

## Gift Acceptance Policies and Procedures

**Purpose:** The Hendricks County Community Foundation, Inc. (HCCF) has established a development program to further the charitable purposes and Mission of HCCF. Specifically, the development program seeks to help donors meet their charitable goals while benefitting the community and organizations served by the HCCF. This requires an active effort on the part of the HCCF Board of Directors, volunteers and staff to promote the programs and opportunities offered by HCCF and to respond promptly and appropriately to the needs and circumstances of donors and prospective donors to HCCF.

This document sets forth HCCF's roles and responsibilities regarding gifts, clarifies procedures for acceptance of various types of gifts, and contains other helpful information.

### POLICIES FOR ACCEPTING GIFTS

- 1. Compliance with Vision and Mission.** All gifts to HCCF must fulfill the Vision and Mission of HCCF.
  - The Vision of HCCF is: Hendricks County is a vibrant, giving community.
  - The Mission of HCCF is: The Hendricks County Community Foundation partners with generous people to realize their charitable goals while addressing community needs in meaningful and lasting ways.
- 2. Gifts to Component Funds.** Most gifts to HCCF are donated to a component fund of the community foundation. HCCF has approved fund administration policies that apply to component funds, such as *Administrative Fees and Minimum Balance Policy, Donor Initiated Fundraising Policy, Family Legacy Fund Handbook, Fiscal Sponsorship Handbook* and *Donor Advised Fund Handbook*.
- 3. Exceptions.** Exceptions may be made to these policies and procedures, including acceptance of gifts not discussed in this document, on a case-by-case basis as approved by the HCCF Board of Directors (Board).
- 4. Refusal of Gifts.** HCCF retains the right to refuse any gift.
- 5. Ethical Standards:** HCCF serves as a reliable professional steward of assets entrusted to its care. The integrity and quality of HCCF's relationship with its constituency helps determine the strength of the organization. HCCF accepts its responsibility to perform to the highest standards in every activity:
  - Fair and equitable treatment of its donors, grantees, and applicants;
  - Prudent fiscal management of funds with complete financial reporting;
  - Maximum disclosure to the community of pertinent information about grants, policies, and procedures; and
  - Continuous assessment of the cultural diversity of the community and funding decisions based on moral, ethical, and social attitudes.

The effectiveness of HCCF is demonstrated by the quality of its governance, its adherence to the highest standards of service, and to the spirit of these ethical principles. Each person working on HCCF affairs is committed to being mindful of their personal conduct when dealing with these important matters. Each member of the Board of Directors, each volunteer, and every staff member signs a Conflict of Interest Statement annually. This statement is intended to supplement, but not replace, any applicable state laws governing conflict of interest applicable to nonprofit and charitable foundations.

HCCF has met all requirements for compliance with the National Standards for Community Foundations as set by the Council on Foundations. HCCF abides by the Model Standards of Practice of the Charitable Gift Planner, the Donor Bill of Rights and the Association of Fundraising Professionals Ethical Standards, and the Independent Sector Statement of Ethics.

**6. *Disclosures to Donor and Donor's Interests:*** This document attempts to disclose to a prospective donor the benefits and liabilities that could reasonably be expected to influence the donor's decision to make a gift to HCCF. Staff interactions with potential donors will also attempt to make these disclosures plain. In particular, the donor will be advised when gifts are irrevocable, and items subject to variability (e.g., market value, investment return, and amount of income payments) will be discussed. In addition, donors should be aware the HCCF Board has full control of all assets of HCCF, including matters relating to investment, spending, fees, and variance power subject to state and federal law. It is the responsibility of HCCF staff to keep detailed notes (including contacts with donor) to supplement correspondence relating to each gift transaction in order to ensure documentation of donor intent. The role of HCCF staff is to inform, serve, guide, or otherwise assist the donor in fulfilling his or her philanthropic wishes, but never to pressure or unduly persuade.

**7. *Legal, Accounting and Financial Counsel:*** HCCF shall not provide legal, accounting or investment counsel to donors. Rather, HCCF recommends that donors consult their own attorneys, accountants, financial and other advisors before making a gift. HCCF shall consult with its legal, accounting, financial and other counsel in appropriate matters pertaining to its asset development program as needed on case-by-case basis. Review by legal counsel is usually sought by HCCF in connection to gifts involving various planned giving instruments, closely-held securities, insurance contracts, tangible personal property, real estate and any transactions with potential conflict of interest that may invoke IRS sanctions

**8. *Restrictions on Gifts:*** HCCF accepts unrestricted gifts, and gifts restricted for specific funds, programs and purposes, provided that such gifts are consistent with HCCF's Vision, Mission, Bylaws and Articles of Incorporation. HCCF may not accept gifts that jeopardize its tax exempt and nonprofit corporation status and/or that are too difficult or costly to administer. For example, no gifts with material restrictions on the investment, spending or use of a donation shall be accepted. All final decisions on the restrictions of a gift, and its acceptance or refusal, shall be made by the HCCF Board. HCCF retains the right to refuse any gift.

