



Gift Acceptance Policy

These guidelines, approved and adopted by the Board of Directors, are designed to outline gift and fund policies which support our mission, assure accountability to our donors, promote our development efforts, and protect the integrity of the Foundation for Appalachian Kentucky. In view of the growing complexity of IRS regulations and the wide range of gift types, consistent policies allow us to work effectively with donors to ensure their charitable donations result in the greatest value to the community.

All gifts are officially received by the Executive Director on behalf of the Board of Directors. The Executive Director has the authority to accept or refuse gifts to the Foundation, with the exception of Gift Type B as noted below, and reserves the right to request review by the Executive Committee if further review is necessary or desirable. The Executive Committee has the authority to approve and accept the gift. If the Committee cannot reach consensus, it may refer the gift directly to the Board of Directors. Any potential gift that is either not covered by this policy, or includes non-standard terms or restrictions, will be reviewed by the Executive Committee. Final ratification of all gifts rests with the Board of Directors which has full legal and fiduciary responsibility for them.

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

Fundamental Considerations for Gift Acceptance

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

Foundation Responsibilities

The role of the staff shall be to inform, guide and assist donors in fulfilling their philanthropic wishes, but not unduly influence their decisions. Written records of donor discussions shall be maintained. Foundation staff shall not provide legal or tax advice and will encourage donors to consult with professional advisors in making these decisions, especially in regard to planned gifts. In creating a new fund, Foundation staff shall review with the donor the Foundation's responsibilities and basic tenets, including but not limited to:

- irrevocability and confidentiality of the gift;
- prohibition of donor control, benefit or material restriction;
- variance power;
- gift processing and acknowledgements;
- grantmaking procedures;
- accounting and fund statements; and
- investment strategy and spending policy.

Right of Refusal

The 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 jeopardizes the Foundation's tax exempt status; and/or the gift is discriminatory in nature.

Confidentiality

All fund agreements, gift values, and personal information about donors and prospects shall be held in strict confidence by the Foundation, subject to legally binding requests from governing agencies or courts. All other requests for the release of information will be honored only if permission is obtained from the donor prior to release. Gift amounts shall be revealed only to Staff involved in gift processing and the Board of Trustees as appropriate for governance, finance and development in conjunction with their fiduciary responsibilities.

Promotion & Marketing

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

This Gift Acceptance Policy will be reviewed annually to ensure compliance with state and federal law, IRS regulations and good business practices and is available to the community upon request.

Gift Type A

The following gifts are generally acceptable upon receipt and are acknowledged in writing, in a timely fashion:

- (1) **Cash.** The Foundation accepts cash, checks, money orders and online (electronic transfer) credit card charges. Checks should be made payable to "Foundation for Appalachian Kentucky" with the fund designated in the memo or in a separate note. Checks are deposited within a week of receipt. For security reasons, credit card numbers are not stored in our computer database. The Foundation stamps all gift documents on the day of receipt which serves as the gift date. At the end of the year, checks should be postmarked by December 31st to be designated as a donation in that year. The Foundation may, however, accept the date of mailing, considered to be the date on the donor's check, as long as it is received within 5-7 business days after the first of the year.
- (2) **Publicly Traded Securities.** Readily marketable securities, stocks and bonds, can be accepted by the Foundation and, if appreciated, offer attractive tax advantages to donors. Securities held in "street name" can be wired directly into a Foundation account, usually within 24 hours. Those held in certificate form must be transferred through a stock power with guaranteed signatures. The value of the security is the average of the high and low on the date of the gift which is the date of the transfer into the Foundation's account. Generally, donated securities are sold by the Foundation.

Gift Type B

The gifts listed below require review and approval by the Executive Committee. For non-cash charitable gifts, IRS Form 8283 may be required and compliance with all IRS regulations shall be followed as applicable. The Foundation is required to file Form 8282 if it sells or disposes of an asset for which it signed Form 8283 within 2 years of receipt.

(1) **Interests in Business Entities (i.e. closely-held companies or partnerships).** Gifts of this nature are considered on a case-by-case basis and will be reviewed by the Executive Committee due to their complexity. These gifts require a qualified appraisal by an independent professional to determine marketability.

Further, gifts of business interests to donor advised funds carry the additional requirement of meeting Internal Revenue Code (IRC) section 4943, regarding Excess Business Holdings and Disqualified Persons. A "disqualified person" is a donor, donor advisor, a member of the family of a donor or donor advisor, or a 35% controlled entity of any such person. For each gift offered, the Committee will seek guidance from legal counsel to assure compliance.

