



# Gift and Fund Acceptance Policy

## Policy Statement

This policy is provided to guide staff as well as the Board in determining whether and how gifts will be accepted and whether and how funds will be established at The Alaska Community Foundation (hereinafter “Foundation”) and how they will be utilized to further our mission.

## Purpose & Scope

The Foundation actively solicits support from a broad range of donors to establish or increase funds to further the mission of addressing the needs in Alaska now and in the future and of serving as a charitable vehicle for Alaskans.

The Foundation seeks to establish all types of funds to address a wide variety of fields and issues. Although the Foundation does accept some funds in which the Foundation may spend all or part of the principal, the primary goal is to establish endowed funds in which only a percentage of the assets is spent so that the funds will exist in perpetuity. The Board may determine, from time to time, the percentage of the assets that will be spent from endowed funds to assure the funds maintain their purchasing power over time.

Funds that may not be held in perpetuity are intended to help donors make connections with causes they care about and which they wish to support currently. These include quasi-endowed funds in which grants may be made from principal but the basic intention is to hold the funds for the long term and short-term funds in which all principal is intended to be spent over a relatively short time period.

There is a potential that the acceptance of certain funds and gifts could compromise the ability of the organization to accomplish its goals or could jeopardize its exempt status. Hence, the following gifts and fund acceptance guidelines shall apply to gifts and funds offered to the Foundation before acceptance of said gifts and funds. The Board shall designate a Gift and Fund Acceptance Committee to review and approve gifts and funds as needed.

## Gifts

### Acceptable Gifts

- A. Cash. The Foundation does not accept currency but accepts checks, money orders and gifts by credit card.
- B. Marketable Securities. The Foundation accepts gifts of publicly traded stocks and bonds. When the securities are in "street name," they are transferred to the Foundation's custodial account; to be sold or held for the benefit of the endowment. When the gift is in the form of physical securities, those securities may be sold or held for the benefit of the endowment and the securities must be transferred to the entity managing the Foundation's securities for conversion to electronic ownership.
- C. Stock in Privately Owned Companies (including Subchapter S Corporations). To be accepted, such stocks must have a qualified appraisal performed by an independent professional appraiser. Redemption or liquidation

should occur as quickly as possible but no less than five years after the gift is accepted. Prior to approval, such gifts and any proposed variance from the normal redemption period are reviewed by the Foundation Board (and legal counsel if deemed necessary). Any gifts that would be subject to rules related to excess business holding (26 USC Sec 4943) must be divested within the time period established under the excess business holding rules.

- D. Real Estate. All real estate gifts are directed to the Foundation Board for review and approval. Concerns include legality, mortgages, easements, restrictions, and environmental problems. Until the property is sold, the donor must provide for obligations such as taxes and insurance. More detailed rules related to real estate gifts are outlined in the Real Estate Acceptance section of this policy.
- E. Tangible Personal Property. The property must be readily saleable and the donor must agree that the property can be sold unless the Foundation agrees to use the property for a purpose related to its exempt purpose. Prior to approval, such gifts must be reviewed by the Foundation Board (and legal counsel if deemed necessary).
- F. Partnership Interests and Interests in Limited Liability Companies (LLC). These will be considered by the board on a case-by-case basis.
- G. Life Insurance. The Foundation will accept life insurance policies as gifts only when the Foundation is named as the irrevocable owner and sole beneficiary of the policy. The Foundation prefers life insurance policies that are fully paid. Fully paid policy gifts will be valued at the replacement cost of the policy. The Foundation may elect to sell or redeem a fully paid life insurance policy gift. All partially paid policies must have written explanation of how further premiums are to be paid. Said proposed gifts must be presented to and approved by the President/CEO prior to gifting. Said gifts will be valued at the surrender value of the policy the day the gift transaction is completed. Further premiums of policies accepted shall be paid through gifts received annually by the original donor as memorialized in a long term donor agreement. Such agreement would generally provide that the donor agrees to provide a gift each subsequent year at least equivalent to the premium expected to be due in each subsequent year on the policy that is then the property of the Foundation.
- H. Charitable Remainder Trusts (CRT's) are established when a donor irrevocably transfers money or securities to a trustee (not affiliated in any way with the Foundation) who invests the assets to pay annual lifetime income to the donor or others chosen by the donor. At the end of the beneficiaries' lives, the remaining assets are distributed to the Foundation.
  - Charitable Remainder Annuity Trusts (CRAT's) provide the tax advantages of current contributions with the security of fixed, lifetime incomes, generally for the donor and spouse. The agreed-upon annual payments remain unchanged regardless of how CRAT investments perform.
  - Charitable Remainder Unitrusts (CRUT's) differ from the annuity trust as they provide variable income to the donor. Payment in this case is based on a fixed percentage of the net fair market value of the trust's assets as valued on a certain day annually.
- I. Charitable Lead Trusts (CLT's) provide an income stream to the Foundation for a specified period of time. The Foundation receives the income from the trust and applies it, usually to a pre-determined project. The principal is then returned at the end of the set period to whomever the donor designates (this gift is commonly called an "estate freeze" vehicle).