**9. *Administration of Funds:*** Most gifts to HCCF are contributed to a component fund of HCCF (i.e., "fund"). HCCF staff, overseen by the Board, administers aspects of each fund's investment management, grantmaking, check writing, bookkeeping, tax reporting, auditing, and evaluation. HCCF makes available to each fund's Fund Representative, if applicable, reports of fund income, expenses and grantmaking, as appropriate.

**10. *Administrative Fees:*** HCCF assesses fees pursuant to the *Administrative Fees and Minimum Balance Policy*, including investment management fees, against all its funds to assist with the cost of administration. Fees are also assessed to the proceeds of individual gifts such as real estate, stock, credit card charges and

others as deemed appropriate. Donor initiated fundraising may require fees to facilitate fiscal sponsorships and other activity. Planned gifts administered by HCCF such as life insurance contracts, charitable gift annuities and trusts may require fees. Any exceptions to the fee schedule must be approved by the Board.

**11. Confidentiality and Anonymity:** All information concerning donors, regardless of active, inactive, or prospective status, shall be kept strictly confidential by HCCF and its personnel, unless the donor grants permission to use selective information for purposes of referral, testimonial, or example at the discretion of authorized personnel. This permission will be documented in writing. Likewise, HCCF recognizes that a donor may wish to remain anonymous, or at least not have his or her gift acknowledged publicly. HCCF will adhere to the donor's wishes regarding publicity or anonymity of a gift.

**12. Variance Power:** In compliance with all applicable state and federal law, including but not limited to the Uniform Management of Institutional Funds Act (UPMIFA) of Indiana as well as the Internal Revenue Code and applicable federal regulations, the HCCF Board has the ability to amend gift restrictions or documentation of donor intent. This allows the Board to redirect resources of gifts and component funds if it determines that the donor's restriction is illegal, unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community. It is the stated goal of HCCF to follow donor's intent as closely as possible.

**13. Authorization for Negotiation:** The President and Chief Executive Officer or designee is authorized to negotiate on behalf of HCCF with any donor with respect to gifts that comply with the policies and procedures stated herein.

**14. Standard Form Documents:** For administrative convenience, HCCF has developed standard forms of fund agreements, charitable gift annuity contracts, and other documents relating to the HCCF's development program. All such standard forms have been reviewed by legal counsel and approved by the Board. HCCF will provide standard forms to a prospective donor and the donor's advisor upon request and encourages their use. Modifications of standards form documents may require approval of the Board.

**15. Fund Reports:** HCCF will provide Fund Representatives activity reports on the fund showing current balance as well as gifts and grants on a regular basis. Currently, fund reports are provided twice a year. Reports of gifts received may also be provided on a monthly basis. Fund Representatives or Fund Advisors may contact HCCF for balance information at any time.

**16. Valuation of Non-Cash Gifts:** Valuation in compliance with federal rules for non-cash gifts and the preparation and filing of various tax forms for the purpose of obtaining a charitable income or estate tax deduction will be the responsibility of the donor or the donor's counsel. See IRS Publication 561 *Determining the Value of Donated Property* and IRS Form 8283.

**17. Acknowledgement of Gifts:** HCCF will provide all donors with a gift acknowledgement letter within 10 days of receipt of the gift. This information will assist the donor in the preparation of federal and state tax returns. Please see IRS Publication 526 *Charitable Contributions* (<https://www.irs.gov/pub/irs-pdf/p526.pdf>), as well as IRS Publication 1771 *Charitable Contributions - Substantiation and Disclosure Requirements* (<https://www.irs.gov/pub/irs-pdf/p1771.pdf>)

**18. Investment of Gifts and Funds:** In general, assets from current and future gifts will be commingled with other assets of HCCF for investment purposes. All investments will be selected in conformance with investment policies established by the HCCF Board. The HCCF Board and Finance Committee set policy for and

oversee our investments. See the *Investment Policy Statement* for more details. All noncash assets accepted as gifts are usually sold, but may be retained by HCCF as long as such decisions to do so serve the interests of HCCF and approved by the Board. Unrestricted memorial gifts shall be placed in an Endowed Fund of HCCF.

