



GIFT ACCEPTANCE POLICY

PURPOSE

The purpose of this policy of the Community Foundation of Marquette County and affiliated entities (referred to as the “Foundation” in the following sections of this policy), is to serve the best interests of the Foundation, its donors, and a healthy, caring community by providing guidelines for negotiating and accepting various types of gifts for various types of funds. Given the increasing complexity of IRS regulations, the volume of real estate and other property gifts, and state and federal environmental laws, the Foundation recognizes the value in carefully screening proposed gifts.

The purposes of the gift must fall within the broad charitable purpose of the Foundation. In addition, the Foundation Board and staff must be able to assure that gifts accepted by the Foundation do not place other assets of the Foundation at risk, and that they can be easily converted into assets that fall within the Foundation’s investment guidelines. The Foundation must also ensure that it can administer the terms of the gift in accordance with the donor’s wishes.

To facilitate this purpose, the Foundation follows the ***Model Standards of Practice for the Charitable Gift Planner*** adopted by the National Committee on Planned Giving and the American Council on Gift Annuities. This code of ethics for planned giving practitioners is Appendix A of this policy.

In addition, the need for a policy such as this 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 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

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purposes. In every case, donors must rely on their own professional legal and tax consultants. The Foundation will abide by the substantiation rules for valuing charitable gifts as outlined in the IRS Code and regulations thereunder.

SCOPE OF THIS STATEMENT

The policy guidelines which follow are set forth to:

1. Indicate circumstances under which a gift will be accepted.
2. Indicate circumstances under which a financial valuation amount will be acknowledged to the donor in the form of a receipt.
3. Indicate 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.
4. Protect the interest of donors of gifts to the Foundation.
5. Protect the interests of the Foundation.
6. Delineate the administrative responsibilities of the Foundation with respect to all gifts.

These guidelines cannot possibly embrace all areas in which judgment must be exercised. The Foundation employees and trustees must exercise sound judgment in handling situations not specifically covered. In view of the importance of gifts, including deferred gifts, to the Foundation, those charged with attracting and maintaining them must be given wide latitude and, at the same time, must insure that the dignity and integrity of the Foundation and the best interest of its donors be maintained.

ROLE OF THE FOUNDATION STAFF

The Chief Executive Officer on behalf of the Board of Trustees shall officially receive all gifts to the Foundation. The Chief Executive Officer will develop the terms, restrictions, and conditions that apply to each gift in accordance with this policy. Any potential gift that is either not covered by this policy, or includes non-standard terms, restrictions or conditions must be reviewed by the Gift Acceptance Committee ("Committee") prior to final acceptance. In circumstances where the Committee cannot make a clear determination about a particular gift, the matter will be submitted to the Chief Executive Officer for consultation with legal counsel or other professionals for ultimate decision by the Board of Trustees.

Staff shall provide quarterly reports to the Board of Trustees detailing gifts accepted to establish new funds, but not requiring prior review and approval according to the policies established herein, by the Foundation.

GIFT ACCEPTANCE COMMITTEE

One of the most important responsibilities of the Board of Trustees is the safeguarding of the Foundations assets. Because acceptance of certain types of gifts may subject the Foundation to liability, proper review of all proposed gifts is essential to avoid jeopardizing the Foundation's assets. The primary role of the Gift Acceptance Committee ("Committee") is to review the proposed gift transactions as specified below. The Committee shall also adopt standard forms for agreements with donors, and shall, from time to time, submit recommendations for changes to the Gift Acceptance Policies to the Board for approval.

The Executive Committee of the Board of Trustees shall constitute the Committee.

PROCEDURES FOR GIFTS NOT REQUIRING COMMITTEE APPROVAL

Some gifts pose little threat to the assets of the Foundation, and the Chief Executive Officer may accept those type of gifts (identified below) without the prior review or approval of the Committee, subject only to the gift being consistent with these Policies and the purposes and Bylaws of the Foundation and being made pursuant to the standard Fund Agreements approved by the Board. The Chief Executive Officer shall be authorized to accept gifts that do not require prior review and approval of the Committee and to negotiate the terms of and execute any gift agreement related thereto on behalf of the Foundation.

Gifts that may be accepted without Committee approval are:

- 1) Cash and Cash Equivalents;
- 2) Publicly-Traded Securities;
- 3) Gifts of Tangible Property for Foundation Use;
- 4) Various charitable trust instruments, including charitable remainder trusts and charitable lead trusts if funded with marketable securities and/or cash.

PROCEDURES FOR GIFTS REQUIRING COMMITTEE APPROVAL

In conjunction with their tax and financial planning, some donors may be interested in making gifts of specific assets (illiquid assets) that create more risk for the Foundation. Those types of gifts (identified below) will require a review by staff and approval of the Committee prior to being accepted. The Committee may also, at their discretion, require the review of legal counsel prior to acceptance of any gift. In addition, the Chief Executive Officer may, in his or her discretion refer any other proposed gift transaction to the Committee for review and advice if he or she has

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any concerns about the valuation, disposition or other issue which suggests a review of the proposed gift is warranted.

Gifts that may NOT be accepted without Committee approval are:

- 1) Non-Public Securities, including S corporation stock, partnership interests;
- 2) Real Property;
- 3) Tangible Property which is not readily needed for the Foundation's use or related to its purpose;
- 4) Life Insurance policies whose premiums are not paid up;
- 5) Retained Life Tenancy;
- 6) Any gift regardless of form which falls outside the ordinary purposes, Bylaws, and procedures of the Foundation;
- 7) Any gift regardless of form proposed to be made pursuant to an agreement that is substantially or materially different from the standard Fund Agreements approved by the Chief Executive Officer and the Foundation's legal counsel. Any gift that includes a restriction or suggestion regarding the Foundation's use of funds that would raise legal, ethical, policy or practical concerns for the Foundation;
- 8) Various charitable trust instruments, including charitable remainder trusts and charitable lead trusts funded with assets other than marketable securities and/or cash;
- 9) Various charitable trust instruments, including charitable remainder trusts and charitable lead trusts.

