

**COMMUNITY FOUNDATION OF SOUTHERN INDIANA, INC.  
GUIDELINES FOR GIFT ADMINISTRATION**

**Amended February 17, 2006 by the Executive Committee**

**A. INTRODUCTION:**

Community Foundation of Southern Indiana, Inc. ("CFSI"), an Indiana nonprofit corporation established in 1991, encourages the solicitation and acceptance of gifts to CFSI for purposes that fulfill its mission by supporting local community needs in Clark, Floyd, and Harrison Counties.

The following guidelines govern acceptance of gifts made to CFSI, either unrestricted, for the benefit of any of its programs, or for the benefit of local community agencies:

1. CFSI reserves the right to accept or reject all proposed gifts on a case by case basis, after review by the Executive Committee.
2. With the exclusion of publicly traded securities, the transfer of ownership of any non-cash contributions to CFSI is subject to approval by the Executive Committee. Acceptance is based on these guidelines which are intended to eliminate financial risks associated with holding title to such property. For example, for contributions of real property, an Indemnification and Hold Harmless Agreement may be required, along with a Phase I environmental audit at the Donor's expense, prior to acceptance of the property by the Committee.
3. All non-cash contributions will be liquidated, unless the investment manager assigned to the portfolio agrees to retain the assets. No contributions will be accepted subject to Donor restrictions defining a holding period for the investment, unless approved by the Finance Committee.
4. Valuation of non-cash gifts, the preparation and filing of Internal Revenue Form 8283, or other forms required for the purpose of obtaining a charitable income or estate tax deduction, will be the responsibility of the Donor, or the Donor's personal representative.

**B. ASSETS:**

**Cash**

Checks are to be made payable to CFSI.

**Publicly Traded Securities**

1. Marketable securities may be transferred electronically from an account maintained at a brokerage firm, bank or other financial institution or delivered to a

CFSI employee or agent, with the Donor's signature or Stock Power attached. As a general rule, all marketable securities shall be sold upon receipt unless otherwise directed to be held by the Finance Committee.

2. In some cases, marketable securities may be restricted by applicable securities laws; in such instances, the final determination on the acceptance of the restricted securities shall be made after consultation with the Finance Committee.

### **Privately Held Securities**

1. Privately or closely held securities, which include not only debt and equity positions in non-publicly traded companies, but also interests in limited partnerships and limited liability companies, or other ownership forms, will be considered, subject to approval of the Executive Committee, after consultation with the Finance Committee.
2. The Donor must provide a qualified appraisal (according to IRS standards) for the value of the shares (based on the value of the underlying corporation) dated no earlier than 60 days before the proposed date of the gift.
3. When reviewing acceptance of the gift, CFSI shall take the following into consideration:
  - a. whether there are any restrictions/time limits on CFSI's right to sell the shares to third parties or back to the issuing corporation, and whether the shares are generally marketable;
  - b. whether owning the shares would subject CFSI to potential liability;
  - c. whether owning the shares would subject CFSI to potential tax on Unrelated Business Taxable Income;
  - d. whether owning the shares could subject CFSI to embarrassment if its ownership of the shares became public knowledge because of the nature/type of business/reputation of the issuing corporation; and
  - e. whether the institution could realistically expect to profit from holding the shares for a period of time.

### **Real Estate**

1. Gifts of real estate may include developed property, undeveloped property or gifts subject to a prior life estate. When appropriate, a title insurance binder may be obtained prior to the acceptance of the real property gift. The cost of the title report shall generally be an expense of the Donor.

2. The Donor must provide a qualified appraisal for the value of the real estate dated no earlier than 60 days before the proposed date of the gift. CFSI reserves the right to obtain an independent appraisal of the property.
3. CFSI generally accepts gifts of real estate with the intent to sell in the near future, unless the property can be specifically used to support the CFSI mission. CFSI will notify the contributor (in writing and before the contribution) of its intention, and of CFSI's obligation to file IRS Form 8282, if the property is sold within 2 years of the date of gift.
4. When reviewing acceptance of the gift, CFSI shall take the following into consideration:
  - a. Whether it can use the property for its exempt purpose or hold the property as an investment;
  - b. whether the Donor has good title, and whether there are any restrictions, reservations, easements or other limitation associated with the property that will affect its marketability;
  - c. any potential environmental clean-up liability exposure, based on conducting a Level One Environmental Assessment; the Assessment shall generally be an expense of the Donor;
  - d. if evaluated as potential investment property, the estimated amount of appreciation which could be realized if the institution held the property for a period of time; and
  - e. the costs of owning the property, including insurance, property taxes, mortgages, maintenance, etc.
5. The Donor may be asked to sign an Indemnification and Hold Harmless Agreement, if any items described above are deemed to present a potential risk to CFSI.

