

COMMUNITY FOUNDATION OF THE LOWCOUNTRY, INC.

GIFT ACCEPTANCE POLICY

PURPOSE

This policy serves as a guideline to members of the Community Foundation of the Lowcountry, Inc., (the Community Foundation) Board of Directors and staff involved with accepting gifts, to outside advisors who assist in the gift planning process, and to prospective donors who wish to make gifts to the Community Foundation. This document is intended to allow for some flexibility on a case-by-case basis. The Board of Directors has, for purposes of gift acceptance, provided for the Executive Committee or the Finance and Investment Committee to approve gifts in its place as indicated in several sections below.

The policy is designed to outline gift and fund policies which support the Community Foundation's mission, assure accountability to donors, promote development, and protect the integrity of the community.

In all gift matters, the Community Foundation Directors and staff must be aware of and sensitive to the potential donor's financial needs and concerns. The Community Foundation will not knowingly accept a gift that is contrary to the donor's best interests.

If the Community Foundation staff or Directors are concerned about the potential donor's understanding of the impact related to a particular gift transaction, the Community Foundation may pursue further communication with the donor's family or legal counsel.

The Community Foundation shall seek the advice of legal counsel as needed in matters pertaining to its asset development program. All component funds will be governed by a fund agreement or a Letter of Intent. A Letter of Intent is a document created to govern a fund in the case there is no donor with whom to make the "agreement." This would happen in such cases as: if the Community Foundation itself is the donor, having opened a fund for its own purposes; or when a fund was established through a testamentary gift without the prior knowledge of the Community Foundation. All gift and fund agreements shall follow the format of agreements approved by such legal counsel.

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

CONFIDENTIALITY

All donative instruments, communications with donors and information concerning donors will be deemed confidential to the extent permitted by law. However, a donor may authorize public announcement and recognition of any feature of an agreement. All files will be made available upon request to agents of the Internal Revenue Service. All other requests for information will be honored only if the donor approves the release of information or if current law requires release of the information.

All gifts to the Community Foundation will be acknowledged, in a timely manner, in writing and following current legal requirements.

The Community Foundation's mission and activities shall be promoted through an active marketing and development plan to attract donors and educate the community. Publications may contain a listing of component funds and current donors, unless the donor requests anonymity.

COMMUNITY FOUNDATION RESPONSIBILITIES

The role of the Community Foundation staff and Board of Directors shall be to inform, guide and assist donors in fulfilling their philanthropic objectives, but not unduly influence their decisions.

All prospective donors shall be strongly urged to seek the assistance of personal, legal and financial advisors in matters relating to their gifts and other tax and estate planning issues. Although the Community Foundation provides information, no member of the Community Foundation Board of Directors or staff will act as legal counsel for or render legal, tax or investment advice to any donor or prospect.

The Community Foundation staff should review with all prospective donors the benefits and liabilities which could reasonably be expected to influence the donor's decision to make a gift to the Community Foundation, including but not limited to:

- Revocability and confidentiality of a gift
- Prohibition of donor control, benefit or material restrictions
- Variance power
- Gift processing and acknowledgements
- Grantmaking procedures
- Accounting and fund statements
- Investment strategy, market risk and spending policy
- Responsibility to provide a "Donor Bill of Rights" to donors

FUNDAMENTAL CONSIDERATIONS FOR GIFT ACCEPTANCE

As a good steward of gifts entrusted to it, the Community Foundation will operate in compliance with all federal, state and local laws in conducting development activities, including acceptance of gifts. In doing so, the Community Foundation's decision to accept a gift may include the following fundamental considerations:

- Does the purpose of the gift fall within the broad charitable purposes of the Community Foundation?
- Does the gift place other assets of the Community Foundation at risk?
- Can the gift be utilized or easily converted into assets that support the Community Foundation's investment strategy?
- Can the Community Foundation assure adherence to the terms of the gift in accordance with the donor's wishes?

Upon review of a potential gift, the Community Foundation reserves the right to refuse any gift for

reasons including, but not limited to:

- The cost to manage the asset is excessive
- The gift purpose may jeopardize the Community Foundation's tax exempt status

It is the intention of the Community Foundation that acceptance of all gifts ensures the Community Foundation's compliance with National Standards for U.S. Community Foundations established through the Council on Foundations.

ROLE OF THE COMMUNITY FOUNDATION STAFF AND BOARD OF DIRECTORS

All gifts to the Community Foundation shall be officially received by the President and CEO and/or the Vice-President for Development and Donor Services, or their designees, on behalf of the Board of Directors. The staff of the Community Foundation will develop the terms, restrictions and conditions that apply to each gift in accordance with this policy.

