



**COMMUNITY  
FOUNDATION**  
OF NORTHEAST IOWA

## **GIFT ACCEPTANCE POLICY**

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## **PURPOSE**

The purpose of this policy of the Community Foundation and its Geographic Affiliates (collectively referred to as the “Foundation”) is to serve the best interests of the Foundation, its donors, and a healthy, caring community by providing guidelines for negotiating and accepting various types of gifts for various types of funds. Given the increasing complexity of IRS regulations, the volume of real estate and other property gifts, and state and federal environmental laws, the Foundation recognizes the value in carefully screening proposed gifts.

The purposes of the gift must fall within the broad charitable purpose of the Foundation. In addition, the Board of the Foundation and staff must be able to assure that gifts accepted by the Foundation do not place other assets of the Foundation at risk, and that they can be easily converted into assets that fall within the Foundation’s investment guidelines. The Foundation must also make sure that it can administer the terms of the gift per the donor’s wishes.

To facilitate this purpose, the Foundation follows the ***Model Standards of Practice for the Charitable Gift Planner*** adopted by the National Committee on Planned Giving and the American Council on Gift Annuities.

## **FOUNDATION RESPONSIBILITIES**

Foundation staff should disclose to all prospective donors the benefits and liabilities that could reasonably be expected to influence the donor’s decision to make a gift to the Foundation. Donors will be encouraged to consult with legal counsel and financial advisors in making their decisions. In particular, donors should be made aware of:

- The irrevocability of a gift
- Prohibitions on donor restrictions
- Items subject to variability (market value, investment return, and income yield)

Staff should maintain a written record of discussions with donors. The role of Foundation staff shall be to inform, guide, and assist a donor in fulfilling his or her philanthropic wishes, but never to pressure or unduly influence a donor’s decision.

## **AUTHORITY TO ACCEPT GIFTS**

In circumstances where a clear determination cannot be made by the President/CEO, advice will be sought from the Professional Advisory Committee, legal counsel, or other professionals or the matter will be addressed by the Board of Directors. The Professional Advisory Committee is comprised of attorneys, accountants, real estate professionals, and financial planners. The Chair of the Committee is a member of the Foundation’s Board of Directors. The Committee meetings include the President/CEO, Vice President of Finance and Operations and Chair of the Board of Directors of the Foundation.

### **Gifts That Should Be Reviewed by the Professional Advisory Committee**

- Tangible personal property that is not readily marketable
- Closely held stock (S Corporation & C Corporation)
- Partnership interests
- Accounts receivable (gifts of loans, notes, mortgages, etc.)
- Gifts of intellectual property, mineral reserves, precious metals, and other types of assets carrying their own challenges
- Life insurance policies requiring future premium payments by the Foundation.
- Gifts whose structure falls outside the ordinary purposes, bylaws, and procedures of the Foundation
- Gifts of Real Estate: All transactions for gifts of real estate are handled through the Foundation's supporting corporation, Community Foundation Realty Holdings. Proceeds from the sale of the real estate are then deposited into the appropriate Fund of the Foundation. (See policy in **Appendix D** for acceptance of real estate by the supporting corporation, Community Foundation Realty Holdings.)
- Gifts of farmland to be retained through the "Farmland for Good" program

### **Gifts Not Requiring Committee Review**

- Cash or cash equivalents
- Credit cards
- Checks
- Gifts of grain
- Gifts of Livestock (cattle and hogs only)
- Marketable securities
- Gifts of personal property for use in Foundation offices or programs
- Life insurance policies except as noted above

See **Appendix A** for details on each gift category

### **AUTHORITY TO NEGOTIATE AND SIGN GIFT AGREEMENTS**

Subject to the Professional Advisory Committee'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.