### **Authority to Accept Gifts**

The President/CEO of the Foundation shall have the authority to solicit and accept or decline gifts on behalf of the Foundation in accordance with this policy. If there is a question regarding whether or not the gift is within the Foundation policy or there is

a special reason why the gift should be accepted or declined, staff will bring the issue to the Gift and Fund Acceptance Committee. Staff will periodically report all gift acceptances and declines to the Board.

### **Gift Acceptance**

The Foundation will bring all gifts into alignment with the Investment Policy in a prudent and timely manner, unless the Investment Committee determines it is strategic to act otherwise, or the Board of Directors accepts a gift with different parameters.

The Foundation reserves the right to decline any financial commitment, gift, or bequest, as well as the right to determine how a gift will be credited and/or recognized without explanation.

The Foundation will pay no commissions or finder's fees as consideration for directing a gift to the Foundation or to any of the Foundation's affiliates.

Donors are responsible for obtaining their own appraisals of contributions for tax purposes and for any fees or other expenses related to such appraisals.

The Foundation retains the right to obtain its own qualified appraisals of real property or tangible or intangible personal property being offered as a gift at its own expense.

The President/CEO shall cause an acknowledgement and receipt of the gift to be sent to the donor. The acknowledgement will only issue a receipt of a dollar amount if the gift is in cash or marketable securities or is accompanied by an appraisal or sales invoice (on smaller items). If these documents are not available, the receipt will state that The Foundation has received the gift and the Foundation will send an IRS Non-cash Charitable Contributions Form 8283 for the donor to fill out and have signed. Once returned to the Foundation it will be sent to the appropriate persons for signature and then be returned to the donor for tax purposes.

Prospective donors shall be strongly encouraged in all cases to consult with their own independent legal and/or tax advisors about proposed gifts, including tax and estate planning implications of the gifts. No representative of the Foundation shall provide legal or tax advice to any donor or prospective.

All gifts to the Foundation are irrevocable.

Donors must relinquish the right to claim or control any portion of the gift and may not make any illegal or prohibited restrictions on the gift.

### **Gift Procedures and Acknowledgement**

1. Checks should be made payable to: The Alaska Community Foundation. The donor should further identify the specific charitable fund of the Foundation on the memo line of the check or in an accompanying letter.
2. Donors wishing to make gifts of stock, mutual funds or cash via electronic transfer should contact the Foundation office to alert staff to the gift and to receive proper instructions for making an electronic transfer.
3. All gifts received by the Foundation will be recorded through the Foundation's gift recording and accounting system and acknowledgement sent to the donor as soon as possible.
4. All gifts should be mailed directly to the Foundation's office by the donor. Gifts given to third parties such as fund advisors or advisory boards will be acknowledged within five days of receipt in the Foundation's office.
5. Gifts received in the Foundation's office after December 31 will be acknowledged for the previous year if the envelope was postmarked by or before December 31.
6. Acknowledgement letters may not be sent for gifts of \$50 and under or for the sale of non-gift items.
7. Only the donor (and spouse or partner) of the gift will receive the letter acknowledging the gift. "On behalf of" parties identified by the donor will not receive a separate letter but may, at the discretion of the Foundation, be recognized in a comment in the gift acknowledgement. The gift originator is identified by the printed name on

the check or the name on the credit card. Exception: employee payroll deduction plans that have been approved by the Foundation.

