



GIFT ACCEPTANCE POLICY

Statement of Purpose

By creating guidelines for accepting various types of gifts for different types of funds, this policy is designed to serve the best interests of The Community Foundation San Luis Obispo County (“Foundation”), the donors who support the Foundation’s programs through charitable gifts, and a healthy and caring community. This policy is established to ensure that each gift to the Foundation is structured to provide maximum benefits to the community, the donor, the Foundation and the beneficiaries of the Foundation’s charitable programs and activities.

Statement of Policy

This policy addresses both current and deferred gifts, with emphasis on specific types of deferred gifts and gifts of non-cash property. The goal is to encourage financial support for the Foundation without encumbering it with gifts which generate more cost than benefit, or which may be restricted in a manner that is not in keeping with the Foundation’s charitable purposes or applicable laws governing charitable gifts. This policy also describes the types of funds that the Foundation maintains.

Ethical Standards in Dealing with Donors:

Every person acting for or on behalf of the Foundation shall adhere to those standards set forth in *A Donor Bill of Rights*:

http://www.afpnet.org/files/ContentDocuments/Donor_Bill_of_Rights.pdf, attached,

and the *Model Standards of Practice for the Charitable Gift Planner*:

<http://pppnet.org/modelstandards>, also attached.

The Foundation is committed to adhering to the highest ethical standards of philanthropy and development. In all transactions between potential donors and the Foundation, the Foundation will aspire to provide full disclosure of the benefits and liabilities that could influence a donor’s decision. This includes accurate information pertaining to the Foundation’s fees, the irrevocability of a gift, prohibitions on donor restrictions, items that are subject to variability (such as market value, investment return, and income yield), the Foundation’s responsibility to provide periodic financial statements with regard to donor funds, and investment policies and other information needed by donors to make an informed choice about using the Foundation as a vehicle for charitable giving. **In addition, all donors will be strongly encouraged to discuss their gifts with their own financial and legal advisors before signing any fund agreement.**

The role of the Foundation's staff is to inform, guide, and assist the donor in fulfilling his or her philanthropic goals, without pressure or undue influence.

The Foundation recognizes the paramount role of donors and their gifts to the Foundation in executing its charitable mission. In carrying out the Foundation's development program, staff will recognize and acknowledge donors in appropriate ways, both publicly and privately, subject to the Foundation's Confidentiality of Donor Records & Donor Anonymity Policy. Donors reserve the ability to determine the degree and type of recognition that they prefer, and the Foundation respects the confidentiality of donors who do not wish to be publicly recognized.

Types of Funds:

The Foundation offers several different types of funds. These include:

Unrestricted Funds

Unrestricted funds help the Foundation benefit our community. Donors to unrestricted funds have not put any restrictions on how the Foundation may use their gifts. At its discretion, the Foundation makes distributions to support the effective work of charitable organizations throughout the area we serve. Distributions are determined according to the fund agreement, and if endowed would generally follow the Foundation's spending policy for endowed funds.

Donor Advised Funds

Donor Advised funds support a variety of charitable organizations as suggested by the fund's donor or donors. Timing and amounts of distributions are determined by the donor(s) according to the fund agreement, and if endowed would generally follow the Foundation's spending policy for endowed funds.

Field of Interest Funds

Field of Interest funds support a charitable purpose designated by the fund's donor or donors. Examples of this are fields such as Women & Girls, Health & Human Services, Arts & Culture, or Environment. Distributions are determined by the Foundation consistent with the fund's purpose, and if endowed would generally follow the Foundation's spending policy for endowed funds. Where appropriate, the Foundation may create an advisory committee to make recommendations for distribution.

Designated Funds

Designated funds support a specific charitable organization designated by the fund's donor or donors. Distributions are determined according to the fund agreement, and if endowed would generally follow the Foundation's spending policy for endowed funds.

Agency Funds

Agency funds are created by charitable organizations that designate themselves as the fund's beneficiary. Distributions are determined according to the fund agreement, and if endowed would generally follow the Foundation's spending policy for endowed funds.

Scholarship and Award Funds

Scholarship funds provide financial assistance to students at schools, colleges, and universities. Scholarship funds can also support vocational training and assistance in paying for special courses. Donors may recommend eligibility criteria and may serve on selection committees. Distributions are determined according to the fund agreement, and if endowed would generally follow the Foundation's spending policy for endowed funds.

Award funds provide financial gifts/grants/assistance to members of the general public through an application or nomination process and do not require the recipient to provide services as a consequence of receiving the award.