#### **Life Insurance Policies**

1. For Donor recognition purposes, only gifts of both the ownership and beneficial interest in policies with guaranteed values/paid in full at age 65, will be recognized.
2. The Donor must provide a statement from the issuing insurance company of the value of policies in existence prior to the date of contribution.
3. In the event a Donor ceases making premium payments, CFSI, in its sole discretion, shall consider the following options:
  - a. cash surrender;

- b. exchange for paid-up policy with lower face value;
  - c. using accumulated/future dividends to make premiums; or
  - d. using cash value to keep policy in force for a shorter period of time.
4. Under no circumstances will “split dollar” life insurance arrangements be considered as a gift.

#### **Artwork and Collectibles**

Artwork and collectibles will not be accepted by CFSI due to IRS rules on the related use of tangible personal property.

#### **Gift of Remainder Interest in Residence or Farm**

A remainder interest in a personal residence, farm or vacation property will be accepted subject to all requirements of the paragraph dealing with outright real estate gifts, above. The Donor or other occupants may continue to occupy the real property for the duration of the stated life. At the death of the Donor, CFSI may either elect to hold the property to use it or reduce it to cash. The Donor, during his or her lifetime, remains responsible for all expenses for maintenance, insurance, real estate taxes and any property indebtedness.

#### ***C. CHARITABLE GIFT VEHICLES:***

##### **Charitable Gift Annuity (CGA) (this section was amended in its entirety 5/14/2004)**

A CGA is a contract between the Donor and CFSI. In return for a transfer of cash or securities by the Donor, CFSI agrees to pay a sum of money for a period of time measured by one or two lives. The contributed assets become part of CFSI's general assets, and payments become general obligations of CFSI

1. Payments may be made to an annuitant annually, semi-annually, quarterly or monthly, but must begin within one year of the gift date for immediate payment gift annuities or must begin on the date stated in the contract for deferred payment gift annuities.
2. CGA's will not be written for Annuitants Donors less than 60 years of age on the date payments begin and will not be written for more than two lives.
3. Generally CFSI uses the payout percentage recommended by American Council on Gift Annuities. Periodically the Finance Committee will review the rates recommended by the American Council on Gift Annuities and recommend to the full Board of Directors or the Executive Committee, acting between board meetings, the maximum payout percentage to be offered. The minimum gift required to establish a Charitable Gift Annuity is \$10,000.00 in cash or marketable securities..

4. The total value of outstanding gift annuities shall not exceed 15% of the value of the unrestricted assets of CFSI as determined on the last business day of each month. No individual gift to fund a charitable gift annuity shall be accepted which exceeds 5% of the value of the unrestricted assets of CFSI without prior approval by the Finance or Executive Committee
5. The Charitable Gift Annuity Agreement shall specify how the date-of-death value of the gift made to establish the charitable gift annuity will be used by CFSI.
  - a. When the Agreement provides that the date-of-death value of the annuity is to be added to an existing endowed unrestricted fund, or an endowed fund for the benefit of one or more charitable organizations, or an endowed field of interest fund, or an endowed donor advised fund, or to create one of the four listed fund types, then the Agreement shall provide that 10% of the date-of-death value of the annuity shall be transferred to the CFSI Charitable Gift Annuity Reserve Pool, and the remaining 90% shall be transferred to one of the four listed fund types.
  - b. When the Agreement provides that the date-of-death value of the annuity is to be distributed to an Indiana community foundation, then the Agreement shall provide that 5% of the date-of-death value of the annuity shall be transferred to the CFSI Charitable Gift Annuity Reserve Pool, 5% of the date-of-death value of the annuity shall be transferred to a separate charitable gift annuity reserve pool held in perpetuity by CFSI, the name of which shall include the name of the Indiana community foundation named in the Agreement, for example, the Washington County Community Foundation Charitable Gift Annuity Reserve Pool, and 90% of the date-of-death value of the annuity shall be distributed to the named Indiana community foundation.