The Executive Committee or Finance and Investment Committee of the Board of Directors can be convened on an ad hoc basis whenever a gift to the Community Foundation is being considered that does not fall within the normal guidelines and procedures of this policy or as required within this policy.

TYPES OF GIFTS

The Community Foundation accepts the following forms of assets, subject to the conditions described by each asset type. These gifts are generally acceptable upon receipt and acknowledged in writing in a timely fashion.

A. CASH and CASH EQUIVALENTS

1. The Community Foundation accepts cash, checks, money orders, certificates of deposit and credit card transactions.
2. Checks shall be made payable to the Community Foundation and should include a statement of purpose or identify the specific fund to which the contribution is being made. Cash gifts and checks are receipted on the date received at the Community Foundation office. At the end of the calendar year, checks should be postmarked by December 31st to be designated as a donation in the current year. In no event shall a check be made payable to an individual who represents the Community Foundation.

B. PLEDGES

Pledges of future monetary gifts may be payable in single or multiple installments, include the name of the fund that will benefit from the gift, the anticipated payment schedule and the signature of the donor. Pledge reminders will be sent to the donor within 30 days of the date each installment is due. Pledges must have a value of not less than \$100 and a duration of not longer than up to five years.

C. PUBLICLY TRADED SECURITIES

1. Readily marketable securities, stocks and bonds, can be accepted by the Community Foundation and, if appreciated, offer attractive tax advantages to the donor.
2. A contribution of stock is completed upon the unconditional delivery of a properly endorsed stock certificate to the Community Foundation or the Community Foundation's agent. If such stock is mailed and is received by the Community Foundation or its agent in the ordinary course of the mail, the gift is effective on the date of mailing. If the donor, however, delivers a stock certificate to the issuing corporation or to the Community Foundation's broker for transfer to the name of the Community Foundation, the contribution is not completed until the stock is actually transferred on the corporation's books. A contribution of stock held for an individual by a brokerage firm and registered in street name is not completed until the shares are transferred on the books of the brokerage firm.
3. As a general rule, publicly-traded stocks and bonds contributed to the Community Foundation will be redeemed or sold upon receipt and invested in accordance with the Community Foundation's Investment Policy. All net proceeds from such redemption or sale are then credited to the component fund to which the stocks or bonds were originally contributed.
4. For the Community Foundation's gift crediting and accounting purposes, the value of the security is the average of the high and low price on the date of the gift, which is the date of transfer into the Community Foundation's account. The donor and his/her tax advisors have the responsibility to determine the value of the gift for the donor's tax purposes.

D. CLOSELY HELD SECURITIES

1. Non-publicly traded securities may be accepted after consultation with the Finance and Investment Committee or Executive Committee of the Community Foundation, and if needed in conjunction with the Community Foundation's legal counsel.
2. Prior to acceptance, the Community Foundation shall explore methods of liquidation for the securities through redemption or sale. A representative of the Community Foundation shall try to contact the closely held corporation to determine:
 - An estimate of fair market value
 - Any restrictions on transfer
 - Any recent sales
3. If the Community Foundation determines that an appraisal is necessary to determine marketability, the donor will be responsible for the cost of the appraisal. The appraiser will be chosen by the Community Foundation.
4. No commitment for repurchase of closely held securities shall be made prior to completion

of the gift of the securities.

E. LIMITED PARTNERSHIP INTERESTS

1. The Community Foundation does not accept gifts of general partnership interests due to potential unlimited liability.
2. Limited partnership interests may be accepted after consultation with the Finance and Investment Committee or Executive Committee of the Community Foundation, and if needed in conjunction with the Community Foundation's legal counsel.
3. Before accepting limited partnership interests, the partnership agreement will be reviewed to gain an understanding of the activities of the partnership and how allocations are made to the partners. The underlying assets and liabilities of the partnership interest will be reviewed to help determine the marketability of the limited partnership interest. Consideration will be given to whether income generated by the partnership is considered unrelated business income subject to income tax.
4. Limited partnership interests in family limited partnerships will be considered also subject to review by the Finance and Investment Committee or the Executive Committee of the Community Foundation. The Committee will review the agreement's structure, function and underlying assets. Issues to be reviewed include but are not limited to the following:
 - Value of the limited partnership interest. Generally, a minimum discounted value of the limited partnership interest, as established by a qualified appraisal, of \$5,000 is required.
 - The beneficiary of both the income stream and liquidation proceeds of the limited partnership must be the Community Foundation.
 - Costs to the Community Foundation in holding the limited partnership interest may include administrative responsibilities, tax return preparation and unrelated business income tax. The donor may be asked to cover all or some of these costs, particularly the unrelated business income tax that may be generated by phantom income.
 - Will the Community Foundation's interest be sufficiently liquid? Does the agreement provide the Community Foundation the power to redeem interest, either through a preferred interest with a guaranteed return or a series of put options upon the expiration of which the Community Foundation has a right to absolute redemption or another method agreed upon by both parties? Do the "family" partners intend to liquidate at some point in time?

