



## Gift Acceptance Policy

### I. Purpose and Principles

The Community Foundation San Luis Obispo County ("Foundation") is dedicated to fostering a healthy and caring community by connecting donors with charitable causes. This Gift Acceptance Policy outlines the guidelines for accepting various types of gifts and establishing different types of funds. It is designed to ensure that every gift benefits our community, our generous donors, and the Foundation's charitable programs and activities.

Our goal is to encourage financial support for the Foundation without encumbering it with gifts that generate more cost than benefit, or those restricted in a manner inconsistent with our charitable purposes or applicable laws governing charitable gifts.

### II. Ethical Standards in Donor Relations

The Foundation is committed to the highest ethical standards in philanthropy. All individuals acting on behalf of the Foundation adhere to the Association of Fundraising Professionals' (AFP) [A Donor Bill of Rights](#).

We aspire to provide full disclosure of the benefits and liabilities that could influence a donor's decision, including information on Foundation fees, gift irrevocability, prohibitions on donor restrictions, variability of market value and investment return, financial statement provision, and investment policies. **Donors are strongly encouraged to consult their own financial and legal advisors before finalizing any fund agreement.** Foundation staff are here to inform, guide, and assist donors in achieving their philanthropic goals, without pressure or undue influence.

The Foundation recognizes the paramount role of donors and their gifts. We acknowledge donors appropriately, both publicly and privately, while respecting their preferences for recognition and confidentiality, as outlined in our Confidentiality of Donor Records & Donor Anonymity Policy.

### III. Types of Funds

The Foundation offers diverse fund options to align with various philanthropic goals:

- **Unrestricted Funds:** These funds provide the Foundation with the flexibility to address the community's most pressing needs at its discretion, supporting charitable organizations across our service area. Distributions are made according to the fund agreement and generally follow the Foundation's spending policy for endowed funds if applicable.



- **Donor Advised Funds:** Donors suggest charitable organizations to receive support from these funds. Timing and amounts of distributions are determined by the donor(s) in accordance with the fund agreement, and if endowed, generally follow the Foundation's spending policy.
- **Field of Interest Funds:** These funds support a specific charitable purpose designated by the donor(s), 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, generally follow the Foundation's spending policy. Advisory committees may be created to recommend distributions.
- **Designated Funds:** These funds provide ongoing support to a specific charitable organization chosen by the donor(s). Distributions are determined according to the fund agreement, and if endowed, generally follow the Foundation's spending policy.
- **Agency Funds:** Created by charitable organizations, these funds designate the organization itself as the beneficiary. Distributions are determined according to the fund agreement, and if endowed, generally follow the Foundation's spending policy.
- **Scholarship and Award Funds:**
  - **Scholarship Funds:** Provide financial assistance to students for schools, colleges, universities, vocational training, or special courses. Donors may recommend eligibility criteria and serve on selection committees. Distributions follow the fund agreement and the Foundation's spending policy if endowed.
  - **Award Funds:** Offer financial gifts, grants, or assistance to the public through an application or nomination process, without requiring recipients to provide services.
- **Memorial Funds:** Established in memory of a recently deceased individual, allowing the public to contribute in their honor. These are typically temporary (6-12 months) for collecting donations to a selected non-profit(s). Substantial memorial funds may be converted into endowed funds for perpetual benefit.
- **Disaster Relief Funds:** Contributions help the community recover from disasters. The Foundation, at its discretion, distributes from these funds to effective non-profit organizations providing assistance.

#### IV. Variance Power

The Foundation possesses "variance power," allowing its Board of Directors ("Board") to modify a fund's purpose if it becomes unnecessary, unfulfillable, or inconsistent with the community's charitable needs. This power protects donors by avoiding complex and costly legal proceedings.



## V. Authority to Accept Gifts

The Foundation has a structured approach to gift acceptance:

- **Acceptance by Officers & Designated Employees:** The Foundation's officers or employees, as designated by the Finance & Administration Committee and approved by the Board, may accept:
  - 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, 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. These include:
  - Tangible or personal property not readily marketable or not for Foundation use
  - Closely held and S corporation stock
  - Partnership interests
  - Limited liability company interests
  - Accounts receivable (e.g., 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:** Gifts connected to real property (including ownership portions or loan investments secured by real property) require additional approval by the Chair of the Real Estate Foundation. These gifts are handled by our supporting organization, the Real Estate Foundation of San Luis Obispo County (REF), and are subject to REF's Gift Acceptance Policy. It is the



Foundation's policy to immediately transfer ownership of gifted real property to REF as the entity created to handle these transactions.