When the date-of-death value of the annuity is to be distributed to an Indiana community foundation and the total value of the assets contributed to establish the charitable gift annuity is consumed prior to the death of the annuitant or the survivor annuitant, then future payments will be made first from the separate charitable gift annuity reserve pool named for the recipient Indiana community foundation, then from the CFSI Charitable Gift Annuity Reserve Pool if the separate reserve pool is exhausted, then from the unrestricted assets of CFSI if both reserve pools are exhausted.

CFSI will issue and administer charitable gift annuities only for the benefit of Indiana community foundations that have agreed to comply with the Operational and Ethical Standards for Indiana Community Foundations, as evidenced from time to time by the records of the Indiana Grantmakers Alliance.

6. CFSI reserves the right to decline any gift offered in exchange for a charitable gift annuity.”

#### **Charitable Remainder Trusts (CRT)**

1. A CRT is an irrevocable gift to CFSI as trustee. The beneficiaries receive a fixed percentage of the value of the trust assets, distributed at least annually, for their lives or a designated term of years. The payments are made only from the trust’s assets. At the death of all beneficiaries, the remainder interest is used to establish an endowment fund to be used according to the Donor’s intentions.
2. Payments may be made to the beneficiaries annually, semi-annually, or quarterly.
3. CRT’s will not be written for Donors less than 55 years of age and will not be written for more than two lives. The minimum gift required to establish a Charitable Remainder Trust is \$50,000.

#### **Charitable Lead Trusts (CLT)**

A CLT is an irrevocable gift established for the benefit of charitable interests for a term of years, with the remainder interest to be distributed back to the Donor, or the Donor’s heirs. CFSI will assist interested Donors who wish to create a CLT, but CFSI may choose not to serve as Trustee. If CFSI does agree to serve as Trustee, the minimum gift required to establish a Charitable Lead Trust is \$500,000.

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#### ***D. TYPES OF FUNDS WHICH MAY BE ESTABLISHED***

General Philanthropic Funds (unrestricted funds) are perpetual funds created by donors with the annual earnings allocated to the fund used by the board of directors in an unrestricted way for the greatest needs of the community.

Field of Interest Funds are perpetual funds created by donors with interests in a particular field (e.g., education, youth, arts, geographic area) with the board of directors determining the use of the annual earnings allocated to the fund.

Endowed Advised Funds are perpetual funds created by donors who wish to recommend how the annual earnings allocated to the fund are distributed.

Pass-Through Advised Funds are temporary funds created by donors who wish to recommend how the fund balance, and any earnings allocated to the fund, are distributed.

Endowed Designated Funds are perpetual funds created by individual donors or charitable organizations with the annual earnings allocated to the fund distributed to named charitable organizations.

Pass-Through Designated Funds are temporary funds created by individual donors or charitable organizations with the fund balance, and any earnings allocated to the fund, available for distribution to designated charitable organizations, or for charitable, public, and exempt purposes.

Supporting Organizations are separate charitable organizations existing under the umbrella of the publicly-supported community foundation. Sometimes referred to as “super advised funds,” a supporting organization may support specific charities or classes of charities and has its own board of directors with a variety of duties. Both the donor and the board of directors of the community foundation name individuals to serve on the separate board of directors of the supporting organization.

**E. GIFT RESTRICTIONS:**

CFSI will accept unrestricted gifts, and gifts restricted for specific programs, purposes, organizations or agencies so long as the restriction benefits the citizens of Clark, Floyd and Harrison Counties. No restricted gift will be accepted that is inconsistent with CFSI’s stated mission, purposes and priorities. Gifts that are too restrictive are those that violate the terms of the corporate charter, gifts that are too difficult to administer or gifts that are to be used for purposes outside of CFSI’s mission. Final decisions about the restrictive nature of a gift shall be made by the Executive Committee.