The Committee will take the following into account when deciding upon the acceptance of a gift requiring their approval to ensure the charitable benefit to the Foundation:

- the value of the asset;
- the likelihood that the asset can be liquidated;
- projected income from the gift if Foundation holds it as an investment (e.g., rental income stream);
- charitable nature of the gift (e.g. historic building);
- risks to the Foundation (e.g., environmental hazards, potential liability);
- carrying costs (e.g., insurance, property taxes); and
- unrelated business income tax consequences.

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In addition, if the Committee accepts a gift that falls under this category, the Committee shall, within a reasonable time after receiving any property, make and carry out decisions concerning the retention or disposition of the property or to rebalance a portfolio in order to bring the Foundation's institutional funds into compliance with the purposes, terms, and distribution requirements of UPMIFA.

RIGHT OF REFUSAL

The Foundation reserves the right to refuse gifts. Reasons for refusing a gift include: 1) The cost to manage the asset exceeds the eventual benefit of the gift to the Foundation, or 2) The gift or gift purpose could potentially jeopardize the Foundation's tax exempt status, or 3) The fund purpose is believed to be discriminatory in nature. The Chief Executive Officer has the authority to refuse gifts that clearly do not benefit the Foundation. If the benefit is questionable or difficult to determine, the Board of Trustees shall make the final decision whether to accept or refuse.

GIFTS DECLINED

The Foundation reserves the right to refuse any gift it believes is not in the best interests of promoting a healthy, caring community. In addition, the Foundation shall not knowingly accept a charitable gift from a donor who:

- 1) Has, or appears to have, insufficient income and assets remaining after making a gift to provide for his/her needs such as personal support and healthcare.
- 2) Has, or appears to have, insufficient income and assets remaining after the gift to provide for his/her heirs for whom he/she is financially responsible.
- 3) Has, or appears to have, an apparent insufficient mental capacity to make a rational decision.
- 4) Has, or appears to have, insufficient input from competent financial, legal and/or personal counsel.

MINIMUM REQUIRED TO CREATE A NEW FUND

The current minimum gift required to create a new fund is \$10,000.00 for each fund type except scholarship funds. Scholarship funds must be endowed and require a minimum \$25,000 balance. No distributions will be made from a fund until the total assets in the fund are \$10,000 or more at the beginning of any fiscal year.

ACKNOWLEDGEMENT

All donors shall receive an expression of sincere thanks and gratitude from the Foundation of acknowledgment of the gift and tax receipt in accordance with federal regulations.

RESTRICTIONS

In conformance with State and Federal Treasury Department regulations governing community foundations, gifts to the Foundation may not be directly or indirectly subjected by a donor to any material restriction or condition that prevents the Foundation from freely and effectively employing the transferred assets or the income derived therefrom, in furtherance of its exempt purpose.

INVESTMENT OF GIFTS

It is the policy of the Foundation to convert all gifts to cash as soon as possible and/or appropriate, except as provided elsewhere herein (i.e., in-kind gifts, where the gift itself is to be used by the Foundation) The Foundation reserves the right to make any or all investment decisions regarding gifts in accordance with its Investment Policy.

All gifts made to the Foundation are irrevocable. In making a gift to the Foundation, donors give up all right, title, and interest to the assets contributed. In particular, donors give up the right to choose investments and investment managers, brokers, or to veto investment choices for their gifts.

COSTS OF ACCEPTING AND ADMINISTERING GIFTS

Except as may be approved by the Committee in unusual circumstances, the costs associated with the acceptance of a gift such as attorney fees, accounting fees, other professional fees as well as other costs to establish a gift such as appraisal, escrow, evaluation, and environmental assessment fees will be borne by the donor.

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The direct costs of administering planned gifts of the Foundation shall be borne from the assets of the individual funds, except for those special circumstances as determined by the Committee. Custodial, investment, and administrative fees shall be paid from the respective funds in accordance with the Foundation's guidelines and fee schedules as approved by the Board from time to time.

CONFIDENTIALITY

Foundation staff shall maintain strict control over files and information received from or about donors or prospective donors so as to maintain confidentiality of such information. No public media exposure shall be made with respect to a donor's gift without the consent of the donor.

AUTHORITY TO NEGOTIATE

The Foundation management and administrative officers authorized to accept letters of direction and amendments thereto and to negotiate and sign charitable giving agreements with prospective donors are:

- Chief Executive Officer
- Chair of the Board of Trustees

GIFT TYPES

CURRENT GIFTS

The Foundation accepts the following forms of assets subject to the conditions described by each asset type. In order to provide written substantiation of gifts, donors must provide a legal name and a complete address so that the Foundation can comply with Internal Revenue Service and State of Michigan gift substantiation requirements.

1. Cash

Gifts of cash should include a statement of purpose, or identify the specific fund to which the contribution is being made. Cash gifts are receipted on the date received by a Foundation representative. The Foundation may accept gifts by wire transfer to its account. If a donor wishes to wire a gift to the Foundation's account, staff will provide the account number. Receipts including gift value will be issued to donors making cash gifts.

2. Checks

Checks must be made payable to the Community Foundation of Marquette County. The specific fund should be noted in the lower left corner (memo section) on the face of the check

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or within the written documentation that accompanies the check. Checks are receipted on the date received in the Foundation office. Checks that are dated at the end of the year must also show a postmark no later than December 31st for consideration as a gift by the donor in the current year. Checks that are postmarked or hand delivered in January will be receipted as January gifts regardless of the date on the check. This complies with all Internal Revenue Service requirements. Receipts including gift value will be issued to donors making check gifts.

3. *Securities (publicly traded)*

Securities for which there is a recognized market are valued at the arithmetic mean between the high and low selling prices on the date the stock is transferred multiplied by the number of shares tendered. The value of over-the-counter stocks for which no high and low sale prices are reported on the date of the gift usually will be based on the arithmetic mean between the bid and asked prices on that date. The value of a share in a mutual fund is its public redemption price (the “bid price”) in effect at the time of the gift.