8. The Foundation may accept the proceeds from fundraising into the funds as per the Foundation's Fundraising Policy.

## Funds

### Acceptable Fund Types

Gifts to the Foundation are grouped into component 'funds'. Component funds are individual funds treated as part of the Foundation and permitted by the Internal Revenue Service to be included among the exempt assets of the Foundation. The Foundation's Board of Directors has total control over all of the assets – principal and income – of all component funds.

- A. Unrestricted Fund. The Foundation has an unrestricted fund. Gifts of any size are accepted into this fund. The donor imposes no restrictions on the gift purpose and the Foundation has full discretion on use of the funds.
- B. Named Unrestricted Fund. A donor or donors may establish a fund in their name or in any name they choose (unless the Board of Directors deems the name would be offensive) for the general benefit of Alaska. The donor imposes no restrictions on the gift purpose and the Foundation has full discretion on use of the funds.
- C. Donor-Advised Funds. A donor or donors who wish to remain involved in the grantmaking process from their fund may establish a donor-advised fund and have the privilege of making non-binding recommendations on grants during their life-time(s). They also may designate successor advisors including members of the next generation (such as children). If the donor(s) wish to recommend grants from the principal of the fund, they must indicate this when the fund is established.

Donor-advised funds are subject to the Excess Business Holdings Rule. Under the Pension Protection Act of 2007, the private foundation excess business holdings rule applies to donor advised funds as if they were private foundations. That is, 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 the following:

- twenty percent of the voting stock of an incorporated business and/or twenty percent of the profits,
- interest of a partnership or joint venture or,
- the beneficial interest of a trust or similar entity.

Additionally, ownership of unincorporated businesses that are not substantially related to the Fund's purposes is also prohibited.

In addition, the donor may not recommend grants, loans, compensation or similar payments from the fund to the donor, advisors, or related parties. The donor may not recommend grants that result in more than incidental benefit to the donor, advisors or related parties or are in payment of pledges or other obligations.

Authority for the final approval of all recommended grants rests with the Foundation.

- D. Field of Interest. A donor or donors may establish a fund in their name or in any name they choose (unless the Board of Directors deems the name would be offensive) to provide grants in support of a specific focus area or charitable purpose such as arts & culture, education, healthy families. The focus area can be local, regional or statewide. A donor may establish a field of interest fund that could attract additional gifts from other donors.

The donor has no continuing advisory role in the field of interest fund once it is established. The Foundation's Board may select the grantees or may designate an advisory board to make recommendations. The Foundation

may decline to accept a field of interest fund gift if, in the judgment of the Foundation, the focus area is too narrow.

E. Community/Affiliate Funds. The Foundation may establish field of interest funds to benefit specific geographic regions or communities within Alaska. The Foundation may designate local advisory committees to make grant recommendations for the fund and to promote the fund, the Foundation, and philanthropy in their communities or regions. The Foundation's Board of Directors is the governing entity with fiscal and legal responsibility to accept all funds on behalf of the geographic affiliate(s).

F. Scholarship Funds. A donor or donors may establish a fund in their name or in any name they choose (unless the Board of Directors deems the name would be offensive) for the purpose of providing competitive awards for education and/or youth participation in arts, culture or athletic activities. The Board of Directors must review the scholarship criteria to determine that there is a viable charitable class, that the selection criteria and selection process are objective and non-discriminatory, and that all legal rules and regulations are met in the scholarship review process. The donor may recommend individuals or a class of individuals to serve on the selection committee but the Board of Directors in their sole discretion will appoint the selection committee members.

