- Email/mail/deliver draft agreement to donor for consideration
- Enter notes in contact tab in FIMS
- Create a FIMS tickle to schedule follow up
- Follow up with donor via email/phone/meeting as needed to finalize details
- Complete final draft of fund agreement
- Get donor to sign two copies of agreement, ideally in our office so they can meet President and other staff
- Mail or deliver a copy of the signed agreement to the donor, along with a thank you letter
- Present Fund Agreement for Board of Trustees approval at their next scheduled meeting
- Provide President's Assistant the original fund agreement for filing
- Add the fund to the list of new funds approved for the year

Excess business holdings

The Pension Protection Act of 2006 amended section 4943 of the Internal Revenue Code to limit ownership of closely-held business interests in a donor advised fund. A fund's holdings, together with the holdings of disqualified persons (donor, advisor, members of their families and businesses they control) may not exceed any of the following:

- 20% of the voting stock of an incorporated business;
- 20% of the profits interest of a partnership, joint venture, or the beneficial interest in a trust or similar entity;
- Any interest in a sole proprietorship.

These limitations do not apply if the donor advised fund holds an interest that does not exceed two percent of the voting stock and two percent of the value of the business.

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. To prevent a violation of these rules, it is the Foundation's policy is to divest itself of such holdings within five years from the date the Foundation acquired the asset. If that is not possible, the asset will be transferred to a new or existing fund that is not an advised fund.