The date of the gift is the date the security is:

- a. Unconditionally delivered or mailed in proper negotiable form to the Foundation or its agents identified by the postmark;
- b. The date the security is transferred and held in “street name” on the books of a brokerage firm; or
- c. The date the security is transferred on the books of the issuing corporation when delivered to the corporation for transfer into the Foundation’s name.

Publicly traded stocks and bonds may be transferred electronically, re-registered in the name of the Foundation or conveyed through use of a properly executed stock power form. Staff will provide donor with delivery instructions upon request.

The Foundation will make no agreement with the donor prior to or subsequent to the gift regarding its disposition. The Foundation will make all decisions regarding the sale or retention of marketable securities. Generally, they will be sold as soon as possible following receipt. The Foundation will not knowingly accept securities which (1) may create a liability for the Foundation, (2) by their nature may not be assigned (e.g., series “E” savings bonds), or (3) have no apparent value.

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Any stock subject to restrictions on sale under Rule 144 of the SEC will be held until the restriction expires and then will be sold.

4. *Securities (non-publicly traded or closely held stock)*

Contributions of Non-Public Securities raise special issues that bear on the advisability of accepting the gifts and shall be reviewed on a case-by-case basis by the Committee. The Committee will review the relevant documentation to obtain a clear understanding of the Issuer's business activities, the underlying assets and liabilities, the nature of the interest proposed to be conveyed, the actual or potential liabilities, if any, associated with holding such securities (e.g. unrelated business taxable income "UBIT," capital calls, or contingent liabilities). (Also see Procedures for Gifts Requiring Committee Approval – on page 3 of this document.)

The Contributions Review Committee will review the advisability of accepting gifts of closely held stock. Receipt for a gift of such stock will reflect only the description, omitting valuation.

5. *Partnership Interests*

Generally the Foundation does not accept gifts of general partnership interest due to potential liability and lack of marketability. (Also see Procedures for Gifts Requiring Committee Approval – on page 3 of this document.) In addition, the tax-exempt status of the Foundation may be jeopardized if the IRS considers participation as a general partner to constitute non-charitable activities. If the Issuer is a limited partnership or a limited liability company, attention will be paid to how allocations are made among the partners/members, the nature of the entity's business activities and the potential for any tax or other liability for the Foundation.

Prior to the acceptance of a gift of non-public securities, the donor will be required to provide, at his or her own expense, the following:

- 1) A signed, written agreement stating the terms of the gift and the value as provided by the donor. The Foundation shall carry the value of such gift pursuant to the guidance of generally accepted accounting principles (GAAP) and/or IRS regulations;
- 2) A statement that there are no restrictions of the Foundation's right to use or convey the gifted property;

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- a. Donor will agree to the payment from the affected fund any UBIT and other taxes and all other expenses associated with holding the non-public securities, or, if cash in the fund should be inadequate to pay the taxes and expenses, to make further contributions to pay them;
 - b. To indemnify the Foundation and hold it harmless from any liability in the event the Issuer becomes bankrupt or otherwise unable to satisfy its obligations or arising from litigation or other claims against the Issuer;
 - c. To fund any further contributions of capital or other amounts required to be paid; and
- 3) To obtain any written consents required to be given by other owners of the Issuer pursuant to the agreements to which the donor is a party.

Note: It is the donor's responsibility, in conjunction with his or her tax professional, to file the appropriate tax forms for charitable deduction purposes.

If the non-public securities are readily marketable they will be sold as soon as possible. The Foundation will not guarantee or pre-arrange a sale of the non-public securities or make any other agreement that might imply or cause the imposition of a material restriction on the property. The Foundation will advise the donor if the Foundation sells, liquidates, or otherwise disposes of any non-public securities listed on the IRS form governing such transactions within two years of receipt of the gift. The Foundation is required to file a report with the IRS reporting the actual proceeds and other facts about the sale of securities, and a copy of such report shall be provided to the donor.

If the non-public securities are not readily marketable at the time of the gift the Foundation will hold them in safekeeping until they can be redeemed. The value of the securities based upon sale proceeds will be reflected in the value of the donor's fund account.

6. *Non-Cash Gifts*

It is the donor's responsibility to provide the substantiated valuation of tangible personal property exceeding \$5,000 in value (art, antiques, rare books, jewelry, gems, collections, etc.), and closely held stock exceeding \$10,000 for purposes of filing the required IRS form. The Foundation shall carry the value of such gift pursuant to the guidance of generally accepted

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accounting principles (GAAP) and/or IRS regulations. If the Foundation sells the property within two years, the Foundation must file the appropriate IRS form informing the donor and the IRS of the sale price of the property. The donor shall pay the cost of an appraisal.

Non-cash gifts with a fair market value of less than \$5,000 may be reported by the donor at the value declared by the donor. Personal property and closely held stock shall be sold at the highest possible price as soon as practical after conveyance, unless the property is to be used in connection with the Foundation's exempt purpose. The Foundation discourages gifts of personal property that cannot readily be sold or which require unusual expenses prior to sale. If a lengthy selling period is anticipated, the Foundation may refuse the gift or request that the donor cover the expenses with an additional cash gift.

7. *Life Insurance*

A donor may make a gift of life insurance by irrevocably assigning to the Foundation all right, title and interest as the owner and beneficiary of the policy or by designating the Foundation as the only beneficiary or a partial beneficiary of a policy owned by the donor.

If the donor wishes to transfer ownership of a policy, the Foundation, through its Committee, will decide on a case-by-case basis whether to accept the gift. If the Foundation accepts a policy, the Foundation may choose either to cash in the policy for its current cash surrender value or continue ownership and/or payment of the premiums.