**19. *Separate Investment of Fund Assets:*** All right, title, and interest to the assets of donations are irrevocably relinquished by donors. As such, gifts may contain no material restriction that would prevent the funds from being considered as component funds of HCCF pursuant to federal law. HCCF has ownership and control of all assets. In certain cases approved by HCCF such as donor advised funds, donors may advise on investments of their gifts but otherwise relinquish the right to choose investments and investment advisors. HCCF will endeavor to accommodate requests from donors for separate investment management of fund assets or for use of a particular investment broker or agent when the initial gift to establish the fund exceeds \$500,000. HCCF will be the account owner and investments must follow our *Investment Policy Statement* as approved by the Board of Directors. HCCF's Board must approve the addition of any new investment manager. HCCF may apply additional administrative fees to separately-invested fund assets to cover the additional expenses associated with such investments. Investment results will be reviewed by the HCCF Finance Committee for adequate investment performance. If performance is found to be inadequate or not within the Investment Policy, the manager may be terminated at the sole discretion of HCCF, followed by notification to the donor(s).

**20. *Spending from Endowed Funds:*** The annual rate of spending from endowed funds is controlled by HCCF's *Spending Policy for Endowed Funds*. The Spending Rate is set each year by the Board.

**21. *Serving as Trustee for Charitable Trusts:*** It is the policy of HCCF not to serve as trustee for trusts such as charitable remainder trusts, charitable lead trusts and/or revocable living trusts.

**22. *Exceptions to Gift Acceptance Policies:*** Any exceptions to the policies laid out herein will be considered on a case by case basis and are subject to approval by the HCCF Board.

## PROCEDURES FOR ACCEPTING SPECIFIC TYPES OF GIFTS

### I. ACCEPTANCE PROCEDURES FOR CURRENT USE GIFTS

Current use gifts are those that will be used immediately by HCCF for the charitable purpose designated by the donor. Except as noted below, HCCF will accept the following types of current use gifts assuming they meet the general guidelines outlined above:

#### a. **Cash and checks**

Checks should be made payable to "Hendricks County Community Foundation" or "HCCF" with the name of the particular fund written in the memo line. It is recommended that all gifts be accompanied by a written document (fund agreement, donor envelope, letter or other written instruction) signed by the donor.

#### b. **Pledges**

Pledges to make gifts may be made applicable to any fund at HCCF. A schedule of pledges payable should be included in the fund agreement, letter or other written instruction from the donor and signed by the donor. Reminder notices for future pledge payments due will be distributed by HCCF either by mail or email.

**c. Gifts of Securities (Publicly Traded)**

Gifts of securities include publicly traded stocks, mutual funds, treasury bills and/or bonds. Gifts of securities generally allow the donor a charitable deduction for the fair market value of the gift, as determined by federal law. It is the donor's responsibility to obtain any necessary appraisals of securities. As stated above, donors should understand that securities donated to HCCF will, as a general rule, be sold immediately upon receipt.

- i. Securities may be conveyed to HCCF in certificate form or by electronic transfer to HCCF's accounts. Detailed instructions for transfer of securities are available from the HCCF office.
- ii. Donors must value their gift to substantiate the charitable deduction value. Valuation of publicly traded securities is calculated using the average of the high and low price on the date the securities are received into HCCF's account, or the date the certificates are hand-delivered or postmarked, per federal regulation. Any change in valuation of securities from the date of receipt by HCCF and date of sale shall accrue to the appropriate Fund or charitable purpose.

**d. Gifts of Securities (Closely-Held)**

Gifts of S-Corporation stock, partnership units or limited liability corporation interests will be evaluated on a case-by-case basis and are subject to approval by the Board of Directors and the Excess Business Holdings Regulations set forth by the IRS (See IRS Section 4943). In general,

- i. There can be no restrictions on the closely-held securities that would prevent HCCF from ultimately converting the closely-held assets into cash.
- ii. HCCF must consider potential tax consequences such as unrelated business income tax.
- iii. Gifts of closely-held assets may require additional time to facilitate acceptance by HCCF.

**e. Gifts of IRA Charitable Rollovers**

- i. This method of giving is available for donors age 70.5 years and older who are required to take minimum distributions from their IRA accounts. It allows donors to meet the required minimum distribution and make a gift without recognizing the distribution as income. IRA rollover gifts shall not be received by a donor advised fund or supporting organization.
- ii. The donor (IRA owner) instructs the IRA Custodian to transfer a specific dollar amount directly to HCCF up to an annual maximum of \$100,000 per IRS owner. This transfer can be made by check or electronic transfer directly to HCCF's account. HCCF shall provide mailing or wire delivery information.

