

THE ATHENS AREA COMMUNITY FOUNDATION

GIFT ACCEPTANCE POLICY

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GIFT ACCEPTANCE POLICY

The Appendices of this Gift Acceptance Policy concern the administrative procedures to be followed by staff in managing various types of gifts and may be revised and ratified by the Foundation Board of Directors from time to time to comply with good business practices. All changes to this Policy (excluding changes to the Appendices) will require prior approval of the Foundation Board.

The asset development program of Athens Area Community Foundation encompasses the solicitation and acceptance of gifts which may be current, planned, or testamentary. Athens Area Community Foundation (AACF) will comply with all federal, state, and local laws in the conduct of development activities, including acceptance of gifts. The Foundation endorses and subscribes to A Donor Bill of Rights, **Appendix A**.

AUTHORIZATION

It is the policy of The AACF Board of Directors to encourage donors to make outright, planned and testamentary gifts. Planned and testamentary gifts include bequests, charitable gift annuities, charitable remainder trusts, charitable lead trusts, retained life estates, gifts of life insurance or retirement assets, interest in business entities such as partnerships, limited liability companies, or closely-held corporations, and such other gift arrangements as the Board may from time to time approve. All programs, solicitation plans, and activities shall be subject to the oversight of the Board.

PURPOSE OF GIFTS

The purposes of all gifts to the Foundation must relate to the mission of the Foundation, **Appendix B**. The purpose of the gift and the procedures for its administration shall, whenever possible, be defined in a letter or agreement signed by the donor.

RESPONSIBILITIES OF THE GIFT ACCEPTANCE COMMITTEE

The Gift Acceptance Committee (Acceptance Committee), organized as an ad hoc subcommittee of the Foundation Board of Directors, will meet on an as-needed basis to review the details of unique or complex gifts. Members will include the Executive Committee of the Athens Area Community Foundation, the President/CEO, and such other persons (board members or not) as might offer professional expertise in the cost/benefit analysis of a potential gift. The committee will bear the following responsibilities:

- determine whether a specific gift contributes to the mission of this foundation
- outline steps to be taken in the acceptance/rejection process
- advise staff how to protect the foundation from any possible repercussions
- recommend to the Foundation Board of Directors whether or not to accept the gift.

BUSINESS PRACTICES

1. It is the business practice of the Foundation to inform, serve, guide or otherwise assist donors who wish to support the Foundation's activities, but never under any circumstance to pressure or unduly persuade.
2. It is the Foundation's intention to properly acknowledge all completed gifts within five business days.
3. The Foundation will provide a disclosure statement, **Appendix C**, to every donor before a fund agreement is executed.
4. All information concerning donors and prospective donors shall be held in strict confidence by the Foundation, subject to legally authorized and enforceable requests for information by government agencies and courts. All other requests for or releases of information concerning a donor or prospective donor will be honored or allowed only if permission is obtained from the donor prior to the release of such information.
5. Persons acting on behalf of the Foundation shall encourage the donor to discuss the proposed gift with the legal and/or tax advisors of the donor's choice, at the donor's expense. This is to ensure that the donor receives a full, accurate, and independent explanation of all aspects of the proposed charitable gift.
6. Persons acting on behalf of the Foundation shall advise the donor that it is the donor's responsibility to obtain any necessary appraisals, file appropriate personal tax returns, and defend against any challenges to claims for tax benefits.
7. The President of the Foundation is authorized to negotiate planned gift agreements with prospective donors, following program guidelines approved by the Board. All planned giving agreements requiring execution by the Foundation shall first be reviewed and approved as to form by the Foundation's legal counsel. However, each agreement need not be reviewed provided it is based on a prototype agreement that has been reviewed and approved.
8. The Foundation will accept charitable gift annuities but only under conditions described below. The Foundation may employ agents and advisors to facilitate the investment of annuity assets.
9. The Foundation may serve as trustee of irrevocable charitable remainder trusts and charitable lead trusts, or as co-trustee with a trust institution, when it is irrevocably named as the sole beneficiary. However, it may serve in select circumstances when it is not the sole beneficiary if, in the judgment of the Acceptance Committee, the interests of the Foundation will be best served. The Foundation may employ one or more financial managers for the administration and investment of trust assets. Expenses related to investments and administrative services shall be charged to the respective trusts.