Prior to accepting any policy for which premium payments are to continue to be made, staff will discuss with the donor whether the donor is willing to continue to pay the premiums in the future. The donor has the option of agreeing to pay the premiums directly or to make a contribution to the Foundation for the amount of the premium at least 10 days prior to each subsequent due date. The Foundation will not assume responsibility for payment of delinquent premiums. If the policy is surrendered, the cash value will be added to the restricted or unrestricted fund in the donor's name based on the donor's instructions and value of assets being transferred according to the policies outlined herein.

The Foundation discourages the contributions of life insurance policies subject to policy loans and/or other assignments. The Foundation will not enter into any split dollar arrangements.

Original policies shall be maintained in the Foundation's office. Staff shall cause the cash surrender value of the policies to be updated on an annual basis as noted in the statements provided it by the various insurance companies.

CFMC GIFT ACCEPTANCE POLICY – Continued

Gifts of newly purchased life insurance policies, in which the Foundation is both owner and beneficiary, shall be reported at the amount of premiums paid, in the year the premiums are paid.

The value of a paid-up ordinary life insurance policy accepted as a gift is its replacement cost. The value of a non-paid-up life insurance policy is determined by adding to the “interpolated terminal reserve” of the policy (which, in a policy that has been owned for a while, will be approximately equal to its cash surrender value) plus an unearned premium and accrued dividends, less any policy loan. The issuing insurance company shall be consulted for assistance with both the transfer of the policy and its valuation.

When a policy is owned by the Foundation, regardless of whether the donor or the Foundation pays the premiums, the difference between the cash value and the insurance company’s settlement at the death of the donor is not reported as a gift, but rather as a gain on the disposition of assets. In those cases where the Foundation receives the proceeds of an insurance policy in which it was named beneficiary but not owner, the full amount received shall be reported as a gift on the date received.

If the Foundation is made the owner of a term insurance policy, a receipt without gift valuation which describes the policy will be issued to the donor. If an insurance policy has a cash value at the time of the gift (whole life or endowment insurance), a receipt containing the policy description and the amount of the policy interpolated terminal reserve plus unearned premium, plus accumulated 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.

8. *Real Property*

If a donor wishes to contribute real property, or an interest in real property, to the Foundation either directly or through a life estate arrangement, the Committee shall consider all facts and circumstances in determining whether to recommend accepting the gift. Final acceptance of any gift of real estate shall require Board approval.

Prior to acceptance of a gift of real estate, the donor will be required to provide, at his or her own expense, a signed, written agreement stating the terms of the gift and the value of the

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gift. The Foundation shall carry the value of such gift pursuant to the guidance of generally accepted accounting principles (GAAP) and/or IRS regulations.

The Foundation will advise the donor if the Foundation sells, liquidates, or otherwise disposes of any real estate listed on the IRS form governing such transactions within two years of receipt of the gift. The Foundation is required to file a report with the IRS reporting the actual proceeds and other facts about the sale, and a copy of such report shall be provided to the donor.

Real property that is encumbered will be accepted only in exceptional circumstances. Prior to acceptance of a gift of real property, the donor and the Foundation must agree, in writing, on the arrangements of paying expenses associated with the property, including taxes, assessments, insurance coverage, and maintenance costs.

Appendix B is the checklist that can be utilized for all transactions involving real estate gifts.

Issues in Acquiring the Property:

- A. Title Review and Insurance – The Foundation shall make certain that there is evidence of clear title to the property being donated by the donor. If multiple donors are named on the title each owner must agree in writing to the gift. The Foundation will require the donor to provide title insurance.
- B. Survey of the Property – Particularly for commercial properties, a prior survey will be requested or a survey will be done to determine encroachments, easements or other details that cannot be ascertained from the title company. The determination of the need for a survey shall be determined by the Committee.
- C. Type of Deed Involved – Property being gifted by individuals will require a warranty deed. In special circumstances a warranty deed will not be required, such as property being conveyed by a trust.
- D. Environmental Review – For any gifts of real estate the Foundation reserves the right to require both a physical inspection and current baseline environmental assessment,

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particularly if commercial or income-producing property is involved. The donor shall bear the cost of such reviews. As a general rule, the Foundation will require adherence to the provisions of the Natural Resources and Environmental Protection Act, as it exists from time to time, which affords protection to entities acquiring property without acquiring environmental liability, provided a baseline environmental assessment has been conducted before or within 45 days after the date of ownership of the property.

- E. Expenses – A thorough review of expenses related to the carrying cost of the property shall be conducted prior to acceptance and, in those instances where such costs are deemed significant and/or the anticipated time period to complete the sale of real estate is sufficiently long, the donor will be asked to provide for payment of expenses via an additional cash donation(s).

If accepted, the Foundation will issue a receipt to the donor for the gift of real property containing only the legal description of the real estate.

9. *Pledges*

All pledges must be in writing and include the fund that will benefit from the gift, the anticipated payment schedule, and the signature of the donor. Pledge payment reminders shall be sent by the Foundation to the donor.

DEFERRED GIFTS (PLANNED AND TESTAMENTARY GIFTS)

1. General Provisions for Deferred Gifts

The Foundation's planned and testamentary giving program encompasses all forms of gifts whose benefits do not fully accrue to the Foundation until some future time (such as a the death of the donor or other income beneficiaries or the expiration of a predetermined period of time), or whose benefits to the Foundation are then followed by the interests of non-charitable beneficiaries. Examples of deferred gifts include:

- a. Retirement assets naming the Foundation as a successor or contingent beneficiary upon death of either the retirement asset owner or spouse
- b. Charitable Life Estates
- c. Charitable Remainder and Lead Trusts
- d. Outright bequests per a Will or Trust Agreement

CFMC GIFT ACCEPTANCE POLICY – Continued

Donors using planned and testamentary gift techniques may establish any of the fund types listed in this policy, provided that the residual meets the required minimum for that fund type. The governing documents should specify the Foundation as the charitable recipient and name the fund to which the donor's gift will contribute. The type of fund and purpose of the fund may be described in detail in a separate fund type agreement.