Memorial Funds

Memorial funds are created in memoriam of an individual who has recently passed away, with the intent of having a fund where the general public can make contributions in honor of the deceased. This is not intended to be a permanent fund, but rather one where donations can be collected for a specific period of time, generally six months to a year, then be given to the non-profit organization(s) selected by the fund representative. If substantial, the fund could potentially be converted into an endowed fund to benefit the selected non-profit(s) in perpetuity.

Disaster Relief Funds

Contributions to Disaster Relief funds help our community recover when disasters strike. At its discretion, the Foundation makes distributions from these funds to support effective non-profit organizations that provide assistance to individuals and the community.

Variance Power:

Sometimes a fund is not able to meet the original purposes as set out by the donor. A charitable organization might go out of existence, or a cure might be found for a disease to which the fund was providing research dollars. The Foundation has the ability to address these situations through its variance power. This power gives the Foundation's Board of Directors ("Board") the ability to make changes to a fund when its purpose is no longer necessary, can no longer be fulfilled, or has become inconsistent with the charitable needs of the community. This power to update funds helps protect donors by avoiding the need for complex and costly legal proceedings.

Authority to Accept Gifts:

Acceptance by Officers & Designated Employees:

Any of the Foundation's officers or employees, as designated by the Foundation's Finance & Administration Committee and approved by the Board, may accept, for and on the Foundation's behalf, any of the following:

- Cash
- Checks
- Marketable securities
- Gifts of personal property for use in the Foundation's offices or programs

Acceptance by CEO, Chairs of Finance & Administration Committee and Investment Committee:

All other gifts, including those listed below, will require approval by the CEO and review and, if appropriate, approval by the Chair of the Finance & Administration Committee and Chair of the Investment Committee. The following gifts require such review and approval:

- Tangible or personal property that is not readily marketable or that will not be used in the Foundation's offices or programs
- Closely-held and S corporation stock
- Partnership interests
- Limited liability company interests
- Accounts receivable (i.e., gifts of loans, notes, mortgages)
- Real property
- Gifts of intellectual property, mineral reserves, precious metals
- Artwork, coin collections, jewelry, etc.
- Retained life income gifts
- Life insurance policies
- Gifts whose structure falls outside the Foundation's ordinary purposes and procedures

Real Estate Gifts

Notwithstanding the above, gifts connected to real property must also be approved by the Chair of the Real Estate Foundation. These gifts may include real property, an ownership portion of real property or potentially a loan investment secured by real property.

Emergency Gifts

Notwithstanding the authority designated above, gifts requiring immediate action (such as gifts in late December) may be exempted from full Committee review if, in the CEO's judgment, in consultation with the Board President, Chair of the Finance & Administration Committee and the Chair of the Investment Committee, that gift may be accepted without in any way jeopardizing the Foundation's exempt status.

Timing of Review

Gifts requiring Committee review will be handled promptly. Foundation staff will immediately notify donors if a gift is not accepted.

Authority to negotiate and sign fund agreements:

Subject to the Foundation Board's review and approval authority, the Foundation's CEO will have the authority to handle inquiries, negotiate with donors, assemble documentation, retain expert and technical consultants, and execute agreements on the Foundation's behalf. The Board President will also sign all fund agreements.

Purpose of Gifts:

The purpose of each gift to the Foundation must fall within the Foundation's broad charitable purposes. The Foundation cannot accept any gift that will be directly or indirectly subject to any

material restriction or condition by the donor that prevents the Foundation from freely and effectively employing the gift assets or the income from such assets to further its charitable purposes. In addition, the Foundation reserves the right to reject any gift that might place the other assets of the Foundation at risk or that is not readily convertible into assets that fall within the Foundation's investment guidelines. The Foundation may also decline a gift if it is not able to administer the terms of the gift in accordance with the donor's wishes.

Minimum Gifts:

Subject to the policies set forth in this document, the Foundation may accept gifts to existing funds of any size. The minimum gift for a new non-endowed fund is \$10,000. The minimum gift for a new unrestricted, donor advised, field of interest, designated or agency endowed fund is \$25,000. The minimum gift for an endowed scholarship fund is \$50,000. A new fund may be established with a lower minimum if the donor arranges regular payments to bring the fund to the minimum level within a reasonable time frame, at the discretion of the CEO. No grants may be made from any fund until the minimum is reached. Exceptions are subject to the approval of the Foundation's CEO or Board President.