F. REAL ESTATE

1. Gifts of real estate must be reviewed by the Finance and Investment Committee or Executive Committee of the Community Foundation before acceptance.

2. The donor is generally responsible for obtaining and paying for an appraisal of the property.
3. Prior to presentation to the Finance and Investment Committee or the Executive Committee of the Community Foundation, a member of the staff must conduct a visual inspection of the property. If the property is located in a geographically isolated area, or out of the local region, a real estate broker can substitute for a member of the staff in conducting the visual inspection.
4. Due to the expenses associated with gifts of real estate, usually only gifts in excess of \$50,000 will be accepted.
5. Prior to presentation to the Finance and Investment Committee or Executive Committee of the Community Foundation, the donor must provide the following documents:
 - Real estate deed
 - Real estate tax bill
 - Plot plan (if improved property, an up-to-date plot plan is required) and a current survey may be required
 - Substantiation of zoning status
 - Community Foundation's Gift of Real Estate Preliminary Information Form
6. Prior to accepting a gift of real estate, the Finance and Investment Committee or Executive Committee of the Community Foundation, will usually require a Phase I – Environmental Inspection of the property and/or further environmental review.
7. The donor may be asked to pay for all or a portion of the following until the property is sold:
 - Maintenance costs
 - Real estate taxes
 - Insurance
 - Real estate broker's commission and other costs of sale
 - Appraisal costs
 - Phase I – Environmental Inspection
 - Environmental cleanup costs
 - Utilities
 - Property Owner Association Fees, special assessments and/or club membership fees, if associated with the property ownership.
8. For the Community Foundation's gift crediting and accounting purposes, the value of the gift is the appraised value of the real estate.
9. The Community Foundation adheres to all IRS requirements related to disposing of gifts of real estate and filing appropriate forms. The Community Foundation must inform donors that if a non-cash gift of real property for which the donor was required to file IRS Form 8283 ("Non-cash Charitable Contributions") is sold within two years. At the date of the gift, the Community Foundation, as required by law, will complete and submit IRS Form 8282 to the IRS, reporting the amount for which the asset was sold. Generally, unless special circumstances exist, the Community Foundation will use its best efforts to sell a non-cash gift as soon as possible and at the highest value available.

10. No real estate may be accepted as a gift if the donor has already arranged its subsequent sale by the Community Foundation.
11. Real property that is encumbered will be accepted only in exceptional circumstances. Commercial properties and businesses will be examined in relationship to the potential for exposure of the Community Foundation to unrelated business taxable income (UBIT).
12. Upon acceptance of a gift of real property, the gift will be held in the Hilton Head Island Foundation LLC, established specifically for the purpose of holding gifts of real property.

G. LIFE INSURANCE

1. The Community Foundation will accept life insurance policies as gifts only when the Community Foundation is named as the owner of the policy.
2. If the insurance policy is not fully paid up or if the policy lists multiple beneficiaries, the usefulness of the gift is judged on a case-by-case basis. If the policy is accepted, the Community Foundation may choose whether to cash it in for the current surrender value or continue to pay the premium.
3. The Community Foundation shall have no obligation to continue premium payment on insurance policies unless the donor provides sufficient funds for such payments, but the Community Foundation may continue payments from its own funds, if the Community Foundation deems it is in its best interest to continue such payments. Under these circumstances the Community Foundation reserves the right to designate the future charitable purpose of the gift.
4. If the policy is a paid-up policy, the value of the gift for the Community Foundation's gift crediting and accounting purposes is the policy's replacement cost.
5. If the policy is partially paid up, the value of the gift for the Community Foundation's gift crediting and accounting purposes is the policy's cash surrender value. (Note: For IRS purposes, the donor's charitable income tax deduction is equal to the interpolated terminal reserve, which is an amount slightly in excess of the cash surrender value.)