10. The Foundation will not serve as trustee or co-trustee of any revocable trusts or of other trusts that are not qualified charitable remainder trusts or charitable lead trusts.

PROCEDURES FOR REVIEW OF GIFTS

In reviewing gifts to the Foundation, the Acceptance Committee and/or staff will consider the following criteria:

- The charitable intent and ultimate community benefit
- The nature of any restrictions
- The permanency of the gift; or in the case of a non-permanent fund, the amount of time
- the fund will remain with the Foundation
- Projected costs of managing the gift asset
- Fee revenues to the Foundation for administering the gift

Acceptance by staff of gifts consistent with the purposes, bylaws and procedures of the Foundation shall not require review by the Acceptance Committee if the gifts are in any of the following forms:

- Cash
- Check
- Marketable security
- Gifts of usable furniture and equipment for the offices or programs of the Foundation
- Gifts of precious metals, where the value is easily established
- Charitable remainder trusts, charitable lead trusts, or charitable gift annuities, if funded with cash or publicly traded securities

Gifts requiring review and approval of the Acceptance Committee include the following:

- Gifts of real estate or any other asset that has real estate holdings as an element of its value (e.g., certain limited partnerships or other business entities)
- Interests in business entities (i.e., closely-held corporations, partnership and limited liability company interests)
- Charitable remainder trusts, charitable lead trusts, or charitable gift annuities, if funded with assets other than cash or publicly traded securities
- Remainder interest in a residence, ranch, or farm
- Rights in copyrighted materials, patents, and royalties
- Tangible personal property
- Other property that may be unusual or fall outside the type of gifts usually handled by the Foundation, including tangible personal property unrelated to the Foundation's charitable purpose.

Gifts requiring committee review will be handled promptly. Foundation staff will deliver to the committee all information necessary to make a decision. If a gift is not accepted, the donor will be notified in writing by staff immediately. All gift reviews will be handled with confidentiality.

Note: Gifts requiring immediate action (e.g., gifts on December 31 or pending sale of property) may be exempted from full Acceptance Committee review if, in the judgment of the President, in

consultation with designated members of the Acceptance Committee, that gift may be accepted without significant reservations or in any way jeopardizing the Foundation's tax exempt status.

FUND OPTIONS

The Foundation establishes component funds and supporting organizations in response to community needs and donors' charitable concerns. While funds may be built in increments, the minimum balance to officially start a fund and begin making distributions is \$10,000. The Board of Directors of the Foundation has responsibility for acceptance, management and disposition of component funds. Options for fund structures at the Foundation include the following:

Unrestricted (or Discretionary) Funds

Unrestricted funds are available to the Foundation for any of the charitable purposes encompassed by the Foundation's mission. The Grants Committee recommends to the Foundation Board of Directors how unrestricted funds might best be used.

Operating Endowment and Grantmaking Endowment Funds

Donors contribute to the Operating Endowment or Grantmaking Endowment (Community Impact Fund) when they wish to build self-sustaining administrative funds and discretionary grantmaking activities for the Athens Area Community Foundation. After the initial years of building the fund to \$2.5 million, the Operating Endowment will be a permanent endowment, the principal will be invested and the earnings will be used only to support AACF's operations and any additional earnings will be reinvested in the principal of the Operating Endowment. After the initial years of building the fund to \$1 million, the Community Impact Fund will be treated as an endowment, the principal will be invested and the earnings will be used to support the discretionary grant making program or reinvested in the Community Impact Fund.

Field of Interest Funds

Field of Interest funds are limited in their use by the donor's stated preference for a specific area of charitable purpose. The Grants Committee recommends to the Foundation Board of Directors which organizations and programs might receive grants from field of interest funds and the amount and timing of such grants. Examples of field of interest funds include but are not limited to:

- Children, youth and families
- Arts & Culture
- Education
- Community and neighborhood development
- Social justice
- Health and medicine
- Animals
- Environment
- Elders
- Economic & Workforce Development
- Affordable Housing

Advised Funds

Donors establish advised funds when they wish to actively participate in the grant activity of the fund. Donors of advised funds may offer recommendations to the Foundation regarding the recipients and amounts of grants from the fund. Donors may name children or other designees to succeed them as advisors. If no successive advisors are designated the advised fund will become unrestricted in nature unless the original fund agreement specifies an alternate type of fund.