**f. Gifts of Tangible Personal Property**

Includes property such as automobiles, boats, airplanes, jewelry, art, collectible items, intellectual property, grain, livestock and farming equipment, mineral rights, and oil or gas interests may be deemed tangible or intangible property depending on applicable law.

- i. The charitable deduction for a contribution of appreciated tangible personal property is limited to the lower of either its cost basis (the original value or purchase price) or the fair market value of the item if the property itself (not the cash from the sale of the property) for a use related to HCCF's Mission. Pursuant to federal law, the charitable deduction

value for the donation of automobiles, boats and airplanes is limited to the sales price HCCF receives when selling the asset.

- ii. Subject to exception, tangible personal property donated to HCCF will, as a general rule, be sold upon receipt.
- iii. Any costs incurred by HCCF to sell the tangible personal property will be deducted from the sale proceeds before being deposited to the specific fund at HCCF.

**g. Gifts of Real Property (Real Estate)**

- i. Real estate gifts are evaluated on a case-by-case basis and subject to approval by the Board. Prior to the acceptance of real estate, HCCF shall complete a real estate gift checklist, potentially including but not limited to an environmental review of the property to ensure that the property has no environmental contamination. In addition, a qualified inspection of any buildings will be conducted prior to acceptance.
- ii. Any costs incurred by HCCF to accept or sell donated real estate will be deducted from the sale proceeds.

**h. Bargain Sales**

- i. HCCF may negotiate on a case-by-case basis the purchase of real or tangible personal property at a reduced price subject to Board approval.
- ii. All appropriate due diligence shall be conducted prior to purchase to assure the property's value and no unacceptable risk of liability.

**i. Charitable Lead Trusts**

- i. HCCF may accept payments from charitable lead trusts to pay pledges for any type of fund including donor advised funds, but HCCF shall not serve as trustee of these trusts.
- ii. Advantages of charitable lead trusts for donors include the following:
  - 1. Make a gift and transfer wealth to next generation at reduced gift/estate tax cost with a nongrantor lead trust.
  - 2. Attractive when interest rates are low to facilitate a tax-efficient way to pass wealth for the nongrantor lead trust.
  - 3. Significant income tax charitable deduction for a grantor lead trust.

**II. ACCEPTANCE PROCEDURES FOR DEFERRED USE PLANNED GIFTS**

Deferred use planned gifts encompass all forms of gifts in which case is not received by HCCF until some future time, such as the death of the donor or other income beneficiaries, or the expiration of a predetermined period of time. Deferred types of planned gifts accepted by HCCF are detailed below and are evaluated on a case-by-case basis and subject to approval by the Board.

**a. Bequests**

Bequests are an effective way to realize a donor's charitable goals. HCCF staff are encouraged to promote bequests as a priority for HCCF development planning by providing sample bequest language and other promotional activity.

- i. Donors and supporters of HCCF are encouraged to make bequests to HCCF through their wills and trusts.
- ii. If the donor will be establishing a new fund with the bequest, it is recommended that donor work with HCCF to finalize the fund agreement when the bequest is written into the

will, to ensure the donor's wishes are clearly documented. There are a number of fund types that HCCF offers, including:

1. Unrestricted – to be used for the greatest needs and opportunities as defined by HCCF.
2. Restricted purpose, not endowed – to be used for a specific purpose with no endowed portion.
3. Restricted purpose, endowed – the principal of the gift is forever preserved as an endowment and a portion of the fund is made available each year for spending on the restricted purpose pursuant to the approved spending policy.

Donors may leave a gift in their will or trust documents and change the purpose by signing a new Fund Agreement with HCCF. HCCF will administer the bequest assets pursuant to any restrictions in the bequest documents and/or the last signed fund agreement.

iii. There are a number of ways to structure a bequest, including:

1. A percentage of the total estate (sample: "I leave the Community Foundation 25% of my gross estate").
2. A percentage of the residue (sample: "After distribution of the specific bequests (to other beneficiaries) and payment of expenses and taxes, I leave the Community Foundation one-third of the residue of my estate").
3. All of the remainder (sample: "I give the Community Foundation all of the property remaining after paying debts, expenses, and specific bequests").
4. A specific class of property (sample: "I leave the Community Foundation all of my savings bonds").
5. A specific asset (sample: "I leave the Community Foundation my residence at 123 Avon Avenue, Avon Indiana").
6. A specific dollar amount (sample: "I leave the Community Foundation \$10,000").
7. A formula distribution (sample: "I leave the Community Foundation an amount equal to ten times the size of the average gift made to the Community Foundation over the last three years of my life").
8. A contingent bequest (sample: "In the event my wife does not survive me, I give the property set aside for my wife to the Community Foundation").