H. TANGIBLE PERSONAL PROPERTY

1. Gifts of tangible personal property, such as jewelry, artwork, collections, equipment, and software, shall be accepted after approval by the Finance and Investment Committee or Executive Committee of the Community Foundation.
2. Gifts of tangible personal property must be saleable and/or gifted to the Community Foundation in support of its mission. The donor must provide substantiation of ownership and agree that the property should be sold unless the property has a use related to the Community Foundation's exempt purpose. If further substantiation is required, the Community Foundation may require the donor to complete a Deed of Gift agreement in conjunction with conveyance of the gift.

3. The donor is responsible for obtaining an appraisal of the property. The cost of the appraisal usually is borne by the donor. The donor may be asked to pay for other related costs associated with the property if required to maintain the property for an extended period of time (such as insurance, maintenance, storage or upkeep.) For the Community Foundation's gift crediting and accounting purposes [not receipting], the value of the gift is the appraised value of the tangible personal property.
4. The Community Foundation adheres to all IRS requirements related to disposing of gifts of tangible personal property and filing appropriate forms. If the value of the property exceeds \$5,000, the donor is required to obtain a qualified appraisal performed and submitted to the IRS on Form 8283. If the Community Foundation sells the property within two years, it must file IRS Form 8283 informing the donor and IRS of the sale price of the property.

I. OTHER PROPERTY

1. The Community Foundation may accept other unique gifts such as gifts of mineral rights, intellectual property, or royalties subject to review by the staff and Finance and Investment or Executive Committee of the Community Foundation. All such gifts will be valued under applicable Treasury Regulations, as applied by appraisers who are experts in the respective fields.
2. The Community Foundation may accept gifts of goods or services on a select basis. All such gifts must be accompanied by a written description of the gift.

PLANNED GIFT OPTIONS

These are gifts whose benefit does not fully accrue to the Community Foundation until some future time, or whose benefits are split with non-charitable beneficiaries. The Community Foundation offers the following planned gift options:

- Current Gift Annuities
- Deferred Gift Annuities
- Charitable Remainder Trusts
- Charitable Lead Trusts
- Bequests
- Retained Life Estates
- Retirement Plan Assets

A. CURRENT GIFT ANNUITIES

1. The Community Foundation will accept current gift annuities, which begin payments within one year of the gift date.
2. The Community Foundation will accept annuity gifts for one life, two lives in succession, or joint and survivor annuity agreements. Gift annuity agreements will be limited to one life or two lives in being at the time of the gift.

3. No income beneficiary for a current charitable gift annuity shall be younger than 50 years old.
4. The minimum gift accepted to establish a charitable gift annuity is \$5,000.
5. The maximum annuity rate offered will always be the current Uniform Gift Annuity Rates as adopted by the Conference on Gift Annuities and promulgated by the American Council on Gift Annuities. The Community Foundation may establish a maximum annuity rate chart that is lower, but never higher, than the Uniform Gift Annuity Rates of the American Council on Gift Annuities. To conform to the federally mandated "Clay-Brown Rule," the annuity rate offered will generate a charitable deduction of more than 10% of the fair market value of the assets given, or the annuity rate will be reduced to qualify for the deduction. The Community Foundation will always offer the maximum annuity rate to each potential donor/annuitant, based on the actuarial age of the annuitants, but the Community Foundation suggests that if the person were willing to accept a lower rate, a larger charitable deduction would be obtained for the same size gift.
6. Subject to the policies and procedures of the Community Foundation, the remainder can be designated for an existing endowment fund or used to establish a new endowment fund within the Community Foundation.
7. The Community Foundation will always follow current state and federal regulations in regard to charitable gift annuities.
8. The Community Foundation will self-insure gift annuities up to \$100,000 through an internal gift annuity reserve fund. Gift annuities over \$100,000 will require reinsurance through third party providers for a portion or all of the Community Foundation's liability.

B. DEFERRED GIFT ANNUITIES

1. The Community Foundation will accept deferred payment gift annuities, whose initial payment is at least a year after the gift. The deferral period will be at the discretion of the donor as long as the income beneficiary is at least age 50 when payments begin.
2. The Community Foundation will accept deferred annuity gifts for one life, two lives in succession, or joint and survivor annuity agreements. Gift annuity agreements will be limited to one life or two lives in being at the time of the gift.
3. No income beneficiary for a deferred gift annuity shall be younger than 30 years old at the time the deferred gift annuity is established.
4. The minimum gift accepted to establish a deferred gift annuity is \$5,000.
5. The maximum annuity rates offered will always be the current Uniform Interest Factors and Uniform Gift Annuity Rates as adopted by the Conference on Gift Annuities and

promulgated by the American Council on Gift Annuities. The Community Foundation may establish a maximum annuity rate chart that is lower, but never higher, than the Uniform Gift Annuity Rates of the American Council on Gift Annuities. To conform to the federally mandated “Clay-Brown Rule,” the annuity rate offered will generate a charitable deduction of more than 10% of the fair market value of the assets given, or the annuity rate will be reduced to qualify for the deduction. The Community Foundation will always offer the maximum annuity rate to each potential donor/annuitant, based on the actuarial age of the annuitants, but the Community Foundation suggest that if the person is willing to accept a lower rate, a larger charitable deduction would be obtained for the same size gift.