The Chief Executive Officer will review planned gifts to the Foundation. The Chief Executive Officer is responsible for assuring that all planned gift instruments are valid and are acceptable to the Foundation and will consult with the Committee when necessary. Pertinent information about these gifts will be detailed by the Chief Executive Officer to the donor and to the donor's advisors, as well as to the representative of the Foundation working most closely with the donor.

All donors contemplating a deferred gift to the Foundation shall be encouraged to consult their own financial, legal and tax advisors.

Donors are encouraged to limit restrictions on the use and application of the eventual funds transferred, and to keep restrictions within the Foundation's guidelines for non-discrimination. A statement of the donor's wishes regarding use of the gift (even if designated "unrestricted") shall be obtained at the closing of the gift and maintained both in the donor file and with the original gift documentation such as the trust instrument.

Trusteeship

By opinion of Legal Counsel, the Foundation may not serve as a trustee. Further, no employee shall serve as a trustee, conservator, executor, or personal representative for one of the Foundation's donors or prospects unless specifically approved by the Foundation President. The Board of Trustees will be made aware of such trusteeships. All officers shall report such relationships in the "Related Parties" section as provided periodically to the Board of Trustees in their monthly Meeting Book.

Legal Counsel

The Foundation shall seek the advice of legal counsel in all legal aspects of its deferred giving program. Specimen agreements for Charitable Gift Annuities (including accompanying letter) and Deferred Charitable Gift Annuities (including accompanying letter) have been approved by legal counsel and require no further review by counsel when used as approved. The Foundation will not knowingly be party to documented agreements not prepared by legal counsel.

CFMC GIFT ACCEPTANCE POLICY – Continued

Publicity

No public media exposure with respect to his/her gift will be given any donor without the donor's consent and any publicity of gift will be made in conjunction with the Foundation.

Confidentiality

The Foundation staff responsible for deferred gifts shall maintain strict control over files and information received from donors or prospective donors so as to maintain confidentiality of such information.

Gift Use Designation

Given the mission of the Foundation and the unpredictability of its future financial needs and circumstances, the Foundation encourages donors to leave *undesignated* the ultimate use of future proceeds of their deferred gift arrangements. Donors may choose, however, to establish special purpose endowments to receive the proceeds of their deferred gift arrangements. Such funds, established with the advice of the donors subject to the policies of the Foundation, shall be maintained by and shall further the charitable purposes of the Foundation.

2. Solicitation and Negotiation For Deferred Gifts

Legal and Accounting Counsel

Any written material sent to a prospective donor describing the potential tax, legal, or accounting effects or benefits of a deferred gift trust or bequest shall urge that a prospective donor consult his/her own legal and accounting advisors as to the consequences of a proposed gift in his/her particular situation; extreme care must be taken at all times not to place the Foundation in the position of having warranted a particular tax or legal result.

Authority To Negotiate

The Foundation employees and trustees authorized to negotiate and sign deferred giving agreements with prospective donors are:

- Chief Executive Officer
- Chair of the Board of Trustees

CFMC GIFT ACCEPTANCE POLICY – Continued

Life Insurance Limits

The Foundation will accept gifts of life insurance policies provided that the Foundation is named as owner of or is assigned ownership in such policies. Policies continuing on a premium paying basis will be maintained as such by the Foundation so long as gifts are made to the Foundation in the amount of the premiums due. Should such gifts not be forthcoming, the Foundation may, on the recommendation of its Finance Committee, elect:

- to continue premium payments on its own; or
- to invoke procedures under which the existing policy values can sustain the policy without further outlay of the Foundation funds for premiums; or
- to surrender the policy in exchange for its cash surrender value.

The Foundation discourages the contributions of life insurance policies subject to policy loans and reserves the right to accept or reject such policies as well as those carrying assignments to other entities. The Foundation will consider its own interest and the best interest of the donor in the light of tax ramifications in determining on a case-by-case basis the acceptability of encumbered life insurance policies. Particular care will be given to problems of self-dealing, jeopardy investments, and unrelated business income in this regard.

From time to time, donors may wish to make gifts of life insurance to the Foundation which name multiple charitable beneficiaries to receive policy proceeds. In such cases the following guidelines shall apply:

- a. Life insurance policies of which the Foundation is owner and premium payer shall include the Foundation in the beneficiary designation to receive policy death benefit or surrender proceeds to the extent of not less than 30% of the total maturity or surrender proceeds.
- b. The Foundation retains the exclusive right to change the beneficiary designations of policies of which it is owner and premium payer limited by Paragraph a (above), only to other charitable organizations which qualify as such under Section 501(C)(3) and which are described under Section 170(b)(1)(A) of the Internal Revenue Code.

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- c. If a policy beneficiary designation is to be changed, the Foundation shall consider the charitable intentions of the donor. It is understood, however, that a donor's recommendations in this regard are advisory and that the Foundation, as owner of the policy, retains exclusive authority to direct the maturity or surrender proceeds of the policy.
- d. A donor who makes the Foundation the owner and beneficiary of a policy having multiple charitable beneficiaries (as limited by Paragraphs a through c above) shall have full and sole responsibility for federal and state tax ramifications with respect to deductions and credits for contributions made to the Foundation for the purpose of premium payment even though a receipt for the full amount donated and/or for subsequent gifts to fund premium payments may be issued by the Foundation.
- e. Before the Foundation will comply with a donor who wishes to name multiple charitable beneficiaries per above, the donor shall submit a signed statement to the Foundation indicating familiarity with these policies and receipt of a copy of same.

Life Estate Gift Arrangements

The Foundation may accept gifts of real estate in which the donor reserves a life estate. In such cases, the donor will agree in writing with the Foundation that the donor assumes full responsibility for all expenses incurred regarding said real estate as if the donor were the owner of the property. Such expenses shall include but not be limited to property taxes, utilities, maintenance, insurance, furnishings, etc.

Gift Valuation and Appraisals

Acceptance of gifts involving land, buildings, or other real or personal property shall be contingent upon the obtaining of at least one appraisal by a person competent and qualified to make such an appraisal. IRS requirements regarding gift valuation substantiation shall be strictly adhered to by the Foundation. Normally the appraisal will be paid for by the donor. Waiver of obtaining an appraisal may be approved as the full Board deems appropriate.