Designated Funds (and Agency Endowments)

Designated funds are earmarked for one or more charitable organizations, and all grants made from such funds will be made to (or for the use of) the designated recipient organization. If the recipient organization ceases to exist or changes its status or mission as a charitable organization, the Foundation's Board of Directors may exercise its variance power, selecting an alternate use for the fund compatible with its original charitable purpose.

Affiliate Funds

Affiliate funds are established to support of a variety of charitable purposes and organizations within a specific community or region. A local advisory board is appointed within each affiliate community, which has grantmaking and asset acquisition responsibility for that area. Affiliate funds enable smaller communities to enjoy many of the benefits of a community foundation while taking advantage of the Foundation's services, staff and expertise and avoiding the costs and administrative burdens of a separate community foundation. Affiliate funds must abide by the Athens Area Community Foundation's gift acceptance policies.

Community Projects

The Community Foundation may serve as fiscal sponsor for various community projects designed to improve the quality of life for residents in Athens-Clarke, Oconee, Barrow, Madison, Jackson, and Oglethorpe counties. These non-endowed funds are created to hold contributions raised for a specific purpose until disbursements are made to cover the costs of the project. When the money for the project has been expended, the temporary fund ceases to exist. Community project funds require a written agreement and approval by the Foundation Board of Directors.

GIFT OPTIONS

Asset Types

The Foundation will accept gifts in the form of the following assets, subject to the conditions described in this policy. In order to provide written substantiation for gifts, the donor's name and address must be provided.

Cash

Gifts of cash should be paid to the Foundation accompanied by a written document (fund agreement, letter or other written instruction) signed by the donor indicating to which fund the contribution should be credited.

Check

Must be made payable to the Foundation. The specific fund for which the check is intended should be noted in the bottom left corner of the check, or in attached correspondence.

Marketable securities

Publicly traded stocks and bonds may be electronically transferred, re-registered in the name of the Foundation, or conveyed through use of a stock power form. The Foundation also will accept interests in mutual funds. Generally, these securities are sold upon receipt. Stock controlled under Securities and Exchange Commission Rule 144 will be held until the restriction on sale expires and then will be sold. Gifts of bonds that require a holding period may be accepted and cashed when the holding period has expired.

Securities which shall not be accepted include those which are assessable or which in any way may create a liability; those which, by their nature, may not be assigned (such as series E savings bonds); those which have no apparent value.

Insurance policies and proceeds

Donors may transfer ownership of a paid-up policy to the Foundation and take a tax deduction for the interpolated terminal reserve (typically cash surrender value), **Appendix D**. Donors may also transfer ownership of premium-due policies to the Foundation and make income tax deductible contributions in the amount of the premiums. In either case, the Foundation shall be the owner and permanent beneficiary of the policy and retain the policy in its offices. Upon redemption, the value of the policy may establish a new fund, or contribute to any existing fund at the Foundation.

Paid-up policies of any value may be accepted by the Foundation. Premium-due policies must have a minimum face value equal to the amount specified by the Foundation for a fund to be eligible for payout.

The Foundation does not enter into charitable reverse split dollar agreements.

Interests in business entities (i.e., closely-held corporations, partnership interests, interests in limited liability companies)

Donors may make gifts of interests in business entities (i.e., closely-held corporations, partnership interests, interests in limited liability companies), **Appendix E**. These can be accepted if the Foundation assumes no liability in receiving them. In evaluating a gift proposal of such assets, the Acceptance Committee may consider the probability of conversion to a liquid asset within a reasonable period of time, projected income that will be available for distribution and administrative fees, and the nature of the business from which the asset is derived.

A completed IRS Form 8283 (“Noncash Charitable Contributions”) and/or a letter from the attorney drafting the partnership agreement or articles of organization must accompany gifts of limited partnership interests or interests in limited liability companies, providing the following information:

- independent appraisal of value of the subject entity and statement of the percentage of the entity to be gifted to the Foundation;
- assurance that the Foundation will be held harmless in the event the entity becomes bankrupt or is otherwise unable to satisfy its obligations;
- assurance that the Foundation will be held harmless in the event the entity is sued.