6. Subject to the policies and procedures of the Community Foundation, the charitable remainder can be designated for an existing fund or used to establish a new fund within the Community Foundation.
7. The Community Foundation will always follow current state and federal regulations in regard to charitable gift annuities.
8. The Community Foundation will self-insure gift annuities up to \$100,000 through an internal gift annuity reserve fund. Gift annuities over \$100,000 will require reinsurance through third party providers for a portion or all of the Community Foundation’s liability.

C. CHARITABLE REMAINDER TRUSTS

The Community Foundation may accept charitable remainder trusts in whatever forms are approved by the Treasury Department regulations or are otherwise determined to be legal trusts for administration by the Community Foundation on the following terms:

1. The Community Foundation may accept the charitable remainder interest from any charitable remainder trust if the Community Foundation determines it is in its best interest to accept the gift.
2. The Community Foundation is willing to serve as trustee, co-trustee or trust administrator for a fee if the Community Foundation is an irrevocable remainder beneficiary in an amount equal to or in excess of \$50,000.
3. Administrative and investment fees for the administration of a charitable remainder trust when the Community Foundation is named as trustee, co-trustee or trust administrator shall be paid from the income of the trust first, but if income is insufficient, then from principal.
4. Investment of a charitable remainder trust shall be determined by the fiduciary hired to manage the trust. No representations shall be made by a Community Foundation employee or person acting on behalf of the Community Foundation as to the management or investment of such charitable remainder trust.
5. When the Community Foundation is named as trustee or co-trustee, the payout rate of

a charitable remainder trust shall be determined in consultation with the donor or donor's advisor and the Community Foundation's President and CEO and/or Vice-President for Development and Donor Services. By law the payout rate cannot be lower than 5% or higher than 50%. The payout rate shall be negotiated between the donor and the Community Foundation and shall reflect the number of beneficiaries, their ages, and the size of the trust. For CRATs and simple CRUTs, payout rates higher than 7% must be approved by the Finance and Investment Committee or the Executive Committee of the Community Foundation. For net income CRUTs or net income with make-up CRUTs, payout rates higher than 9% must be approved by the Finance and Investment Committee or the Executive Committee of the Community Foundation.

6. Subject to the policies and procedures of the Community Foundation, the charitable remainder can be designated for an existing fund or used to establish a new fund within the Community Foundation. A portion of the charitable remainder may be distributed by the Community Foundation to charities named by the donor, subject to the charter and the by-laws of the Community Foundation, as long as an agreed upon percentage of the remainder become a permanent part of the Community Foundation.
7. The Community Foundation encourages donors to use their own legal counsel and tax advisors to create a charitable remainder trust in conjunction with Community Foundation staff whenever possible.

D. CHARITABLE LEAD TRUSTS

The Community Foundation may accept charitable lead trusts in whatever forms are approved by the Treasury Department regulations or are otherwise determined to be legal trusts for administration by the Community Foundation on the following terms:

1. The Community Foundation may accept the income interest from any charitable lead trust if the Community Foundation determines it is in its best interest to accept the gift.
2. The Community Foundation is willing to serve as trustee, co-trustee, or trust administrator for a fee if the Community Foundation is to receive income interest in an amount equal to or in excess of \$50,000 over the term of the trust.
3. Administrative and investment fees for the administration of a charitable lead trust when the Community Foundation is named as trustee, co-trustee or trust administrator shall be paid from the income of the trust first, but if income is insufficient, then from principal.
4. Investment of a charitable lead trust shall be determined by the fiduciary hired to manage the trust. No representations shall be made by a Community Foundation employee or person acting on behalf of the Community Foundation as to the management or investment of such charitable lead trust.
5. Subject to the policies and procedures of the Community Foundation, the charitable amount can be designated for an existing fund or used to establish a new fund within the Community Foundation. A portion of the charitable amount may be distributed by

the Community Foundation to charities named by the donor, subject to the charter and the by-laws of the Community Foundation.

6. The Community Foundation encourages donors to use their own legal counsel and tax advisors to create a charitable lead trust.