Income Producing Adequacy

Whenever an income interest in a gift is retained by a donor, the asset transferred, must be of such a value and character as to be able to provide the income anticipated by the donor without depletion of principal through required income distribution. It shall be understood by the donor that the Foundation acting as trustee is never under any compulsion by the donor to retain or sell any asset transferred to it under trust.

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Encumbrances

No encumbered property will be accepted to fund a deferred charitable gift without the approval of the Gift Acceptance Committee.

Expenses

The expenses associated with establishing and maintaining a deferred gift arrangement are multi-fold and may include costs of legal and appraisal fees, property and security sale commissions, and continuing administration expenses. Although some of these expenses are rightfully the responsibility of the donor, the Foundation may offer to have those expenses paid by the Foundation considering the likelihood of receiving the intended gift if not paid by the Foundation and considering the relative size of the intended gift. The foregoing notwithstanding, the Foundation shall not pay finders fees, commissions or other fees to independent gift planners as a condition of delivery of a gift.

3. Gift Vehicles

Charitable Gift Annuities

Under a charitable gift annuity, a donor irrevocably transfers property to the Foundation in exchange for a commitment by the Foundation to pay the donor (or other beneficiaries designated by the donor) a fixed amount each year for the life or lives of the designated beneficiaries. The amount of the payment depends upon the age of the donor and size of the gift.

The Foundation's obligation to make the annuity payments is considered a general obligation of the Foundation. Unlike charitable remainder trusts, the assets are not held in a separate trust.

Immediate Charitable Gift Annuity Limits

The income beneficiary(ies) of a charitable gift annuity must be at least sixty years of age or older. No immediate charitable gift annuity shall be issued for a contributed amount of less than \$5,000. No gift annuity agreement shall provide for more than two lives, and no annuity shall be issued unless the charitable remainder, computed using the government tables, exceeds 10% of the amount transferred to the annuity; no exception shall be made to these requirements. Annuities issued by the Foundation shall not provide for payout rates in excess of the annuity rates recommended by the American Council on Gift Annuities (ACGA) as revised from time to time by ACGA, which are hereby incorporated by reference, except that those rates shall not be followed if the "10% test" is not met. (The current ACGA rate tables can be found on their website: www.acga-web.org). In the alternative, a rate less than the ACGA rate may be negotiated with the donor. The approved agreement form for accepting a Charitable Gift Annuity is attached

CFMC GIFT ACCEPTANCE POLICY – Continued

hereto as Attachment A, and the approved letter to accompany the agreement form is attached hereto as Attachment C.

Deferred Payment Charitable Gift Annuity Limits

The age of the income beneficiary(ies) of a deferred payment charitable gift annuity must be at least sixty years of age or older on the date the payments are to commence. No deferred gift annuity shall be issued for a contributed amount of less than \$5,000, and the period of deferral between the transfer date and the date the annuity payments start shall be no more than 20 years. Deferred gift annuities may provide for acceleration of the deferral date. No deferred payment gift annuity agreement shall provide for more than two income beneficiaries, and no deferred payment agreement shall be issued unless the charitable gift, computed using the government tables, exceeds 10% of the amount transferred for the annuity; no exception shall be made to these requirements. The approved agreement form for accepting a Deferred Charitable Gift Annuity is attached hereto as Attachment B, and the approved letter to accompany the agreement form is attached hereto as Attachment C.

Charitable Remainder and Lead Trusts

a. Charitable Remainder Unitrust:

A charitable remainder unitrust is a gift vehicle that irrevocably transfers the remainder interest on assets to the Foundation upon the death of the donor/grantor or the named income beneficiary. The donor must, at their own expense, work with their professional advisors to create the trust document according to appropriate IRS regulations. The annual distribution on these trusts is calculated each year according to IRS rules using the percentage indicated in the trust document. New gifts may be added to this type of trust.

b. Charitable Remainder Annuity Trust:

Similar to the Charitable Remainder Unitrust, a Charitable Remainder Annuity Trust is an income vehicle that irrevocably transfers remainder interest to the Foundation upon the death of the grantor/donor or the named income beneficiary. The donor must, at their own expense, work with their professional advisors to create the trust document according to appropriate IRS regulations. The annual distribution on these trusts is calculated according to IRS rules using the initial trust value amount and the percentage indicated in the trust document. The annual distribution amount will not change during the life of the trust. No new gifts may be added to this type of trust.

General policy issues governing Charitable Remainder Unitrusts and Charitable Remainder Annuity Trusts:

- 1) Payout rates of more than 9% must be reviewed for approval by the Committee;

CFMC GIFT ACCEPTANCE POLICY – Continued

- 2) Income beneficiaries should be sixty years of age or older;
- 3) The Foundation is named as an irrevocable remainder beneficiary, of at least 50% of the remaining assets for residuals funding endowments;
- 4) The Committee may rely on professional advisors to prepare funding and payout analysis;

c. Charitable Lead Trusts:

A charitable lead trust is an arrangement that provides the income generated on assets contributed to the trust to be paid to the Foundation for a designated period of years. After the time period has elapsed, the assets pass to a non-charitable beneficiary designated by the donor in the original trust document.

Retained Life Estate

The Foundation may accept a gift of a personal residence, vacation home, or farm in which the donor retains the right to occupy the property until the death of the donor. During the donor's lifetime the donor may specify the use of any proceeds from the property. Upon death the property vests in the Foundation.