Investment of Gifts:

The Foundation reserves the right to make any or all investment decisions regarding gifts to it in accordance with its Investment Policy, as amended from time to time. In making a gift to the Foundation, the donor gives up all rights, title and interest to the assets contributed. In particular, the donor relinquishes the right to choose investments and investment managers, brokers, or to veto investment choices for the contributed assets. However, when the size of a fund warrants separate investment consideration, and when otherwise permitted by law, the Foundation will endeavor to accommodate requests from donors for separate investment of fund assets, or use a particular investment manager, broker or agent in accordance with the Foundation's Investment Policy and may consult with donors on investment options for such fund.

Costs of accepting and administering gifts:

Generally, costs associated with the acceptance of a gift, such as the donor's attorneys' fees, accounting fees, and appraisal and escrow fees, are borne by the donor. The direct costs of administering gifts are generally paid out of the assets of the individual funds. Custodial, investment, and administrative fees are paid from the respective funds in accordance with the Foundation's guidelines and fee schedules. The Foundation reserves the right to assess a set-up fee.

Fundraising by donors:

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

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.

Illiquid Assets:

The Foundation's general policy is to liquidate all gifts promptly. On occasion, the Finance & Administration Committee, with agreement from the Investment Committee, may decide that it will not liquidate certain gifts immediately. Factors the committees will consider include:

- Market conditions – a gift may be retained for a reasonable period of time if the likely sales price would be substantially less than the asset's real value. Similarly, a large block of stock might be sold over a period of time in order not to artificially depress the price.
- Use by the Foundation – the Foundation may elect to keep gifts that it will employ directly in furtherance of its exempt purposes. For example, the Foundation might keep real property that it will use as its offices.
- Desirability as an investment – on rare occasions, the Foundation may be given property that it wishes to retain as an investment. Considerations in this decision include the projected return and how the asset fits into the Foundation's investment portfolio.

If a fund's illiquid assets do not generate a sufficient return to permit grantmaking that is consistent with the assets' value, the Foundation will seek an additional gift of cash or marketable securities to allow the fund to begin making distributions.

Deferred Gifts and Planned Giving:

Deferred Gifts

Deferred gifts are gifts whose benefit does not fully accrue to the Foundation until some future time, or whose benefits are split with charitable or non-charitable beneficiaries. Foundation

representatives are authorized to solicit direct charitable gifts through wills, as well as contributions to establish gift annuities or charitable trusts. The Foundation will work closely with donors and confer with financial advisors, at the request of the donors, to realize these gifts. In cases where the gifts are complex, the CEO may request review by the Finance & Administration Committee.

Bequests

The Foundation accepts bequests from donors who have directed in their estate plans that certain assets be transferred to the Foundation and honors the wishes of the donor as expressed but reserves the right of refusal as necessary and appropriate. Sample bequest language for restricted and unrestricted gifts is available from the Foundation, to donors and/or advisors, upon request. The Foundation may not be named as Fiduciary for a donor in his/her estate plans and will not serve if named. The Foundation may create a named fund in memory of the donor, if there is no stipulation for anonymity.

Retirement Plans or IRA Accounts

Donors may make lifetime gifts of retirement assets or name the Foundation as the beneficiary of their plan. Retirement plans include, but are not limited to, Individual Retirement Accounts (IRA), 401(k), 403(b), and defined contribution plans.

Life Income Gifts

The Foundation will work closely with donors to implement planned giving options that provide income to a donor or his/her designees, as well as financial benefit to the Foundation (split-interest gifts). The Foundation will evaluate each gift on a case-by-case basis. Options include:

- **Charitable Remainder Trust (CRT)**
This trust makes payments to one or more beneficiaries for their lifetimes, or for a fixed term, or a combination of both. Assets are put into a trust, beneficiaries are paid, and when the trust term ends, the remainder in the trust passes to the Foundation for its charitable purposes. The donor names a Trustee to manage the trust and determines whether the payout will be fixed (a charitable remainder annuity trust (CRAT)) or variable (a charitable remainder unitrust (CRUT)). Trusts can be set up during the donor's lifetime or by will. The Foundation encourages donors to consult their own legal counsel and tax advisors to create a charitable remainder trust. At the donor's request, the Foundation will confer with his/her advisors to assist in establishing the trust from which it will ultimately benefit. The Foundation will consider serving as Trustee for charitable trusts as long as the Foundation is named irrevocably as the beneficiary of at least 50 percent of the charitable portion of the trust.
- **Charitable Lead Trust (CLT)**
This trust first makes distributions to the Foundation for a specified period, with the remainder reverting to the donor or another beneficiary at the end of the period. It may be set up during one's lifetime or in a will. The Foundation will work closely with the donor and/or his advisor to create the trust but will not serve as Trustee.