E. BEQUESTS

1. The Community Foundation accepts bequests from donors who have directed in their estate plans that certain assets be transferred to the Community Foundation and honors the wishes of the donor as expressed, but reserved the right of refusal as necessary and appropriate. The Community Foundation shall encourage assets transferred through bequests that have immediate value to the Community Foundation or that can be liquidated. Gifts that appear to require more cost than benefit shall be discouraged or rejected.
2. Donors who have indicated that they have made a bequest to the Community Foundation may, depending upon the individual situation, be asked to disclose, in writing or by copy of the will, the relevant clause that benefits the Community Foundation as evidence of their gift. This information will be used for internal financial purposes only and will be deemed confidential and will not be binding on the donor.
3. Subject to the policies and procedures of the Community Foundation, the donor's bequest can be designated for any fund within the Community Foundation or used to establish a new fund within the Community Foundation.

F. RETAINED LIFE ESTATES

1. Gifts of a remainder interest in a personal residence or farm must be reviewed by the Finance and Investment Committee or Executive Committee of the Community Foundation before acceptance. A residence need not be the donor's principal residence but could include a second home or a vacation home.
2. Guidelines for gifts of a remainder interest in a personal residence or farm are the same as the guidelines for acceptance of gifts of real estate.
3. Subject to the policies and procedures of the Community Foundation, the estate can be designated for an existing fund or used to establish a new fund within the Community Foundation.

G. RETIREMENT PLAN ASSETS

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

TYPES OF FUNDS

Approved: July 17, 1998

Revised: October 16, 1998; May 2009, November 2010, September 2011, September, 2012, March 2016, June 2018, March 2019

The Community Foundation offers a variety of fund types designed to be responsive to donor needs. A standard fund agreement is required to establish a named fund within the Community Foundation.

Component funds within the Community Foundation are tailored to meet the philanthropic goals of the donor whenever possible and must be consistent with the mission of the Community Foundation. Funds may be endowed (grants are made according to a spending policy) or non-endowed (grants are made from both principal and earnings). All funds are subject to the policies and procedures established by the Community Foundation for the operation and administration of each fund type.

Basic fund types include:

A. Unrestricted Funds

Unrestricted Funds give the Community Foundation the most flexibility to effectively respond to the changing needs of the community. These funds are used to support all aspects of community well-being – arts and culture, community development, education, environment, health and human services. Unrestricted Funds have the flexibility to make a difference where it is needed the most. The Community Foundation Board of Directors awards grants from Unrestricted Funds to nonprofit organizations serving the community.

B. Field of Interest Funds

Field of Interest Funds allow donors to address needs in an important area of community life or geographic preference. Donors identify their personal interest area when establishing these funds. The Community Foundation Board of Directors or an Advisory Committee of the Community Foundation awards grants to nonprofit organizations and/or programs that are making a difference in that particular area.

C. Designated Funds

Individual donors or organizations can establish Designated Funds to provide support to a named nonprofit organization selected by the donor at inception. Grants go directly to the nonprofit organization annually or as determined by the fund agreement.

Designated Funds established by a nonprofit organization in support of the nonprofit organization's mission may be subject to the current applicable Financial Accounting Standards, as suggested by The Financial Accounting Standards Board directive 136 (FASB 136).

D. Donor Advised Funds

A Donor Advised Fund allows a donor to have ongoing involvement in the use of his/her gift. Donor (or their designee's) recommendations are submitted to the Community Foundation Board of Directors. Grant recipients must be recognized as tax-exempt charities by the Internal Revenue Service Code.

Ineligible Gifts for Donor Advised Funds:

The Community Foundation shall not accept any gift of an interest in a business enterprise for a donor advised fund that would subject the Community Foundation to tax under Section 4943 of the Internal Revenue Code, concerning “excess business holdings.” See Addendum regarding Treatment of Excess Business Holdings located at the end of this policy.

The Community Foundation shall not accept gifts from an Individual Retirement Account for a Donor Advised Fund.

E. Scholarship Funds

An individual donor or organization may establish a Scholarship Fund to provide income to be used to award scholarships to support educational endeavors of worthy applicants. The awards are made to the academic institutions at which the award recipients are enrolled. Scholarship funds may include a selection committee that recommends award recipients to the Community Foundation Board of Directors for their final approval. The administration of scholarships involves adherence to legal guidelines and restrictions associated with the selection and award process. It is the Community Foundation’s responsibility to ensure that each scholarship is administered within these guidelines and restrictions.

F. Fiscal Sponsorship Funds

A donor, organization or unincorporated community group may establish a Fiscal Sponsorship Fund to provide resources in support of a special charitable project or to incubate a planned nonprofit organization while they are applying for a 501(c)(3) status. A Fiscal Sponsorship Fund is anticipated to generally last no longer than a two year period from the signing of the initial fiscal sponsorship fund agreement.