The donor, donor appointees, related parties or disqualified persons as defined by the IRS may participate in the selection committee but may not control the committee either directly or indirectly. The donor's advice may be given solely as a member of the selection committee. For more detailed information, please see the Foundation's Policy for Awarding Scholarships.

The Foundation's policy is to make scholarship award payments to the educational institution rather than the individual. Some exceptions may be made on a case by case basis only when the Foundation exerts expenditure authority for such scholarships.

G. Designated Funds. A donor or donors may establish a fund in their name or in any name they choose (unless the Board of Directors deems the name would be offensive) and designate one or more agencies to receive periodic general operating grants from the fund. The donor has no continuing advisory privileges and may not later change the designee(s).

H. Agency/Organization Funds. A nonprofit agency may establish a fund in its name or in any name the agency chooses (unless the Board of Directors deems the name would be offensive) for the general charitable purposes of the agency itself. The agency does not retain the power to unilaterally withdraw the funds from the Foundation. The major purpose of an agency fund is to build an endowment that will provide operating support for the organization in perpetuity; however, the Foundation will accept quasi endowed funds from which an agency may recommend the authorization of grants from principal.

I. Project Funds. A group or an unincorporated organization established to carry-out a charitable purpose may apply to the Foundation to establish a fund in their name or in any name they choose (unless the Board of Directors deems the name would be offensive) to support a specific charitable activity. Such funds are not usually endowed (but could be for long term projects). The Board of Directors must affirmatively agree to receive gifts for projects and to serve as the fiscal sponsor as project funds require substantial work by Foundation staff. Fees will be based on the how involved the staff of the Foundation needs to be to provide oversight and to provide management services for the project.

## **Authority to Accept Funds**

The President/CEO of the Foundation shall have the authority to solicit and accept or decline funds on behalf of the Foundation in accordance with this policy. If there is a question regarding whether or not the fund is within the Foundation's policy or there is a special reason why the fund should be accepted or declined, staff will bring the issue to the Gift and Fund Acceptance Committee. Staff will periodically report all fund acceptances and declines to the board. The Foundation reserves the right to decline any fund without explanation.

## **Fund Acceptance Procedures**

1. The Foundation will pay no commissions or finder's fees as consideration for directing a fund to the Foundation or to any of the Foundation's affiliates.
2. All gifts to establish funds are subject to the gift policies described herein.
3. Prospective donors shall be strongly encouraged in all cases to consult with their own independent legal and/or tax advisors about proposed funds, including tax and estate planning implications of the funds. No representative of the Foundation shall provide legal or tax advice to any donor or prospective donor.

## **Fund Minimum Size & Fees**

### **Fund Minimums**

The Foundation has established minimum initial contributions for the various types of funds described in Section 2. The minimum initial contribution for each type of fund is designed to ensure that each fund is of sufficient size to be an effective vehicle for philanthropy and to ensure that the administrative fees generated by each fund are sufficient to cover the operating costs of the funds. The minimum initial contributions are subject to change at the discretion of the Foundation. A complete listing of the required minimum initial contributions is contained in the Foundation's Fee Policy.

### **Administrative Fees**

The Foundation shall charge Fund fees, including investment and management fees, to the extent sufficient for reasonable and proper compensation for services and expenses of the Foundation. Fees differ based on the type of fund. The current amounts to be charged against the fund are set forth in the Foundation's Fee Policy.

## **Real Estate**

### **Real Estate Gifts Policy**

#### Information to Obtain Prior to Gift Acceptance

Donor, including donor's attorney, realtor, and/or CPA should provide the following information to the Foundation before property is accepted.