- **Emergency Gifts:** Gifts requiring immediate action (e.g., late December gifts) may be exempted from full Committee review if, in the CEO's judgment and consultation with the Board President, Chair of the Finance & Administration Committee, and Chair of the Investment Committee, acceptance will not jeopardize the Foundation's exempt status.
- **Timing of Review:** Gifts requiring Committee review will be handled promptly, and donors will be immediately notified if a gift is not accepted.
- **Authority to Negotiate and Sign Fund Agreements:** The Foundation's CEO has the authority to handle inquiries, negotiate with donors, assemble documentation, retain expert consultants, and execute agreements on the Foundation's behalf, subject to Board review and approval. The Board President will also sign all fund agreements.

#### VI. Gift Requirements and Limitations

- **Purpose of Gifts:** All gifts must align with the Foundation's broad charitable purposes. The Foundation cannot accept gifts with material restrictions that prevent it from freely and effectively employing assets or income to further its charitable purposes.
- **Right of Refusal:** The Foundation reserves the right to reject any gift that might place its other assets at risk, is not readily convertible into assets that meet investment guidelines, or if the Foundation cannot administer the gift's terms in accordance with donor wishes.
- **Minimum Gift Amounts:**
  - Gifts to existing funds may be of any size.
  - Minimum for a new non-endowed fund: *\$10,000*.
  - Minimum for a new unrestricted, donor advised, field of interest, designated, or agency endowed fund: *\$25,000*.
  - Minimum for an endowed scholarship fund: *\$50,000*.
  - A new fund may be established with a lower minimum if the donor commits to regular payments to reach the minimum within a reasonable timeframe, at the CEO's discretion. No grants can be made from a fund until the minimum is reached. Exceptions require CEO or Board President approval.
- **Investment of Gifts:** The Foundation retains all investment decision-making authority in accordance with its Investment Policy Statement. Donors relinquish all rights, title, and interest to



contributed assets, including the right to choose or veto investments or managers. However, for funds of sufficient size and when legally permitted, the Foundation will endeavor to accommodate donor requests for separate investment or specific managers, and may consult with donors on investment options.

- **Costs of Accepting and Administering Gifts:** Donor attorneys' fees, accounting fees, appraisal, and escrow fees are generally borne by the donor. Direct gift administration costs, custodial, investment, and administrative fees are typically paid by individual funds. The Foundation may assess a set-up fee.
- **Fundraising by Donors:** Any fundraising undertaken by donors on the Foundation's behalf must be approved in advance by the Foundation and is subject to its supervision.

## VII. Specific Gift Asset Considerations

The Foundation aims to be reasonably flexible in accepting a wide range of assets, understanding that complex gifts may require additional deliberation by staff, officers, and the Board.

- **Cash:** Accepted in United States currency, by checks payable to the Foundation or component fund, or by credit card/wire transfer to the Foundation's account(s).
- **Publicly Traded Securities:** The Foundation accepts marketable, publicly-traded stocks and bonds. Generally, these are redeemed or sold as soon as practicable, with proceeds (less commissions and expenses) credited to the component fund. No appraisal is required if the security is unrestricted; value is determined by the mean of high and low prices on the gift date.
- **Closely Held and S Corporation Stock:**
  - **Review & Approval:** Requires review by the Finance & Administration Committee and Investment Committee Chair. Acceptance is subject to committee approval and counsel advice.
  - **Unrelated Business Income (UBI):** May be accepted if the donor agrees that UBI taxes and associated administrative expenses will be charged against the fund. Donors should also agree to contribute additional cash if the fund's balance is insufficient to cover these costs.
  - **Appraisal:** Gifts over \$5,000 require appraisal in accordance with federal tax law, at the donor's expense.
  - **Distributions:** Limited to income generated by securities less fees and UBIT.
  - **Liquidation:** Generally sought as soon as possible, with a preference not to accept gifts that cannot be liquidated within three years.