### **GIFTS DECLINED**

The Foundation reserves the right to refuse any gift it believes is not in the best interests of promoting a healthy, caring community and will not knowingly accept a charitable gift from a donor who:

- A. Has insufficient income and assets remaining after making a gift to provide for his/her needs such as personal support and healthcare;

- B. Has insufficient income and assets remaining after the gift to provide for his/her heirs for whom he/she desires to support financially;
- C. Has an apparent insufficient mental capacity to make a rational decision;
- D. Has insufficient input from competent financial, legal, and/or personal counsel.

## **GIFT AND FUND MINIMUMS**

Subject to the policies outlined in this document, the Foundation may accept gifts to existing funds of any size. The minimum gift to establish an endowed fund is \$10,000 except for scholarship funds. The Foundation has set a fund minimum of \$25,000 for scholarship funds. Quasi-endowment funds agree to maintain a minimum balance of \$10,000, until such time that the fund balance is recommended and approved by the Foundation's Board of Directors for granting and the fund is closed. Special project funds do not require a fund minimum and will be closed when the fund balance reaches zero.

A new fund may be established with a lower minimum if the donor arranges to bring the fund to the minimum level within a reasonable time frame. No grants may be made from any fund until the minimum is reached, per the Foundation's spending policy. Exceptions are subject to the approval of the Foundation's President/CEO.

## **TYPES OF FUNDS**

The Foundation offers a variety of funds designed to be responsive to donor needs. While all philanthropy adds value to the community, each type of Foundation fund can provide added value to philanthropy in the community.

It is the primary purpose of the Community Foundation to establish permanent endowed funds, but to meet the philanthropic goals of the many donors to the Foundation some types of funds may be quasi-endowed (non-permanent) or expendable. All funds are component funds of the Foundation and are under the legal and absolute control of the Foundation. A fund agreement is required to establish a fund with the Foundation.

**Community Impact (Unrestricted Discretionary) Funds** support the changing needs of a community and may serve as a personal legacy. CFNEIA ensures effective grantmaking within that field as the needs change over time.

**Designated Funds** (endowed only) are those from which grants are distributed to charitable organizations specified by the donor(s) at the time the fund is established. The donor(s) do not retain any advisory capacity in making grants from the fund.

**Donor Advised Funds** allow a donor/fund advisor to make a gift to the Community Foundation and recommend grants to make the impact they desire in their community. The donor(s) retain an advisory capacity in making grants from the fund.

**Field of Interest Funds** allow a donor to identify an interest area (such as education, art and culture, environment, etc.) and CFNEIA ensures effective grantmaking within that field as the needs change over time.

**Nonprofit Agency Funds** can be established through a gift by the nonprofit or can be established through a lead gift from a donor passionate about the organization.

**Scholarship Funds** (endowed only) provide financial assistance to students attending post-secondary education.

**Special Project Funds** (expendable only) are accepted and administered by the Foundation on a case-by-case basis.

**Other Funds** the Board or the Executive Committee may establish other types of funds at its discretion.

## **VARIANCE POWER**

As the Fund is a component fund of the Foundation and its assets are assets of the Foundation and subject to the Foundation's governing instruments, the Board of the Foundation shall have the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to specified organizations if, in the sole judgment of the Board of the Foundation (without the necessity of the approval of any participating trustee, custodian, or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served.

## **ACKNOWLEDGMENT**

Donors shall receive an expression of sincere thanks and gratitude from the Foundation and an acknowledgment of the gift per federal regulations.

## **PUBLICITY**

No public media exposure concerning a donor's gift will be generated without the consent of the donor.

## **RESTRICTIONS**

In conformance with 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 assets, or the income derived therefrom, in furtherance of its exempt purposes.

## **ACTING AS TRUSTEE**

The Foundation does not currently serve as a trustee. Industry best practices currently discourage this relationship due to foreseen potential conflicts of interest. The intent is to encourage donors to utilize the existing organizations with experts in this field.

## **INVESTMENT OF GIFTS**

It is the policy of the Foundation to convert all gifts, except retained farmland, to cash as soon as possible. The Foundation reserves the right to make any or all investment decisions regarding gifts per its investment policy.