#### **b. Retirement Plan Beneficiary Designation**

These simple and effective planned gifts are very similar to bequests. The gift is not recognized as part of the donor's estate, and staff shall promote these gifts along with bequests as a priority.

- i. Donors and supporters of HCCF are encouraged to name HCCF as beneficiary of their retirement plan. This is usually accomplished by completing the beneficiary information form for the donor's retirement plan provided by the plan administrator.
- ii. If the donor will be establishing a new fund with the beneficiary designation, it is recommended that donor work with HCCF to finalize the fund agreement when the beneficiary designation is made, to ensure the donor's wishes are clearly documented.

#### **c. Gift of Life Insurance**

Gifts of life insurance provide donors with an excellent opportunity to make a potentially significant future gift to HCCF at modest after-tax costs to the donor. The donor can be owner of the policy and HCCF the beneficiary, or HCCF can be both the owner and beneficiary of the insurance policy. Gifts of life insurance can be made with new and/or existing policies.

- i. For existing policies with no remaining premiums, the donor can transfer ownership of the policy to HCCF by filing an absolute assignment-of-ownership form with the insurance company. The company then will send an endorsement to HCCF showing that HCCF is the sole owner and beneficiary of the policy. The donor qualifies for an income tax charitable deduction if the policy has cash value exceeding any loan amount.
- ii. For existing policies with remaining premiums due, the donor can transfer the policy as stated above. The donor can make future tax deductible contributions to HCCF for the amount of the premium payments due and HCCF will remit the premium payments directly to the insurance provider. The donor qualifies for an income tax charitable deduction if the policy has cash value exceeding any loan amount.
- iii. For new policies, HCCF will work with the donor to establish a life insurance policy with HCCF as the owner and beneficiary. The donor shall make a tax deductible contribution to HCCF for the entire premium due, or for a series of premium payments, and HCCF will remit the premium payments directly to the insurance provider.
- a. Upon the death of the insured donor, the value of the policy may establish a new fund, or contribute to any existing fund at HCCF. If the donor will be establishing a new fund with the remainder interest or income stream of the charitable trust, it is recommended that the donor work with HCCF to finalize the fund agreement when the trust is established, to ensure the donor's wishes are clearly documented.

### **III. ACCEPTANCE PROCEDURES FOR GIFTS INCORPORATING LIFE INCOME PLANS**

Some types of gifts can provide income to the donors or the donor's designees for life or a fixed period of time.

#### **a. Charitable Gift Annuity**

- i. A charitable gift annuity (CGA) is a contract under which the donor agrees to contribute cash, marketable securities or other assets to HCCF, in return for fixed annuity payments to one or two individuals for their lifetimes. The contributed property, given irrevocably, becomes a part of HCCF's assets, and the payments are a general obligation of HCCF. The annuity is backed by HCCF's entire assets, not just by the property contributed. Unlike a trust, annuity payments continue for the life/lives of the annuitant(s) regardless of the remaining value of the original assets contributed by the donor. For these gifts, HCCF will follow payment rates recommended by the American Council on Gift Annuities.
- ii. At the death of the annuitant(s), the remaining value of the original assets contributed will be deposited into a component endowment fund at HCCF as directed by the donor.
- iii. With an immediate CGA, the annuitant starts receiving payments at the end of the payment period immediately following the contribution date unless otherwise stated in writing. Minimum age for immediate CGA's is 65. Exceptions to the age limit will be considered on a case by case basis.
- iv. With a deferred CGA, the annuitant starts receiving payments at a future time, the date agreed upon by the donor and HCCF, which must be more than one year after the date of the contribution. Minimum age to begin receiving annuity payments for deferred CGA's is 65.
- v. HCCF reserves the right to co-insure any CGA.
- vi. Advantages of CGA's include the following:
  - 1. Make a gift and retain an income stream.
  - 2. Fixed income at favorable rates.



3. Potential saving in capital gains tax liability,
4. Increased cash flow when using low-yielding investments to fund the CGA.

**b. Charitable Remainder Trusts**

HCCF will not serve as a trustee or provide legal advice regarding the creation or administration of a trust. If the donor will be establishing a new fund with the remainder interest or income stream of the charitable trust, it is recommended that donor work with HCCF to finalize the fund agreement when the trust is established, to ensure the donor's wishes are clearly documented.

**i. Charitable Remainder Trust (CRT)**

1. Advantages of charitable remainder trusts include the following:
  - a. Retain an income stream.
  - b. Substantial income tax charitable deduction.
  - c. Increased cash flow when using low-yielding investments to fund the trust.
  - d. Avoid potential capital gains taxation when using highly appreciated assets to fund the trust.