**F. CONFLICTS OF INTEREST AND OTHER ETHICAL CONSIDERATIONS:**

- 1. Conflicts of Interest.** CFSI will urge all prospective Donors to seek the assistance of legal and financial advisors in matters relating to their gifts and the tax and estate planning consequences. CFSI will comply with the “Model Standards of Practice for the Charitable Gift Planner” promulgated by the National Committee on Planned Giving. All personnel employed by the foundation to contact prospective donors or to promote the asset development program shall be paid a salary or fixed wage, but shall not receive commissions which could give such personnel a direct beneficial interest in any agreement. Further, no employee or member of the Board of Directors of CFSI may receive compensation or other material benefit from a Donor as a result of the gift planning process. Employees of the foundation who violate this policy are subject to dismissal.
- 2. Protection of Donor’s Interests.** CFSI will consider the Donor’s interests the first priority in discussing any planned gifts, including the Donor’s financial situation, philanthropic goals and tax or legal planning issues. CFSI will not encourage a Donor to make a gift that is inappropriate in light of these factors, and will so advise the Donor as well as the intended beneficiary/agency when a proposed gift does not appear to be in the best interest of the Donor. CFSI will not enter into gift arrangements unless the gift reflects donative intent on the part of the Donor.
- 3. Influence.** Representatives of the foundation shall exercise extreme caution to avoid pressure, persuasion or undue influence when the representative is to inform, counsel and assist the donor in gift planning concerns, including the exercise of prudent consideration of the donor’s personal interests as well as

charitable objectives.

- 4. Confidentiality of Information.** CFSI will maintain the confidentiality of any information received from or about a Donor's or potential Donor's interests, described in paragraph three of this section, Such information will only be shared with staff or Board members to the extent necessary which will include the Executive Committee, the Finance Committee, outside legal counsel, and the CFSI President (or his/her designee). Notwithstanding the foregoing, all requests for confidentiality and anonymity from a donor will be respected, including requests which may preclude sharing information about a donor or a gift with other members of the staff or Board of Directors. Further, CFSI will not release the names, addresses, or gift information, of individual donors or lists of donors to any individual, or public or private entity. Employees of the foundation who violate this policy are subject to dismissal.

**G. MISCELLANEOUS PROVISIONS:**

- 1. Costs of the Gift.** It is the responsibility of the Donor to arrange for and pay for any appraisal required for IRS purposes, as well as the costs associated with the consultation of Donor's own independent accountant, attorney or other advisor about the gift process.
- 2. Compliance with IRS Filing Requirements.** CFSI will assist the Donor with the requirements of a qualified appraisal needed to file Form 8283 with the IRS, with the understanding that final responsibility for the information and the filing of the form remains with the Donor. CFSI acknowledges that it is responsible for filing IRS Form 8282 upon the sale or other disposition of any asset sold within 2 years of receipt of the gift, when the charitable tax deduction value of the item is more than \$5,000, or otherwise required by applicable law. CFSI will acknowledge all gifts in compliance with current IRS Regulations.

**H. USE OF CFSI LEGAL COUNSEL:**

CFSI will seek advice of its outside legal counsel in the following matters relating to the acceptance of gifts:

1. Closely held stock transfers;
2. Any documents naming CFSI as Trustee;
3. Any gifts involving contracts, such as real estate, other bargain sales, insurance, charitable gift annuities or charitable trusts, and all other documents requiring CFSI to assume a financial or legal obligation as part of the gift;
4. Any transactions with potential conflicts of interest or that may invoke an IRS sanction; and

5. Other instances when a gift, based on complex facts or issues, may be referred by CFSI President or the Executive Committee.

***I. AUTHORIZATION:***

These Guidelines were approved by the Board of Directors of the Community Foundation of Southern Indiana, Inc., upon the recommendation of the Finance Committee, as of the 7<sup>th</sup> day of June, 2002, amended by the Board of Directors of the Community Foundation of Southern Indiana, Inc. upon the recommendation of the Finance Committee as of the 14<sup>th</sup> day of May, 2004, and further amended by the Executive Committee of the Board of Directors on February 17, 2006.