In making a gift to the Foundation, donors give up all rights, title, and interest to the assets contributed. In particular, donors give up the right to choose investments and investment managers, and brokers, or to veto investment choices for their gifts.

## **COSTS OF ACCEPTING AND ADMINISTERING GIFTS**

Generally, costs associated with the acceptance of a gift such as attorney fees, accounting fees, and other professional fees as well as other costs to establish a gift such as appraisal, escrow, evaluation, and environmental assessment fees will be borne by the donor.

The direct costs of administering outright and planned gifts of the Foundation will be borne from the assets of the individual funds, except for those special circumstances as determined by the President/CEO. Custodial, investment, and administrative fees will be paid from the respective funds per the Foundation's guidelines and fee schedules.

## **CONFIDENTIALITY**

Foundation staff shall maintain strict control over files and information received from or about donors or prospective donors to maintain confidentiality of such information.

## **FUNDRAISING**

Fundraising undertaken by donors in connection with funds of the Foundation requires special attention. (**See Appendix B**)

## APPENDIX A

### FORMS OF GIFTS TO THE FOUNDATION

Gifts to the Foundation take on a variety of forms. Many are outright gifts by living donors, either on a one-time or periodic basis. Others are testamentary gifts that take effect upon a donor's death or other forms of deferred gifts.

If the value of a gift other than cash, gifts of grain, or marketable securities exceeds \$5,000, a donor is required to have a qualified appraisal performed and submitted to the IRS on form 8283. If such gifts are sold within two years of receipt at a price other than the appraised value, Form 8282 must be filed by the Foundation.

The Foundation reserves the right to accept or reject any gift as it sees fit. It is the policy of the Foundation to convert all gifts to cash as soon as possible.

#### **Cash**

The Foundation accepts cash, checks, or credit cards payable to the Foundation or any of its funds.

#### **Marketable Securities**

The Foundation will add the net proceeds of a marketable securities contribution to a fund of the Foundation. The Foundation will govern the disposition of securities and will make all decisions regarding the sale or retention of securities.

#### **Stock in Privately Owned Companies and Partnerships**

All privately owned stock gifts are reviewed by the Professional Advisory Committee. Donors wishing to make this type of gift must have it valued by a qualified independent accounting or appraisal company for the Foundation to decide on acceptance of the gift. If accepted, it will be immediately sold.

Generally, the Foundation does not accept gifts of general partnership interests due to potentially unlimited liability. The acceptability of a gift of closely held stock or a partnership interest will depend on the ultimate financial liability of the Foundation, the amount of management attention required, whether the gift provides minority or majority control, or whether the donor requires that such interest not be sold.

Consideration will be given to whether the closely held stock or partnership interest generates unrelated business taxable income, if there is corresponding revenue to pay such taxes, the nature of the business, recordkeeping and accounting requirements, and how quickly the gift can be converted to cash. **(See Appendix C)**



## **Limitation on Accepting Gifts of Assets to Donor Advised Funds**

In compliance with federal legislation adopted in the fall of 2006 under the Pension and Protection Act (H.R. 4), the holdings of a donor advised fund, together with the holdings of persons who are disqualified persons\* with respect to that fund, in a business enterprise may not exceed:

Twenty percent (20%) of the voting stock of an incorporated business; or

Twenty percent (20%) of the profits interest of a partnership or joint venture or the beneficial interest of a trust or similar entity

Can't own a sole proprietorship

Donor advised funds (DAF) receiving gifts of interests in a business enterprise after the date of enactment 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 1969.

\*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 DAF by virtue of their status as donors. Members of donors and advisors families are also disqualified.