In deciding to accept a gift of a remainder interest, the Foundation will follow the policies outlined herein for accepting a gift of real property. In addition the Foundation will consider, among other things, the following factors:

- 1) Age of Donor – As a general rule the life beneficiary should be age sixty or older;
- 2) Use of property – The Foundation will take into consideration the potential use of the property during the tenant's lifetime in order to avoid accepting any property which might cause a liability for the Foundation in future years;
- 3) Disposition – In general the property should be sold within a reasonable time after the donor's death;
- 4) Costs and expenses – The donor must agree to be responsible for all costs of maintaining the property, including but not limited to property insurance, taxes, repairs and maintenance.
- 5) Refer to Gift Type – Current Gifts – Section 8, Real Property, for other requirements, including the need for an environmental review for real estate gifts

CFMC GIFT ACCEPTANCE POLICY – Continued

Bequests

A bequest is an outright gift to the Foundation through a will or trust. Foundation representatives may actively solicit bequests as long as the purpose of the gift is in accordance with the charitable purposes of the Foundation.

Bequests received through wills and/or trusts, without specific language restricting purpose and/or restricting corpus with endowment language, by their nature are unrestricted. It is the general policy that unrestricted bequests will be evaluated by the Committee, and a recommendation made to the Board of Trustees on a case-by-case basis to determine the ultimate allocation of such bequest

TYPES OF FUNDS

The Foundation offers a broad range of funds designed to be responsive to donor needs. While all philanthropy adds value to the community, each type of Foundation fund can provide added value to philanthropy in the community. A Fund Agreement is required to establish a fund with the Community Foundation for Northeast Michigan.

Endowment Funds

An endowment fund is a permanent endowment fund with the goal of not granting from the original corpus of the fund.

Non-endowed Funds

A non-endowed fund may grant from the income and/or the original corpus of the fund.

Unrestricted Funds

Unrestricted funds allow the foundation the flexibility in meeting the challenges of the communities we serve. these funds are directed to emerging needs of the communities as identified by the foundation's board of trustees and the grant distribution committee. it is through the judicious use of these funds over the years that the real strength of a community foundation is demonstrated.

Field of Interest Funds

Donors may use Field of Interest Funds to support specific areas such as the arts, children and youth, ecology, services for the elderly, or health and human services. Within these broad fields, the Board of Trustees has the flexibility to make grants that address the current and changing needs of the communities we serve. The Foundation's Field of Interest funds may have advisory

CFMC GIFT ACCEPTANCE POLICY – Continued

committees that make grant recommendations to the Board for final approval, or, in the alternative, the Foundation's Grant Distribution Committee will make grant recommendations to the Board for final approval.

Designated Funds

Income from a designated fund is given regularly to specific charitable organizations named in the fund agreement. If the named charity is no longer active or providing a needed service, or if the purpose of the fund becomes impractical or impossible to fulfill, the Board of Trustees of the Foundation may select another recipient with a similar purpose.

The Foundation has a variety of designated fund categories for specific purpose(s), programs or organizations.

- ***Agency Funds***
Created by individuals or nonprofit organizations. The Foundation holds legal title to the fund. The Foundation distributes the available annual distribution back to the agency as an ongoing source of support.
- ***Scholarship Funds***
Scholarship funds give area students the opportunity to complete their education. Through such funds, donors can provide scholarships based on specific criteria or they can designate one or more colleges or universities to select the scholarship recipients.
- ***Administrative Funds***
Administrative funds provide financial support for day-to-day programs and operations of the Foundation. These funds, in part, enable the Foundation to charge reduced management fees to other funds, thus preserving more dollars for grant making.

Donor Advised Funds

A donor advised fund allows a donor to maintain the ability to offer recommendations regarding the recipients and amounts of grants from their fund, subject to Board approval. Grant recipients must be recognized as tax-exempt charities by the Internal Revenue Code. Donor advisors shall only extend to the first generation beyond the original donor.

CFMC GIFT ACCEPTANCE POLICY – Continued

Donor Advised Pass-Through Fund

This donor advised fund is non-endowed and may grant from the income and/or the original corpus of the fund.

SPECIAL SITUATIONS

Special Project

A Special Project Fund is a non-endowed pass-through fund in which the donated amount is paid out for an identified purpose within an identified, short-term time frame determined when the gift is made. Grant recipients must be recognized as tax-exempt charities by the Internal Revenue Code.

Support Organizations

Donors establish support organizations at the Foundation as independently incorporated tax-exempt nonprofit organizations with separate governance. A support organization is a grant-making organization that avoids private foundation status by being operated, supervised, controlled by, or in connection with the Foundation. This requirement can be met in part if the Board of the Foundation appoints a majority of the board of directors of the support organization. Support organizations require the approval of the Board of Trustees.

Affiliate Community Funds

Affiliate community funds are established for the support of a variety of charitable purposes and organizations within a specific community or region. A local advisory committee is appointed within each affiliate community, which has grant making and asset acquisition responsibility for that area. Affiliate community funds enable smaller communities to enjoy many of the benefits of a community Foundation, including the State of Michigan Tax Credit, while taking advantage of the Foundation's services, staff and expertise and avoiding the costs and administrative burdens of a separate community Foundation. Affiliate community funds must abide by the Foundation's gift acceptance policies.

FUND FEE SCHEDULE

All funds will share a fair portion of the total administrative costs of the Foundation. The administrative costs charged against the funds will at all times be reasonable, will be in accordance with the current fee schedule applicable to funds of this type, as may be changed from time to time, and will not exceed usual and customary rates.

CFMC GIFT ACCEPTANCE POLICY – Continued

DONOR INITIATED FUNDRAISING

Fundraising undertaken by donors in connection with funds of the Foundation requires special consideration. The requirements related to such activities are outlined in the Foundation's Donor Initiated Fundraising Policy.

APPENDIX A

Model Standards of Practice for the Charitable Gift Planner

Preamble

The purpose of this statement is to encourage responsible gift planning by urging the adoption of the following Standards of Practice by all individuals who work in the charitable gift planning process, gift planning officers, fund raising consultants, attorneys, accountants, financial planners, life insurance agents and other financial services professionals (collectively referred to hereafter as “Gift Planners”), and by the institutions that these persons represent.

This statement recognizes that the solicitation, planning, and administration of a charitable gift is a complex process involving philanthropic, personal, financial, and tax considerations, and often involves professionals from various disciplines whose goals should include working together to structure a gift that achieves a fair and proper balance between the interests of the donor and the purposes of the charitable institution.