- **Charitable Gift Annuity (CGA)**
This planned gift is based on a gift of cash or securities in exchange for lifetime income, either immediate or deferred, to the donor. It is a contract between the donor and the Foundation and is backed by the Foundation's total assets. The gift is in part a charitable gift and in part the purchase of an annuity. The Foundation will consider accepting a CGA only if the Foundation is beneficiary of at least 20% of the residual proceeds.
- **Life Estate**
A donor may wish to contribute a personal residence or farm to the Foundation and retain the right to use the property until death. Upon the donor's death, the Foundation must own all or a substantial interest in the property. The donor is responsible for any expenses required to maintain the property for such time as they are living on the property. (See the Real Estate Foundation Gift Acceptance Policy.)

Types of Gift Assets:

Cash

The Foundation accepts gifts of cash

- In currency of the United States;
- By checks made payable to the Foundation or the component fund; or
- By credit cards or wire transfer to the Foundation's account(s).

Publicly-Traded Securities

- *General.* The Foundation accepts gifts of marketable, publicly-traded stocks and bonds. As a general rule, publicly-traded stocks and bonds contributed to the Foundation will be redeemed or sold as soon as practicable. All proceeds from such redemption or sale less commissions and expenses are then credited to the component fund to which the stocks or bonds were originally contributed. The Foundation may accept gifts of publicly-traded stocks and bonds in any amount to any existing fund. However, gifts to establish a new component fund at the Foundation must meet the applicable minimum funding requirement.
- *Appraisal.* No appraisal is required so long as the stock or bond is not subject to any restrictions, including those imposed by contract or the Securities Exchange Commission. Where appraisal is not required, the value of the gift is determined by calculating the mean of the high and low prices of the securities on the date of the gift.

Real Estate

All gifts of real estate of any kind are handled by the Foundation's supporting organization, the Real Estate Foundation of San Luis Obispo County (REF). See REF's Gift Acceptance Policy. If a piece of real estate is gifted to the Foundation, it is the Foundation's policy to immediately transfer ownership of said property to REF.

Closely-Held Stock and S Corporation Stock

General. Gifts of closely-held and S corporation stock must be reviewed by the Finance & Administration Committee and Chair of the Investment Committee. Subject to the committee's approval and on advice of counsel, the Foundation may accept gifts of closely-held or S corporation stock in any amount to any existing fund. Gifts to establish a new component fund at the Foundation must meet the applicable minimum funding requirement. The Foundation may accept gifts of stock in closely-held or S corporations that generate unrelated business income only if certain agreements are reached with the donor and/or the corporation. These include an agreement by the donor that the taxes on the unrelated business income and the Foundation's associated administrative expenses (i.e., accounting and tax return preparation) will be charged against the fund holding the contributed stock. Further, the donor should agree to contribute additional cash to the fund to pay the aforementioned taxes and administrative expenses to the extent there is insufficient cash in the subject fund balance to cover such taxes and expenses.

Appraisal. Each gift of closely-held or S corporation stock giving rise to a charitable deduction of more than \$5,000 must be appraised in accordance with federal tax law. The donor will be responsible for obtaining such appraisal.

Distributions. Distributions from a component fund that consists entirely of closely-held or S corporation stock are limited to the income generated by the securities less fees assessed by the Foundation and any unrelated business tax imposed thereon.

Liquidation. The Foundation will generally seek to redeem or sell closely-held or S corporation stock contributed as soon as possible and generally will not accept gifts that cannot be liquidated within three years.

Procedures for Accepting Gifts of Closely-Held or S Corporation Stock. The following procedures apply to all proposed gifts of S corporation stock:

- The Foundation will review corporate governing documents to determine the rights and obligations associated with the stock and whether or not the Foundation should undertake such obligations in light of such rights.
- The Foundation will review the corporation's most recent tax returns and the donor's most recent K-1 to determine the nature of the income associated with the stock (i.e., unrelated business income, active versus passive business).
- All proposed transfer documents must conform to the Foundation's form or be approved by the Foundation's counsel.
- As a condition for the Foundation's acceptance of the gift, a written agreement between the donor and the Foundation should be in place that provides for the payment of administrative expenses and unrelated business income taxes generated by the stock to the extent there is insufficient cash in the fund to which the stock has been donated to cover such expenses and taxes. The agreement should also require the donor to indemnify the Foundation against all liabilities incurred by the donor on account of the stock up to the date of the gift.

- The donor shall provide the Foundation with all documents which outline, discuss or relate to the duties and liabilities which shareholders have, including Shareholder Agreements.

General Partnership Interests

The Foundation generally does not accept gifts of general partnership interests due to the unlimited liability of general partners but would consider such a gift on advice of counsel.

Limited Partnership Interests.