1. Basic Information. The basic information should include the following:
  - a. address
  - b. assessor's parcel numbers
  - c. lot size or acreage
  - d. description of any building (such as nature, age, prior uses)
  - e. copy of current year's tax bill
  - f. any other information which would be relevant to the Foundation
2. Preliminary Report. Donor is requested to provide to the Foundation a current preliminary title report on the property, including copies of all documents shown as exceptions to title on the report. Upon the transfer of real

property to the Foundation, it should receive a policy of title insurance on an American Land Title Association Form. To aid investigation of environmental matters, the title insurer should be asked to identify owners in the chain of title during the preceding fifty (50) years.

3. Market Value. The donor should provide the Foundation with a recent appraisal, or, if none is available, a value opinion letter from a local Realtor.
4. Current Market Conditions. The donor or donor's realtor should provide a comparative market analysis of parcels in the same area as the property.
5. Disclosure. Environmental Problems. The donor should make a written statement prepared in compliance with Alaska Statute (AS) 34.70.010-34.70.200 to the effect that he/she is not aware of any actual or potential environmental problems within the area where the property is located or if aware, the nature and scope of any such problems. For example, the Foundation should ask the donor to disclose if he or she knows of any problem regarding:
  - a. hazardous waste
  - b. excessive noise
  - c. polluted air
  - d. polluted water, streams, ground water
  - e. wetlands
  - f. endangered species
  - g. any other known or potential problem or notice of violations
  - h. the presence of asbestos
  - i. lead-based paint
  - j. If the property is the site of large amounts of hazardous substances or underground storage tanks, or is listed on the **CERCLIS** (superfund data base) list, the donor must deliver an environmental disclosure document. Property subject to disclosure should be carefully inspected by a qualified environmental consultant.
6. Survey. The Foundation should request some form of current survey (not older than six months, except in cases involving new construction where a survey should be no more than 30 days old) before accepting a property. A surveyor location report, also known as a mortgage survey, is generally sufficient for single family residential property. A stake survey, preferably done in accordance with any state minimum survey standards is preferred in the case of commercial properties, large tracts of undeveloped land, and property where there is a known boundary dispute or discrepancies between the location of structures and improvements and the purported property line. The donor is asked to contribute an amount sufficient for a survey if one does not exist.
7. Costs. If essential information is not provided by the donor, the donor should contribute an amount sufficient to pay for obtaining it. However, if the donor is not willing to advance these costs, the Foundation may determine whether it would be advantageous for it to do so.

#### Criteria to Use to Determine Whether to Accept the Gift

The Foundation shall consider the following criteria in determining whether to accept an offered property:

1. Analysis of Sale and Holding Costs. The Foundation shall evaluate present and future sale and holding costs. This analysis shall include the following:
  - a. present market value

- b. future market value (potential for appreciation)
  - c. encumbrances
  - d. net cost of sale
  - e. holding cost (ongoing maintenance and repair costs; debt service; taxes)
2. Hazardous Waste and Other Environmental Problems. The Foundation shall undertake such investigation of environmental issues relating to the property as it deems necessary or appropriate to enable it to determine whether any problems exist, including without limitation an investigation of any problems identified in the donor's disclosure. In addition, the Foundation may, at its discretion, engage a qualified engineering or other environmental assessment firm to undertake an environmental review and deliver a report to the Foundation. Specifically, the Foundation should investigate the potential dangers of current and past hazardous conditions near the property. The following is a list of some of the prior uses that should be investigated by a thorough environmental study before a property is accepted: underground fuel storage tanks (such as service stations and vehicle fleet servicing); chemical and manufacturing plants; printing facilities; photo developing locations; dumps; dental offices; and cleaners. This list is by no means comprehensive. Property adjoining any past or present industrial use may have been contaminated by that use and may also bear further examination.
3. On-Site Inspection. An on-site inspection of any property shall be undertaken by the Foundation's officers or staff before it is accepted. If none of the foregoing can make an inspection, a broker, licensed contractor, qualified environmental assessment firm or other appropriate person should make an on-site inspection. The appointed persons shall look for any problems regarding the following:
  - a. environmental conditions –disclosed by the owner as well as: drainage ponds, pits or lagoons on the property; stained soils; fill pipes protruding from the ground; flooring, drains or walls stained by substances other than water of emitting foul odors; evidence of waste water discharge into a stream or ditch; demolition debris, tires or other waste materials; and, drums or barrels located on the property
  - b. boundaries
  - c. if the property is improved, structural and soil conditions
  - d. evidence of occupancy or encroachment
4. Unusual Circumstances. No property should be accepted which has excessive environmental or structural problems, or where the holding cost may approach or exceed sale proceeds.
  - a. There may be situations where the Foundation finds that property ownership may be undesirable yet the gift may be substantial if converted to cash. (An example: potential environmental problem – the Foundation should not be in chain of title.) The Foundation should attempt to work with the potential Donor in developing creative solutions to issues which may be raised by the condition of the real property, including without limitation seeking advice from attorneys, tax advisors, and other counsel.
  - b. While giving all preceding items full consideration, consideration of “special circumstances” may be used if the rejection of the property would appear to have other long term negative effects on the Foundation (i.e. affect future gifts).