## **Life Insurance Policies**

The Foundation will accept gifts of permanent life insurance policies if the Foundation is named as owner and beneficiary of or is assigned ownership in such policies. Policies continuing on a premium-paying basis will be maintained as such by the Foundation so long as gifts are made to the Foundation in the amount of the premiums due. Premiums can be of a reduced amount if dividends are directed toward future premiums. Should such premium gifts not be forthcoming, the Foundation may elect:

- To have the Foundation continue the premium payments.
- To surrender the policy in exchange for its cash surrender value.
- To invoke procedures under which the existing policy values can sustain the policy without further outlay of Foundation funds for premium. This can take on any of the following forms:
  - Change the dividends to Net (Have the dividends pay future premiums)
  - Use the Automatic Premium Loan feature (Borrow against the cash value to pay future premiums)
  - Use a combination of the two previous options (Have the dividends pay as much of the premium as possible and borrow against the cash value for the remainder amount)
- Change the policy to Paid-Up in which case, no more premiums will be due. The Foundation cannot accept encumbered life insurance policies or split-dollar policies.

## **Gifts Naming Multiple Beneficiaries**

From time to time, donors may wish to designate multiple beneficiaries of the proceeds from their life insurance policies, IRAs, other qualified retirement plans, pooled income funds, gift annuities, or other

forms of gifts to the Foundation. It will be encouraged that other charitable organizations be named as beneficiaries of the contract. However, if the Foundation is selected as the sole beneficiary and then requested to distribute funds to other organizations, the following guidelines shall apply:

1. The Committee will consider the amount of the total gift, the amount designated for the Foundation both discretionary and restricted, the added value to the community, and in the case of life insurance policies, whether or not the premiums are paid up.
2. In the case where the Foundation becomes the sole owner of a donor's gifted asset, the Foundation subsequently has the exclusive right to change the beneficiary designations. It can then name the Foundation or other charitable organizations as beneficiaries. These other charitable organizations must qualify as such under Section 501 (c) (3), and which are described under section 170(b)(1)(A) of the Internal Revenue Code.
3. If a policy beneficiary designation is to be changed to a charitable organization other than the Foundation, the Foundation shall consider the charitable intentions of the donor. It is understood, however, that a donor's recommendations in this regard are advisory and that the Foundation, as the owner of the policy, retains exclusive authority to direct the death benefits, maturity, and surrender proceeds of the policy.

### **Real Property**

All transactions for gifts of real estate are through the supporting corporation of the Foundation's Community Foundation Realty Holdings. No title of real estate property is transferred directly to the Foundation. Proceeds from the sale of the real estate are then deposited into the appropriate Fund of the Foundation.

For consideration in retaining farmland, through the "Farmland for Good" program, the value of the land must be \$250,000 or more.

Please see the Community Foundation Realty Holdings Real Estate Gift Policy in **Appendix D**.

### **Tangible Personal Property**

The donor will be advised whether the gift will be retained and used by the Foundation or disposed of immediately.

### **Gifts of Grain**

The Foundation can accept gifts of grain directly from the grain elevator to benefit a fund of the Foundation. Gifts of grain are non-deductible on taxes; however, they may be eligible for the Endow Iowa state tax credit, and the grain would not be counted as income for the donor(s).

### **Gifts of Livestock (cattle and hogs)**

The Foundation can accept gifts of livestock (cattle and hogs) directly from the sale barn to benefit a fund of the Foundation. Gifts of livestock are non-deductible on taxes; however, they may be eligible for Endow Iowa state tax credit, and the sale would not be counted as income for the donor(s).

### **Accounts Receivable**

The Foundation will consider gifts of loans, notes, and mortgages, subject to review by the Professional Advisory Committee.

### **Deferred Gifts and Planned Giving**

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 a review by the Professional Advisory Committee.