(2) **Real Property.** The Foundation may accept most unencumbered real property. The Foundation will inspect all proposed gifts of all residential and non-residential real property in order to avoid potential liability for environmental cleanup and toxic and hazardous waste issues relating to the real estate. Primary concerns are marketability, utility, mortgages, easements, environmental issues, title, and costs for conveyance, appraisals, inspections, taxes, insurance, services, etc. In most cases, a Phase One Inquiry will be required prior to acceptance of proposed real estate gifts. If questions are raised by the Phase One Inquiry, additional assessment may be required. Generally, the Foundation will sell the property as quickly as possible after the gift is completed, keeping in mind its investment objectives and the impact of the sale on the donor's charitable contribution and the surrounding area. Gifts of real estate with retained life tenancy will be considered on a case-by-case basis and must meet certain age, value, and remainder minimums to be considered. The Board of Directors must formally accept any gift of real estate prior to its transfer.

(3) **Tangible Personal Property.** Non-cash gifts such as furniture, jewelry, artwork, equipment, collections, etc. shall, in most cases, require the approval of the Executive Committee. Property that requires special security or unusual maintenance may not be accepted. Property must be saleable and the donor must agree that, once donated, the property may be sold at the sole discretion of the Foundation, unless the Foundation finds a use for it related to its exempt purpose. The donor shall provide at least one qualified appraisal by an independent professional to determine the gift's value.

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, review by the Executive Committee may be requested by the Executive Director.

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 does not serve as Executor for a donor in his/her will. The Foundation may create a named fund in memory of the donor, if there is no stipulation for anonymity.

LIFE INSURANCE - The Foundation will accept life insurance policies as gifts when the Foundation is named as the owner and beneficiary of 100% of the policy. If the insurance policy lists multiple beneficiaries or if the policy is not fully paid, the usefulness of the gift shall be judged on a case-by-case basis by the Executive Committee. If the policy is not fully paid, the Foundation may accept it and cash it in for its current surrender value or allow the donor to make an annual contribution to continue to pay the premium.

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 which provide income to a donor or his/her designees, as well as financial benefit to the Foundation (split-interest gifts).

- A. CHARITABLE REMAINDER TRUSTS (CRT) This type of 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 (CRAT) or variable (CRUT). Trusts can be set up during the donor's lifetime or by will (TCRT). 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.
- B. CHARITABLE LEAD TRUST (CLT) This trust makes payouts to a charity first for a specified period, with the remainder reverting to the donor or another beneficiary at the end of the period. It also may be set up during one's lifetime or in a will (TCLT). Again, the Foundation will work closely with the donor and/or his advisor to create the trust, but will not serve as Trustee.
- C. 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 requires 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. The Foundation is currently developing a charitable gift annuity program which will include a separate policy and procedure for its administration.
- D. LIFE ESTATE A donor may wish to contribute a personal residence or other property 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 type of planned gift must be evaluated by the Executive Committee.

Funds

The Foundation offers a variety of fund types designed to respond to donors who wish to make a gift, create a named fund and serve a charitable purpose. Component funds are tailored to meet the needs of the donor whenever possible and must be consistent with our mission. The Board of Directors of the Foundation has responsibility for acceptance, management and disposition of all funds. A fund agreement is required to establish a fund and a minimum required contribution has been established for each type. Basic fund types include:

- A. Named Fund. A named fund for the purpose of making grants based on changing community needs and priorities. Possible purposes could focus on a field of interest, such as arts, education, health, etc. The minimum required to establish a named fund is One Thousand and 00/100 (\$1,000.00) dollars. However, donors must commit to raising the endowed fund balance to Twenty-Five Thousand and 00/100 (\$25,000.00) dollars within 5 years of establishing the fund before grants can be recommended from the fund.
- B. Donor-Advised Fund. A fund in which an advisor (the donor or another designee) may recommend eligible charitable recipients for grants from the fund. The minimum required to establish a donor-advised fund is Twenty-Five Thousand and 00/100 (\$25,000.00) dollars. However, donors must commit to raising the endowed fund balance to Twenty-Five Thousand and 00/100 (\$25,000.00) dollars within 5 years of establishing the fund before grants can be recommended from the fund.
- C. Agency/Organizational Endowment Fund. A fund established by a nonprofit agency for its own benefit, so it may benefit from our investment, accounting and professional services. The Foundation regularly distributes the available grant dollars from the fund back to the agency for general purposes or special purposes per the fund agreement. The fund may be endowed or non-endowed based on the agency's needs. Additions may be added to the fund by the agency itself or by donors (third-parties). The minimum required to establish an agency/organization endowment fund is Five Thousand and 00/100 (\$5,000.00) dollars.
- D. Community Fund. An endowed fund advised by a Board of Advisors used for the purpose of continued grantmaking within a specific geographic community. A minimum required to establish a community fund is One Thousand and 00/100 (\$1,000.00) dollars. However, donors must commit to raising the endowed fund balance to Twenty-Five Thousand and 00/100 (\$25,000.00) dollars within 5 years of establishing the fund before grants can be recommended from the fund.