Primacy of Philanthropic Motivation

The Principal basis for making a charitable gift should be a desire on the part of the donor to support the work of charitable institutions.

Explanation of Tax Implications

Congress has provided tax incentives for charitable giving, and the emphasis in this statement on philanthropic motivation in no way minimizes the necessity and appropriateness of a full and accurate explanation by the Gift Planner of those incentives and their implications.

Full Disclosure

It is essential to the gift planning process that the role and the relationships of all parties involved, including how and by whom each is compensated, be fully disclosed to the donor. A Gift Planner shall not act or purport to act as a representative of any charity without the express knowledge and approval of the charity, and shall not, while employed by the charity, act or purport to act as a representative of the donor, without the express consent of both the charity and the donor.

Compensation

Compensation paid to Gift Planners shall be reasonable and proportionate to the services provided. Payment of finder’s fees, commissions or other fees by a done organization to an independent Gift Planner as a condition for the delivery of a gift is never appropriate. Such payments lead to abusive practices and may violate certain state and federal regulations. Likewise, commission-based compensation for Gift Planners who are employed by a charitable institution is never appropriate.

CFMC GIFT ACCEPTANCE POLICY – Continued

Competence and Professionalism

The Gift Planner should strive to achieve and maintain a high degree of competence in his or her chosen area, and shall advise donors only in areas in which he or she is professionally qualified. It is a hallmark of professionalism for Gift Planners that they realize when they have reached the limits of their knowledge and expertise, and as a result, should include other professionals in the process. Such relationships should be characterized by courtesy, tact, and mutual respect.

Consultation with Independent Advisors

A Gift Planner acting on behalf of a charity shall in all cases strongly encourage the donor to discuss the proposed gift with competent independent legal and tax advisers of the donor's choice.

Consultation with Charities

Although gift planners frequently and properly counsel donors concerning specific charitable gifts without the prior knowledge or approval of the done organization, the Gift Planner, in order to insure that the gift will accomplish the donor's objectives, should encourage the donor early in the gift planning process, to discuss the proposed gift with the charity to whom the gift is to be made. In cases where the donor desires anonymity, the Gift Planner shall endeavor, on behalf of the undisclosed donor, to obtain the charity's input in the gift planning process.

Description and Representation of Gift

The Gift Planner shall make every effort to assure that the donor receives a full description and an accurate representation of all aspects of any proposed charitable gift plan. The consequences for the charity, the donor and, where applicable, the donor's family, should be apparent, and the assumptions underlying any financial illustrations should be realistic.

Full Compliance

A Gift Planner shall fully comply with and shall encourage other parties in the gift planning process to fully comply with both the letter and spirit of all applicable federal and state laws and regulations.

Public Trust

Gift Planners shall, in all dealings with donors, institutions and other professionals, act with fairness, honesty, integrity and openness. Except for compensation received for services, the terms of which have been disclosed to the donor, they shall have no vested interest that could result in personal gain.

APPENDIX B

Illiquid Asset Acquisition Checklist

(Including but not limited to real estate, closely held stock, tangible personal property)

Description of property: _____

TASK (if applicable)

COMPLETED BY AND DATE

CONSIDERATIONS BEFORE ACCEPTANCE OF GIFT

Request that the donor pay all costs associated with acceptance of asset including title insurance policy, survey, environmental, and legal costs.

Review:

- the value of the asset,
- the likelihood that the asset can be liquidated,
- projected income from the gift if the foundation holds it as an investment ,
- charitable nature of the gift , risks to the community foundation (e.g., environmental hazards, potential liability),
- projected carrying costs (e.g., insurance, property taxes),
- unrelated business income tax consequences.

Review gift acceptance policies

EVIDENCE OF CLEAR TITLE

CFMC GIFT ACCEPTANCE POLICY – Continued

Obtain title insurance commitment before acquiring title

Items to deliver to title company if available: Recent prior title policy

Abstract Condominium project

Master deed

Letter from association verifying status of assessments Obtain title insurance policy after taking title

EVIDENCE OF BOUNDARIES

Assess need for survey

Obtain recent survey and review Obtain mortgage report and review

Determine if any improvements subsequent to survey Determine if surrounding properties are improved

Obtain a survey

Residential properties – stake survey Commercial properties – ALTA survey

EVIDENCE OF CONDITION OF ASSET

Environmental

Obtain Phase I Environmental Site Assessment Have Phase I reviewed by an attorney

Obtain Phase II sampling if any “recognized environmental conditions” were identified in Phase I

Have Phase II reviewed by an attorney

Obtain Baseline Environmental Assessment if property meets definition as a “facility” – must be performed within 45 days of transfer

CFMC GIFT ACCEPTANCE POLICY – Continued

Have BEA reviewed by MDEQ – fee is approximately \$750 Obtain sellers disclosure statement

Obtain building inspection

Check with local government for code/ordinance violations Obtain well/septic inspection

RENTAL PROPERTIES

Confirm zoning compliance with local government including use, setbacks, parking, square footage, and city registration Obtain copies of leases

Verify Lessor right to assign

Verify no pending real estate commissions Verify existence and amount of security deposits

Obtain copies of service contracts and management contracts Obtain estoppel certificate

Verify no lessor defaults

Verify no oral agreements Obtain copy of approved site plan

TRANSFER OF TITLE

Obtain deed transferring title – usually prepared by donor's attorney Record deed with county clerk's office

Obtain assignment of lease

File Property Transfer Affidavit – since property is transferred for less than

\$100 there is no tax on transfer

File Real Estate Transfer Tax Valuation Affidavit Sign Form 8283 for donor's tax return

SALE OF PROPERTY

CFMC GIFT ACCEPTANCE POLICY – Continued

Listing of property with a broker – suggest no more that 10% commission and 6 months in length with a three month protected period following listing term expiration

File Form 8282 if property sold within 2 years of gift