1. 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. If the Foundation receives an unanticipated gift through an estate gift and the Foundation had no previous knowledge that such an impending estate plan had been made, the Foundation will follow its internal procedure as approved by its Board for proper handling of such a gift.
2. 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.
3. Life Income Gifts - The Foundation will work closely with donors to implement planned giving options that provide income to a donor or his/her successor(s), as well as financial benefit to the Foundation (split-interest gifts). Options include:
  - a. Charitable Remainder Trusts (CRT): This trust makes payments to one or more beneficiaries for their lifetimes, for a fixed term, or a combination of both. Income beneficiaries are limited to two and must be at least 50 years old when entering into the contract. Assets are put in 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 charitable remainder interest must be designated for an existing or new endowed fund at the Foundation. The Donor names a Trustee to manage the trust and determines whether the payout will be

fixed (charitable remainder annuity trust (CRAT)) or variable (charitable remainder unitrust (CRUT)). Trusts can be set up during the donor's lifetime or by will. The Foundation encourages donors to consult with 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 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. Income beneficiaries are limited to two and must be at least 50 years old when entering into the contract. It may be set up during one's lifetime or in a will. The Foundation will work closely with the donor and/or his/her advisors 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 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. **The minimum amount of a Charitable Gift Annuity that the Foundation will accept is \$50,000.00.**

## APPENDIX B

### **Fundraising Event Policy**

The Community Foundation of Northeast Iowa (CFNEIA) is staffed to develop endowments and other funds through the acquisition of gifts and to cultivate new and existing relationships with donors. **The Foundation is not equipped to operate public fundraising events for its component funds.**

Public fundraising events refer to special events intended to raise dollars for any of the Foundation's component funds. For example, a golf outing, ticketed fundraising dinner, or other special event would be considered a public fundraising event. The Fund Advisor should check with the Foundation before beginning any fundraising planning activity that may benefit a component fund.

Generally, the person or group plans and executes the public fundraising event and then makes one lump sum donation of the proceeds to the fund. Individual payments are not tax-deductible to the donor, and the Foundation will not send acknowledgments. The fundraising group needs to see that the required quid pro quo disclosures are made.

#### **Guidelines for Fundraising for Funds of the Foundation:**

1. After conferring with the Foundation, a person or group plans and executes a fundraising event in compliance with these guidelines for fundraising. That person or group becomes the sponsor of the activity and must understand and be willing to accept all the responsibility and liability associated with the activity.
2. Event materials may state that proceeds benefit the general purpose of the fund, but may not use the Foundation name, logo, tax-exempt number, or legal name of the fund in connection with the event.
3. The planning group is responsible for determining, obtaining, and paying for any necessary insurance, permits, licenses, approvals, etc. Be aware that events or activities that include raffles or other games of chance are regulated by state and local governments and must be specifically reviewed, authorized, and registered by the appropriate branch of government. Note that there are specific regulations regarding raffles and drawings and that there is no charitable deduction for raffles. Also, auctions and rummage sales typically do not have a charitable component.
4. Fundraising events often require certificates of insurance or signed contracts. When the event is administered by a person, group, or other organization, the name of the Foundation or the fund must not appear on any contract or agreement. The signatory must understand and agree to their responsibility and liability for the event. Note: volunteers may not sign contracts obligating the Foundation.

5. Individual participants in the event (ticket purchasers, sponsors, golf players, etc.) make their payments to the organizing person or group, not to the Foundation or the fund. The organizers may record the contributors' names and addresses and may provide a courtesy acknowledgment. The acknowledgment letter must not include any language stating that the letter serves as an official receipt for IRS purposes or include any reference to tax deductibility or the contribution being made to the Foundation or the fund.

6. The planning group pays all expenses directly and sends the net proceeds from the fundraiser (cash or check only) to the Foundation for addition to the fund. The Foundation records the gift as coming from unnamed "third party donors."

7. A donor can make a direct, tax-deductible gift to the fund without participating in the fundraising activity. The donor would make the check payable directly to the "Fund Name" at the Foundation, mark the check "direct contribution/no benefits received," and send it directly to the Foundation. If the donor has not received any goods or services (dinner, raffle tickets, a round of golf, etc.) in exchange for the donation, they will receive an individual gift acknowledgment letter from the Foundation indicating that the gift is tax-deductible and eligible to apply for the state tax credit if applicable.