General. Gifts of limited partnership interests must be reviewed by the Finance & Administration Committee and Investment Committee. Subject to the committees' approval, the Foundation may accept gifts of limited partnership interests in any amount to any existing fund. Gifts to establish a new component fund at the Foundation must meet the applicable minimum funding requirement. The Foundation reserves the right to carefully screen all proposed gifts of limited partnership interests to ensure that they place no undue risk upon the Foundation.

The Foundation generally does not accept gifts of interests in partnerships that carry on active business. Interests in passive, investment-type limited partnerships such as those holding real estate, stocks and bonds, are preferred.

The Foundation may accept gifts of limited partnership interests that generate unrelated business income only if certain agreements are reached with the donor. These include an agreement by the donor that the taxes on the unrelated business income and the Foundation's associated administrative expenses (i.e., accounting and tax return preparation) will be charged against the fund holding the partnership interest. Further, the donor would have to agree to contribute additional cash to the fund to pay the aforementioned taxes and administrative expenses to the extent there is insufficient cash in the subject fund balance to cover such taxes and expenses.

Appraisal. Each gift of limited partnership interest must be appraised in accordance with federal tax law. The donor will be responsible for obtaining such appraisal.

Distributions. Distributions from a component fund that consists entirely of limited partnership interests are limited to the income distributed to the Foundation by the partnership less fees assessed by the Foundation and any unrelated business income taxes imposed thereon.

Liquidation. The Foundation will generally seek to redeem or sell limited partnership interests contributed to it within three years.

Procedures for Accepting Limited Partnership Interests. The following procedures apply to all proposed gifts of limited partnership interests:

- The Foundation will review the partnership governing documents to determine the rights and obligations associated with the limited partnership interest and whether or not the Foundation should undertake such obligations in light of such rights. If required, the

donor should be asked to obtain the other partners' consent to the gift as a condition to the Foundation's accepting the gift.

- The Foundation will review the donor's most recent K-1 and the partnership's tax returns to determine the nature of the income associated with the limited partnership interest (i.e., unrelated business income, active versus passive business).
- All proposed transfer documents must conform to the Foundation's form or be approved by the Foundation's counsel.
- As a condition for the Foundation's acceptance of the gift, a written agreement between the donor and the Foundation income should be in place that provides for the payment of administrative expenses and unrelated business taxes generated by the interest to the extent there is insufficient cash in the fund to which the interest has been donated to cover such expenses and taxes. The agreement should also require the donor to indemnify the Foundation against all liabilities incurred by the donor on account of the limited partnership interest up to the date of the gift.

Limited Liability Company Interests

The same considerations given to gifts of limited partnership interests apply to gifts of interests in limited liability companies.

Tangible Personal Property

General. The Foundation accepts gifts of personal tangible property (i.e., artwork, coin collections, jewelry) only if: (a) the Foundation determines that the property will be used in furtherance of the Foundation's exempt purposes or (b) the Foundation will be able to sell the property. If the property is to be sold, the Foundation will accept the gift only if it has sufficient value to justify the expenditure or resources required for such sale. The Foundation may accept gifts of personal tangible property in any amount to any existing fund. Gifts of tangible personal property to establish a new component fund at the Foundation must meet the applicable minimum funding requirement.

Appraisal. Each gift of personal tangible property for which the donor expects a charitable deduction exceeding \$5,000 must be appraised in accordance with federal tax law. The donor will be responsible for obtaining and paying for such appraisal.

Procedures for Accepting Personal Tangible Property. The following procedures apply to all proposed gifts of personal tangible property:

- The Foundation will review all prior appraisals and authentication documents, if any, relating to the property.
- If the property is to be sold, the Foundation will ascertain the market for such property and estimate the costs to be incurred in connection with the sale as well as the costs of holding the property prior to sale.
- All costs incurred by the Foundation in connection with the holding and sale of the property shall be charged against the sale proceeds, with the balance being credited to the fund to which the property has been contributed.

Life Insurance

General. The Foundation may accept gifts of life insurance policies so long as: (a) the policy is not encumbered (i.e., there is no outstanding loan against the policy); and (b) the Foundation is made the policy's owner and primary beneficiary. When premium payments can no longer be made because there is insufficient value in the policy to keep it in force, or because the Foundation chooses to discontinue premium payments, the policy will be surrendered. The Foundation may accept gifts of life insurance policy in any amount to any existing fund. Gifts of life insurance policy to establish a new component fund at the Foundation must meet the applicable minimum funding requirement.

Appraisal. Each gift of life insurance policy giving rise to a charitable deduction of more than \$5,000 must be appraised in accordance with federal tax law.