PUBLIC FUND RAISING

Fundraising undertaken by donors in connection with funds of the Community Foundation must be done in consultation with the Community Foundation staff and in compliance with the fundraising policies and procedures of the Community Foundation.

MINIMUM REQUIRED TO ESTABLISH A NEW FUND

To establish named Funds, the following minimum levels must be achieved before grants are awarded from the Fund:

A. Endowed Funds - \$5,000

A donor may establish an endowed fund over five year with an initial gift of \$1,000, with the commitment of \$1,000 per year to reach the \$5,000 minimum.

B. Non-endowed Funds - \$2,500

C. Supporting Organizations - \$1,000,000

With the execution of form “Terms of Agreement to Open a Fund,” (copy attached as Addendum) a donor has 60 days to meet the above requirements if any money is expected to change hands before the minimums are met.

ADMINISTRATIVE GUIDELINES

The Community Foundation, nor any of its staff, shall not act as an executor (personal representative) for a donor’s estate.

Under special circumstances, the Community Foundation may assist in the cost of drafting legal documents related to the establishment of an endowed fund and/or a planned gift when the Community Foundation is named as an irrevocable beneficiary of an amount equal to or in excess of \$100,000. The donor’s own legal counsel must review the documents at the donor’s cost.

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

The Community Foundation reserves the right refuse any gift that it believes is not in the best interest of the Community Foundation.

PROCESS FOR MAKING A MATERIAL CHANGE TO A FUND AGREEMENT

“Variance Power” is a distinguishing characteristic of community foundations, and permits the community foundation’s Board of Directors to redirect resources in component funds if it determines that the donor’s restriction is unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community or area served. Any material change in the gift instrument (fund agreement or letter of intent) must be approved by the Board of Directors. A donor’s request to make a change is an insufficient reason to do so. The fund agreement is not covered by contract law, but rather it is an instrument by which the gift is conveyed to the ownership and control of the Community Foundation.

Some changes are not considered “material” and can be made through communication between the staff and the donors. These less-than-material changes include:

- The name of the component fund.
- The fees charged against a component fund, assuming the fee applies to all funds or a specific fund type or level of service (recent fund agreements do not include specific fee amounts in the document, but older ones might).
- Donor advisors or advisory committee members not originally stated in the fund agreement.
- The lifting of restrictions only (for example, a scholarship restricted to graduates of a specific high school could be opened to all the high schools in the service area without it being considered a material change).
- The changing of restrictions or criteria which do not appear in the fund agreement itself, but rather appear in an addendum (generally this applies to issues such as scholarship criteria—need vs. non-need, or GPA, or test scores, for example).

- The changing of a non-endowed fund to an endowed fund (the purpose remains the same; the amount available to spend each year changes).

Some changes are considered “material” and can be made only through the exercise of variance power in a vote of the Board of Directors. Changes of this type include:

- Changing a fund from one fund type to another (for example, a field of interest fund to a designated fund).
- Changing the purpose of a fund (for example, a fund designated to support one or more specific organizations needs a change because a particular organization dissolves or changes its mission significantly).
- Lifting an endowment restriction (generally this NEVER happens). If, however, a small endowed fund has no source of additional income and its purpose would be better served by spending it down and closing it, variance power could be exercised. Likewise, if an organization which is supported by an endowed designated fund is in danger of dissolving without the infusion of dollars that could only be provided by the corpus of the fund, the Community Foundation’s Board of Directors can determine whether to lift the endowment restriction, or instead, use the endowment to support a similar-purposed but more stable organization.

This Gift Acceptance Policy will be reviewed on a periodic basis to ensure compliance with state and federal laws, National Standards for Community Foundations, IRS regulations and good business practices and is available to the community upon request.

Addendum to Gift Acceptance Policy Treatment of Excess Business Holdings

Under the Pension Protection Act of 2006 (PPA), the private foundation excess business holdings rule apply to donor-advised funds as if they were private foundations¹. That is, the holdings of a donor-advised fund in a business enterprise, together with the holdings of persons who are disqualified persons with respect to that fund, may not exceed any of the following:

- Twenty percent² of the voting stock³ of an incorporated business
- Twenty percent of the profits interest of a partnership or joint venture or the beneficial interest of a trust or similar entity

Ownership of unincorporated businesses that are not substantially related to the fund's purposes is also prohibited.