## APPENDIX C

### Procedures for Review of Business Interest Gifts

**Information for Professional Advisory Committee.** To consider business interests, Foundation staff may request information regarding the assets to be contributed. The Foundation's staff may request the following information from the donor or professional advisor:

- Description of the asset
- Intended use of the gift
- Appraisal of the asset's fair market value
- Any special arrangements regarding sale (e.g., price considerations, investment management, potential interested purchasers)
- Articles of incorporation, bylaws, or shareholder agreements
- A written explanation of the line of business and prospects for profitability
- Information about the potential market for the business interest
- Estimated period for disposition of the interest
- Prior-year tax returns to identify historical accounting income and cash flows
- Projected timing of distributions from the business entity
- Donor's adjusted tax basis for the gift property
- Estimated cash flow to the Foundation

**Criteria for Review.** The Foundation generally will consider the value of the gift and ease of administration. In addition, the Foundation will consider:

1. **Market Value and Marketability.** The Foundation will review a reasonably current appraisal of the fair market value of the asset, its potential income stream, capital gain, and any other relevant financial information. IRS rules may require that a qualified appraisal of the property be made not more than 60 days before the contribution of the property and not later than the due date of the tax return on which a deduction for the contribution is claimed. This appraisal must be filed for the donor to claim a charitable tax deduction. If the asset is disposed of within two years of the date of its contribution, IRS rules require the Foundation to file an information return.
2. **Corporate or Partnership Governance.** The Foundation will consider information relating to the management of the business entity and the duties, background, experience, stability, and other attributes of the entity's managers.
3. **Debt.** In addition to normal business concerns regarding debt load, the Foundation also must consider the effect of debt to determine if the Foundation also must consider the effect of debt to determine if the Foundation may be required to pay UBIT.

4. **Existing and Contingent Liabilities/Contracts.** The Foundation will review information about the nature of the business for the proposed gift so that the Foundation may consider whether there are any potential taxes or other liabilities that it may incur.
5. **Unrelated Business Income Tax.** Certain assets, including mortgaged real estate and interests in S Corporations, limited partnerships, and limited liability companies can subject the Foundation to Unrelated Business Income Tax (UBIT). The Foundation may incur additional costs for accounting services to determine the amount of any UBIT and to report it to the IRS. The gift fund donor or Supporting Organization will be responsible for paying any UBIT and any administrative expenses associated with legal or accounting issues.
6. **Rights and Obligations of Shareholders or Partners.** The Foundation will review its rights and obligations as a partial owner of the business entity.
7. **Material Restrictions.** A gift of a business interest may not be subject to a “material restriction” as defined by IRS rules. Such restrictions guard against:
  - a. Selling the contributed assets
  - b. Granting oneself a right of first refusal to purchase the contributed property or assume leases affecting the property
  - c. Contractual obligations, pledges, or other liabilities
  - d. Establishing irrevocable relationships for the maintenance or management of assets transferred to the Foundation



## **APPENDIX D**

### **Community Foundation Realty Holdings Real Estate Gifting Policy**

All transactions for gifts of real estate are through the supporting corporation of the Community Foundation of Northeast Iowa- Community Foundation Realty Holdings. Proceeds from the sale of the real estate are then deposited into the appropriate Fund of the Community Foundation of Northeast Iowa.

#### **POLICY**

##### **AUTHORITY TO NEGOTIATE**

The Board of Directors of Community Foundation Realty Holdings Corporation (hereinafter referred to as the "Corporation") establishes all policies relating to gifts of real estate to the holdings company and will approve all gifts of real estate. Community Foundation Realty Holdings is a supporting corporation of the Community Foundation of Northeast Iowa (hereinafter referred to as the "Foundation"). This supporting corporation was formed to accept gifts of real property for the benefit of the Foundation. The Board of the Corporation will have full authority to accept gifts of real estate.