- **Procedures:** Includes reviewing corporate governing documents, tax returns, K-1s, conforming transfer documents, and establishing written agreements for UBI taxes, administrative expenses, and donor indemnification for pre-gift liabilities.
- **Excess Business Holdings:** The Pension Protection Act of 2006 limits closely-held business interests in donor advised funds to 20% of voting stock/profits interest (including disqualified persons), or any interest in a sole proprietorship, unless the Foundation's interest is less than 2% of voting stock and value. The Foundation's policy is to divest such holdings within five years; if not possible, the asset will be transferred to a non-advised fund.
- **Partnership Interests (General & Limited):**
  - **General Partnership Interests:** Generally not accepted due to unlimited liability, but may be considered on advice of counsel.
  - **Limited Partnership Interests:** Requires review by Finance & Administration and Investment Committees. Preferred for passive, investment-type partnerships (e.g., real estate, stocks, bonds) rather than active businesses.
  - **UBI & Procedures:** Similar to closely-held stock, acceptance may require donor agreement for UBI taxes and administrative expenses to be charged against the fund, and for additional cash contributions if needed. Procedures include reviewing governing documents, tax returns, K-1s, obtaining partner consent if required, conforming transfer documents, and establishing written agreements for UBI taxes, administrative expenses, and donor indemnification.
  - **Appraisal:** Required in accordance with federal tax law, at donor's expense.
  - **Distributions:** Limited to income distributed by the partnership less fees and UBIT.
  - **Liquidation:** Generally sought within three years.
- **Limited Liability Company Interests:** Similar considerations apply as for limited partnership interests.
- **Tangible Personal Property:** Accepted only if the Foundation will use it for exempt purposes or can sell it with sufficient value to justify the resources expended. Gifts establishing new funds must meet minimums.
  - **Appraisal:** Gifts over \$5,000 for which the donor expects a charitable deduction require appraisal at the donor's expense.



- **Procedures:** Includes reviewing prior appraisals/authentication documents, ascertaining market for sale, estimating costs of sale and holding, and charging all costs against sale proceeds.
- **Life Insurance:** Accepted if the policy is unencumbered and the Foundation is named owner and primary beneficiary. Policies may be surrendered if premium payments cannot be maintained. Gifts establishing new funds must meet minimums. Gifts over \$5,000 require appraisal in accordance with federal tax law.
- **Illiquid Assets:** While the general policy is prompt liquidation, the Finance & Administration Committee, with Investment Committee agreement, may retain certain gifts based on market conditions (e.g., to avoid depressing prices), direct use by the Foundation (e.g., office space), or desirability as an investment (considering projected return and portfolio fit). If illiquid assets do not generate sufficient return for grantmaking, the Foundation will seek additional cash or marketable securities.

#### VIII. Deferred Gifts and Planned Giving

Deferred gifts provide future or split benefits with charitable or non-charitable beneficiaries. Foundation representatives are authorized to solicit direct charitable gifts through wills and contributions for gift annuities or charitable trusts, working closely with donors and their financial advisors. Complex gifts may require Finance & Administration Committee review.

- **Bequests:** The Foundation accepts bequests from estate plans, honoring donor wishes but reserving the right of refusal. Sample bequest language is available upon request. The Foundation will not serve as a fiduciary for a donor's estate plans. A named fund may be created in the donor's memory unless anonymity is stipulated.
  - **Bequest Fee:** A 2% fee will be assessed on incoming bequests, benefiting CFSLOCO operations.
- **Retirement Plans or IRA Accounts:** Donors may make lifetime gifts or name the Foundation as beneficiary of retirement plans, including IRAs, 401(k), 403(b), and defined contribution plans.
- **Life Income Gifts (Split-Interest Gifts):** The Foundation works with donors to implement options providing income to the donor or designees, while benefiting the Foundation. Each gift is evaluated case-by-case. Options include:
  - **Charitable Remainder Trust (CRT):** Makes payments to beneficiaries for a term, with the remainder passing to the Foundation for charitable purposes when the trust term ends. Donors name a Trustee and determine fixed (CRAT) or variable (CRUT) payouts. CRTs can be set up during lifetime or by will. Donors are encouraged to consult their own legal



counsel and tax advisors. The Foundation may serve as Trustee if irrevocably named as beneficiary of at least 50% of the charitable portion.

- **Charitable Lead Trust (CLT):** Distributes to the Foundation for a specified period, with the remainder reverting to the donor or another beneficiary. Can be set up during lifetime or in a will. The Foundation will not serve as Trustee.
- **Charitable Gift Annuity (CGA):** A contract based on a gift of cash or securities in exchange for lifetime income (immediate or deferred) to the donor, backed by the Foundation's total assets. It is part charitable gift and part annuity purchase. The Foundation will consider accepting a CGA only if it is beneficiary of at least 20% of the residual proceeds.
- **Life Estate:** A donor may contribute a personal residence or farm to the Foundation while retaining the right to use the property until death. Upon death, the Foundation must own all or a substantial interest. The donor is responsible for property maintenance expenses while living there. (Refer to the Real Estate Foundation Gift Acceptance Policy for specifics).