### Criteria to Use in Determining Whether to Hold or Sell a Donated Property

1. General Rule. The Foundation shall sell donated properties as soon as possible; however, properties may be held if the Foundation determines that it would be beneficial to do so. Insurance will be acquired before or at the time of receipt of any property whether determined to be held or sold.
2. Other Criteria. The Foundation shall consider such criteria as it deems necessary or appropriate in determining whether or not to hold or sell the real property, which criteria may include some or all of the following:
  - a. whether or not the Foundation assumes any mortgage payments
  - b. whether or not the land is income-producing
  - c. whether or not the carrying costs are reasonable
  - d. whether or not the property has a potential for exceptional appreciation short term (less than three (3) years)
  - e. whether or not the property has a potential for exceptional appreciation long term (greater than three (3) years)
  - f. whether or not it would be beneficial for the Foundation to manage a property which is located out of its general area of activity
  - g. whether or not there are any present or potential managerial problems
  - h. whether or not the property will be owned by the Foundation as a program-related investment
3. Life Estates. This policy will generally apply in determining whether or not to accept property subject to reservation of a life estate. The determination of whether to hold or sell will depend upon the terms of the life estate agreement.

### Criteria to Use in Disposing of Donated Property

1. Cash. Generally, all properties should be sold for cash.
2. Carrying Paper. The Foundation may consider taking a promissory note, secured by a mortgage, if it is advantageous to do so. The Foundation shall consider the following criteria in making this determination:
  - a. the amount of the note
  - b. the security
  - c. the time period
  - d. the interest rate
  - e. the amount of other income (if property is income-producing)
  - f. the effect carrying such paper may have on the selling price received by the Foundation
  - g. the effect carrying such paper may have on the value of the property, the length of time required to sell the property, or other related issues
  - h. the credit worthiness of the buyer
  - i. Possible tax impacts on the donor and/or the Foundation

### Methods of Disposing of Donated Property

1. Broker Consideration. The Foundation may undertake an inquiry to determine the manner most advantageous to the Foundation for the disposition of donated property. The Foundation may, but shall not be required to, engage a broker in connection with the sale of any donated property.

2. Marketing Program. If the Foundation determines that listing the property with a broker is in its best interest, then all potential listing brokers selected by the Foundation shall be required to provide it with a comprehensive marketing program. The Foundation shall consider such factors as it deems appropriate in selecting a broker, which may include the marketing program, the commission rate and the reputation of the broker.
3. Transfer Documents. Whenever possible, the Foundation's conveyance should be made "as is" and by quit claim or special warranty deed. The Foundation should receive an express release from liability for environmental matters.

## Policy Adoption, Review, and Revision History

### **Policy: Gift and Fun Acceptance Polices**

<b>Date</b>	<b>Action taken</b>	<b>Comments</b>
2012.06.01	Approved by ACF Board	
2014.09.19	Submit for approval by Board	Approved

**Next Bi-Annual Review Date: September 2016**