##### **RESPONSIBILITIES OF THE DONOR**

1. The Donor will be responsible for obtaining an independent, qualified appraisal and complying with IRS regulations to establish the value of the gift for federal income tax purposes, including the preparation of Form 8283 ("Noncash Charitable Contributions") See Treas. Reg 1.170A-13(a).
2. The donor must obtain, at the donor's expense, an environmental audit satisfactory to the Corporation. No property will be accepted if there is a liability that could attach to the Corporation or Foundation as a result of it taking title to the property.
3. The donor must furnish the Corporation with an abstract of title, which shows that the title to the property is free and clear of any encumbrance not acceptable to the Corporation.
4. The donor cannot donate property to the Corporation with a pre-existing sales contract. The Corporation must be free to sell the property to the highest bidder.
5. It is the responsibility of the donor, at the donor's expense, to prepare the deed and other instruments that are necessary to transfer the property to the Corporation. All proposed transfer instruments must be approved by the Corporation's legal counsel before their acceptance by the Corporation.
6. Before the acceptance of the property, the Corporation and the donor must agree in writing

on arrangements for paying expenses associated with the property, such as commissions, real estate taxes, utilities, insurance, and maintenance costs. The Corporation will not advance funds for the payment of such expenses.

## PROCEDURE

### EVALUATION OF POTENTIAL GIFTS

1. **Real Estate Inquiry Form:** Upon initial inquiry, potential donors will be asked to complete a property inquiry form and return it to the Corporation with the appropriate maps and documents.
2. **Liens, Mortgages, and Encumbrances:** Property, which is subject to liens, unpaid mortgages, deeds of trust, judgment liens, unpaid taxes or assessments, mechanic's liens, or other encumbrances will be accepted only in exceptional circumstances and upon advice from the Corporation's legal counsel. If accepted, property that is subject to encumbrance will be evaluated as a "bargain sale" (a bargain sale is an arrangement whereby a donor offers property to the Corporation for an amount less than its current fair market value).
3. **Field Evaluation:** Following an offer of a gift of real estate, a member of the Corporation's staff or an authorized representative will visit the property. A representative may be a local realtor or a person the President/CEO may deem appropriate. The purpose of the visit will be to determine the nature and type of property and to identify any potential problems not evident from initially supplied information that would hinder or prevent the Corporation's sale of the property.
4. **Marketability:** Generally the Corporation will accept real estate only if it is readily marketable, and there is reasonable certainty that it can be sold within a reasonable time. Whenever practical, the Corporation will make arrangements to have a realtor analyze the property to evaluate the existence of a market for the property. The President/CEO may request that the donor provide such an evaluation from a realtor acceptable to the President/CEO.

If the property is not readily marketable, the Corporation must consider whether it has the desire and ability to manage the property for the length of time necessary to consummate the sale. The Corporation will also evaluate the cost of holding and/or improving the property against the cost of liquidating the property immediately. A financial analysis detailing all projected costs involved in accepting and holding the property will be prepared.

5. **Environmental Hazards:** Due to currently applicable federal and state laws, the Corporation recognizes risks and potential liability for environmental cleanup and toxic and hazardous waste issues related to ownership of property. Because of potential liability, the Corporation must take the appropriate measures to protect itself and its assets from that liability.

The Corporation will not accept property if there is any risk of liability for environmental problems that could attach to the Corporation as a result of taking title. To ensure that the property is free of environmental hazards, the Corporation reserves the right to, in all cases,

require the donor to obtain (at the donor's expense) a Phase 1 Environmental Impact Audit addressed to the Corporation as well as written certification from the donor regarding the environmental status of the property and provide reasonable indemnification. The Corporation will require such other environmental assessments as deemed appropriate in particular circumstances at the donor's expense.

6. **Survey:** If the Corporation has any questions regarding the boundaries of the property, a survey will be ordered at the expense of the donor.
7. **Expense Budget:** A budget will be prepared, outlining all projected expenses associated with the acceptance of all proposed real estate gifts.