Donor-advised funds receiving gifts of interests in a business enterprise after the date of the PPA's enactment (August 17, 2006) will have five years 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. Funds that currently hold such assets will have a much longer period to divest under the same complicated transition relief given to private foundations in 1969⁴.

What is a business enterprise?

A "business enterprise" is the active conduct of a trade or business, including any activity which is regularly carried on for the production of income from the sale of goods or the performance of services. Specifically excluded from the definition are:

- Holdings that take the form of bonds or other debt instruments unless they are a disguised form of equity
- Income from dividends, interest, royalties and from the sale of capital assets
- Income from leases unless the income would be taxed as unrelated business income
- "Functionally-related" businesses and program-related investments
- Businesses that derive at least 95 percent of their income from passive sources (dividends, interest, rent, royalties, capital gains). This will have the effect of excluding gifts of interests in most family limited partnerships, and other types of holding company arrangements.

¹ The language is clear that it is only the donor-advised fund—not the sponsoring charity—that is to be treated as a private foundation. Accordingly, it appears that this section does not apply to assets held by the sponsoring charity's investment pools, or assets held by funds that are not donor-advised.

² Thirty-five percent if it can be shown that persons who are not disqualified persons have effective control of the business.

³ Additionally, the donor-advised fund will be barred from holding non-voting stock of an incorporated business unless the disqualified persons collectively own less than 20 percent of the voting stock. Under the *de minimis rule*, the donor-advised fund could continue to hold an interest that did not exceed two percent of the voting stock and two percent of the value.

⁴ Excess holdings acquired by purchase must be disposed of immediately. If purchases by disqualified persons cause the donor-advised fund to have excess holdings, the donor-advised fund will have 90 days to dispose of the excess.

What is a disqualified person?

Donors and persons appointed or designated by donors are disqualified persons if they have—or reasonably expect to have—advisory privileges with respect to the donor-advised fund by virtue of their status as donors. Members of donors’ and advisors’ families are also disqualified, but the section does not define “family” and does not cross-reference either section 4958 or 4946 for the definition. Finally, the term includes 35-percent-controlled entities as defined in section 4958(f) (3).

The Community Foundation of the Lowcountry (Community Foundation) policy with regard to assets categorized under the Pension Protection Act as “excess business holdings”.

The Community Foundation will identify and monitor any new gift to a donor advised fund of any interest qualifying as an “excess business holding” under the Pension Protection Act. The Community Foundation will exercise its best effort to dispose of the contributed interest at the best possible price within five years of the date of the gift, as required under the Pension Protection Act. In any event, the Community Foundation will dispose of any excess business holding prior to the five year time limit, except in the event that the Treasury Department grants an additional five year holding period. The Community Foundation will notify potential donors of such interest of this requirement prior to the contribution of such interest.

Addendum to Gift Acceptance Policy

Terms of Agreement to Open a Fund (FORM)

It is my/our intention to open a fund at the Community Foundation of the Lowcountry. I/we recognize that the minimum to open a fund is \$2,500 for a non-endowed fund, and \$5,000 for an endowed fund. The intention is to (choose one):

___ **Open a non-endowed fund.** Both a fully executed fund agreement and the required \$2,500 minimum will be received by the Community Foundation of the Lowcountry within 60 days from the date this form is signed. **No contribution intended for this fund may be submitted prior to the signing of this form.** If a fund agreement is not executed, and the \$2,500 minimum is not received within the required time, any dollars received up to that point will be transferred to the Administrative Endowment Fund, and efforts to create this fund will cease. No fees will be charged nor interest earned during this 60 day period.

___ **Open an endowed fund.** Both a fully executed fund agreement and the required \$5,000 minimum, OR a the fully executed fund agreement, a \$1,000 contribution AND a signed pledge for the remaining \$4,000 as provided by policy, must be received by the Community Foundation of the Lowcountry within 60 days from the date this form is signed. **No contribution intended for this fund may be submitted prior to the signing of this form.** If these terms are not fulfilled, all dollars received up to that point will be transferred to the Administrative Endowment Fund, and efforts to create this fund will cease. No fees will be charged nor interest earned during this 60 day period.

_____ **Endowment pledge balance:** I/we acknowledgement the requirement to deposit the additional balance needed to meet the \$5,000 required minimum to establish an endowment fund within 5 years of the initial opening date of the fund. If these terms are not fulfilled, all dollars received up to that point will be transferred to the Administrative Endowment Fund within the Community Foundation and efforts to create this fund will cease.

Temporary Fund Name _____

Signed _____

Printed Name _____

Signed _____

Printed Name _____

Signatures Witnessed by: _____

Printed Name _____

DATE: _____