

Gift Acceptance Policy

May 2017

Purpose

The purpose of these fund and gift acceptance policies is to advance the Community Foundation of Southeastern Massachusetts' (the Foundation's) mission of mobilizing philanthropy by matching donors and resources with community needs for the benefit of the region. By providing guidelines for negotiating and accepting various types of gifts for different types of funds, these policies are designed to serve the best interests of the Foundation, donors who support the Foundation's programs through charitable gifts and a healthy and caring community. These policies are established to assure 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.

Scope

These policies address both current and deferred gifts, with an 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 either 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. These policies also describe the types of funds that the Foundation maintains.

Notwithstanding anything in this policy to the contrary, the Foundation reserves the right to waive any requirements herein with respect to acceptance of specific gifts.

Ethical Standards in Dealing with Donors

The Foundation is committed to the highest ethical standards of philanthropy and development. In all transactions between potential donors and the Foundation, the Foundation will aspire to provide accurate information and full disclosure of the benefits and liabilities that could influence a donor's decision, including with respect 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 of charitable gifts. In addition, all donors will be strongly encouraged to discuss their gifts with their own financial and tax advisors before signing any gift 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 Policy on Confidentiality. Donors reserve the freedom 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.

Funds

The minimum fund balance for each fund type (whether endowed or non-endowed) shall be \$10,000. The minimum amount for an endowed fund may be attained over a two-year period. After that time the Foundation will reach out to the Fund giving them 90 days to respond. If they do not respond within that time the Foundation has the right to roll the fund balance into an unrestricted fund while retaining the intention to continue to respect the original intent of the gift.

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

Unrestricted:

An unrestricted fund can reach out to all charitable organizations serving the arts, education, environment, health, and human services, etc. The Foundation funds those projects that best meet the community's most pressing needs even when those needs change over time. By making a gift or bequest to create an unrestricted fund, a donor can create a living legacy that will grow and change as the community does.

The unrestricted fund is best suited for:

- The donor who wants his or her gift to have the broadest impact on a community over time.
- The donor who recognizes that community agencies and needs change over time and wants his or her gift to remain flexible to respond to those changes.

Field-of-Interest Funds:

Field-of-interest funds allow donors to address a cause or issue of importance to them without being locked into naming specific charities. The donor names the purpose of the fund, such as meeting the needs of children, combating illiteracy, or promoting the arts. The Foundation identifies the projects that can most effectively accomplish that goal at any given time.

The field of interest fund is most appropriate for:

- The donor who has an abiding interest in a particular charitable cause rather than specific organizations.
- The donor who recognizes that charitable organizations change in mission.
- The client who wishes to fund emerging projects with a certain target audience.

Designated Fund:

The designated fund names a particular charity or charities to benefit from the fund. The designated charity benefits from the Foundation's pooled investment management capabilities, and the donor has the assurance of knowing that, if the organization ceases to exist, the Foundation's Board will preserve his or her intent by redirecting the fund toward an agency with a similar mission.

Designated funds are most appropriate for:

- The donor who wishes to support a particular charity but wants a third-party oversight to ensure that principal is not invaded or that the gift is used as he or she specified.
- The client who wants to make an endowment gift to a charity that does not have extensive investment management capability.

Scholarship Funds:

A scholarship is designed to provide students the opportunity to obtain higher education. Scholarships can be tailored to the client's desires. They can be designed for a specific college or technical college, or a specific career. Scholarship recipients can be chosen based on grades, income, community activities, school activities, etc.

Donor-Advised Funds:

The donor retains an advisory capacity in making grants from the fund. The minimum level of individual grant distribution shall be \$100. All grants made from advised funds will be distributed to other charitable entities provided they meet the qualifications set forth by sections 501 (c) (3) and 170(b)(1)(A) of the Internal Revenue Service Code. A grant from an advised fund cannot be used to satisfy an irrevocable personal or corporate pledge or obligation of the donor, or to provide a benefit to the donor such as paying membership dues. The donor-advised fund can use both principal and interest if the donor wishes.

Notwithstanding any other provision hereof, the Board shall not accept any gift of an interest in a business enterprise for a donor-advised fund that would subject the Foundation to tax under section 4943 of the Internal Revenue Code, concerning "excess business holding".

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

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 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 advised.

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

In addition:

- Generally, when an advised fund is established, the fund may, upon the donor's request, be advised by a person representing up to two generations of the donor's family-the donor's and one additional generation.
- When advisors from the second-generation become active advisors, the fund, if not already endowed, will become an endowed fund (unless the donor has left other instructions) and the Foundation's spending policy will determine the amount available for distribution annually. In addition, the donor (and the successor advisors) will be encouraged to take advantage of the knowledge and expertise of the Foundation's grantmaking staff. The Foundation will encourage the advisor to give a portion of the grant funds which will remain within the service area of the Foundation.
- Donor-advised funds cannot fund pledges or membership dues, or gifts to individuals/scholarships.

Variance Power

The Foundation has the ability to address the variable nature of a community's needs through its variance power. This power gives the Foundation's 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. In such an instance, the Board will use the gift for purposes, which most approximate, in the good faith opinion of the Board, the original purpose of the gift.

Authority to Accept Gifts

Acceptance by President - The President may accept, for and on the Foundation's behalf, any of the following:

- Cash
- Checks
- Marketable securities

Acceptance by Executive Committee - All other gifts, including those listed below, will require review and, if appropriate, approval by the Foundation's Executive Committee:

- Closely held and S corporation stock
- Partnership interests
- Limited liability company interests
- Accounts receivable (e.g., gifts of loans, notes, mortgages)
- Real property
- Gifts of intellectual property, mineral reserves, precious metals
- Artwork, coin collections, jewelry, etc.\
- Life insurance and annuity policies

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 Gift Agreements

Subject to the Executive Committee or the Board of Trustee's review and approval authority, the Foundation's President/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.

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 amount required to establish a fund is \$10,000. The only exception to this requirement is a scholarship fund which requires a minimum of \$25,000. A new fund may be established with an initial lower minimum if the donor arranges regular payments to bring the fund to the minimum level within two years of the initial funding. Exceptions are subject to the approval of the 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 vetting requirements, 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 fund raising by donors. All such fundraising activities are also subject to the Foundation's supervision.

Deferred Gifts & Planned Giving

These are gifts whose benefit does not fully accrue to the Foundation until some future time, or whose benefits are split with 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 President/CEO may request review by the Executive Committee and/or the Board of Trustees.

Bequests

The Foundation accepts bequests from donors who have directed in their wills 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 Executor for a donor in his/her will 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). Options include:

- **Charitable Remainder Trusts (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 not serve as Trustee 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 our total assets. The gift is in part a charitable gift and in part the purchase of an annuity.
- **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 owns the entire interest in the property.

This policy was approved by the Board of Directors on

Adopted: May 9, 2017

Date: May 9, 2017