### **PROCEDURES FOR ACCEPTING REAL ESTATE**

1. The Corporation may refuse any offered gift of real property that is judged not to be in the best interests of the Corporation or per the Foundation's mission. The Foundation, to meet National Standards, operates primarily to build permanent endowments for the long-term benefit of the citizens and entities within the state of Iowa, with a particular focus on the Northern and Eastern portions of Iowa.
2. As a general rule the Corporation will not accept property with a Fair Market Value of less than \$ 100,000.00. If the property is farmland requested to be retained for a set time, then the Fair Market Value must be \$250,000 or more.
3. Before, or upon transfer of title to the Corporation, the donor and the Corporation will sign an agreement (approved by legal counsel) stating the terms of the gift, which shall specify that there are no restrictions on the Corporation's right to use or convey the property. The Corporation will purchase title insurance for all property received.

### **DISPOSITION OF PROPERTY**

All parties must agree that the intent is for the donated property, except retained farmland, to be liquidated by the Corporation and the proceeds to be transferred to the Foundation. The Corporation has sole discretion regarding the sale of property.

In connection with the "Farmland for Good" program, farmland may be retained for a specific time if approved by the Foundation. A farmland retention agreement will be created to determine the terms of the retention. If during the retention term, it is the judgment of the Foundation Board that continued retention of the farmland has become impracticable or inconsistent with the tax-exempt purposes, the Foundation may sell the farmland and distribute the proceeds therefrom to the Fund.

## **DEFERRED GIFTS**

1. Donors will be encouraged to discuss with the Corporation any contemplated bequests or other deferred gifts of real estate before finalizing their wills or trusts. Real property that is willed to the Corporation or the Foundation will be evaluated before its acceptance per these policies and procedures in the same manner as a gift during the donor's lifetime.
2. Upon notice that the Corporation or Foundation has been named beneficiary of a gift under any Will that has been admitted to probate or any trust arrangement, the President/CEO or appointed staff member, will contact the executor, trustee, or other legal representative of the estate, and determine if the gift consists of land or, if the Corporation/Foundation is a residuary beneficiary of the estate, whether the residue passing to the Corporation/Foundation will contain any land.
3. If the Foundation will or may receive land in satisfaction of the gift, the President/CEO will ask the executor, trustee, or other legal representative to conduct an environmental study like the one that the Corporation would require if it were to receive a gift from a living donor. If the executor, trustee, or other legal representative has not made the study, and if it does not do so, the Corporation may contract for an environmental study on its own or decline to accept a gift of real estate.

**INDEMNITY AGREEMENT**

STATE OF IOWA )  
 )  
COUNTY OF BLACK HAWK )

FOR VALUE RECEIVED, the undersigned shall indemnify and hold harmless Community Foundation Realty Holdings Corporation ("Corporation"), its successors, and assigns, from and against any liability, loss, claims, demands, costs, damages, attorneys' fees, and expenses of whatever kind or nature, together with interest thereon at the maximum rate allowed by law, which Corporation may sustain because of or in consequence of Corporation accepting the transfer and ownership of a \_\_\_\_\_ ( \_\_\_\_\_ %) Percent interest in the real property known as.

In the event of any asserted claim, Corporation shall provide the undersigned reasonably timely written notice of same, and thereafter the undersigned shall at its own expense defend, protect, and save harmless Corporation against said claim or any loss or liability there under.

In the further event the undersigned shall fail to so defend and/or indemnify and save harmless, then in such instance Corporation shall have full rights to defend, pay, or settle said claim on its behalf without notice to the undersigned and with full rights to recourse against the undersigned for all fees, costs, expenses and payments made or agreed to be paid to discharge said claim.

Upon default, the undersigned further agrees to pay all reasonable attorney's fees necessary to enforce this agreement.

This Agreement shall be unlimited as to amount or duration.

This Agreement shall be binding upon and inure to the benefit of the parties, their successors, assigns, and personal representatives.

Signed this day of \_\_\_\_\_, 20.

\_\_\_\_\_  
Property Owner

Witnessed:

\_\_\_\_\_  
Witness

\_\_\_\_\_

\_\_\_\_\_  
Witness

\_\_\_\_\_

Attachments:

1. Document Receipt List
2. Real Estate Inquiry Form