The Foundation does not accept gifts of general partnership interests due to potential unlimited liability.

When an interest in a business entity cannot be promptly liquidated, and the documented present value of the interest is equal to the amount specified by the Foundation for a fund to be eligible for payout, that interest may be credited to a new, named component fund at AACF. The fund may be treated as an advised, designated, field of interest, or unrestricted fund as requested by the donor. Grants may be made only from income generated by the business interest or from other liquid assets in the component fund, provided the fund's documented present value remains at least equal to the amount specified by the Foundation for a fund to be eligible for payout.

In cases where an interest gifted to the Foundation is promptly liquidated, but its value is less than the amount specified by the Foundation for a fund to be eligible for payout, the gift generally shall be directed to the Foundation's discretionary funds or to one of the Foundation's field of interest funds. The donor generally shall not have the option to direct such a gift to an advised fund, unless it is to one of the Foundation's existing advised funds.

Further details related to gifts of limited partnership and limited liability company interests are included in **Appendix E**.

Real property

Unencumbered real property will be accepted at fair market value as established by at least one qualified appraisal, provided by the donor. Appraisal fees are "out of pocket" expenses to be borne by the donor before completion of the gift; said fees are not deducted from the value of the gift or treated as part of the charitable contribution; they may be claimed by the donor as a miscellaneous deduction on Schedule A of Form 1040 (Section 1061). Evidence of clear title to the property must be provided by the donor to the Gift Acceptance Committee; property with multiple owners will be accepted only if all owners of the property agree in writing to the gift. No real estate may be accepted as a gift if the donor has already arranged its subsequent sale by AACF.

Real property that is encumbered by a trust deed loan or mortgage will be accepted only in exceptional circumstances. Prior to acceptance of a gift of real property, the Foundation and the donor must agree, in writing, on arrangements for paying expenses associated with the property, including taxes and assessments, insurance coverage, and maintenance costs.

A Phase I Environmental Impact Audit and other studies deemed necessary by AACF must be completed before real estate may be accepted as a gift, and the Phase I fees are "out of pocket" expenses to be borne by the donor before completion of the gift. Said fees are not deducted from the value of the gift or treated as part of the charitable contribution.

In addition to the considerations listed above, commercial properties and businesses will be examined in relationship to the potential for exposure of the Foundation to unrelated business taxable income.

A completed IRS Form 8283 ("Noncash Charitable Contributions") must accompany gifts of real property.

Further details related to gifts of real property are included in **Appendix F**.

Tangible personal property

Gifts of such assets as boats, airplanes, automobiles, artwork, furniture, equipment, jewelry, gems, and metals valued in excess of \$5000 must be accompanied by a qualified estate appraisal. Unless the property is to be used in connection with the Foundation's tax-exempt purpose, it will be sold at the highest possible price as soon as possible after conveyance. No commitment will be made to keep gifts of personal property. The Foundation discourages gifts of personal property which cannot readily be sold or which require unusual expenses prior to sale. If a lengthy selling period is anticipated, the Foundation may ask the donor to cover such expenses with a cash gift.

A completed IRS Form 8283 ("Noncash Charitable Contributions") must accompany gifts of tangible personal property.

Royalties, distribution rights

The Foundation may accept gifts of royalties or distribution rights on published works (such as books or films) where there is clear evidence of marketability or assurance of an income stream. A qualified appraisal is required.

A completed IRS Form 8283 ("Noncash Charitable Contributions") must accompany gifts of royalties or distribution rights.

Retirement assets

Account type retirement plans, in which a balance accumulates as principle, may be gifted to the Foundation. These include Individual Retirement Accounts (IRA), 401(k), 403(b), and defined contribution plans. (Annuity plans, such as defined benefit plans, in which retirement benefits are paid out as income and principal does not accumulate, generally cannot be used for charitable gifts.)

Methods for gifting retirement assets include:

- naming the Foundation as successor or contingent beneficiary for all or part of the assets upon death of either the retirement asset owner or spouse (*Note: this direction is made on the beneficiary designation form of the retirement account, not by last Will & Testament*);
- creating a testamentary charitable remainder trust with the assets upon the death of the asset owner, naming Athens Area Community Foundation as remainder beneficiary and noncharitable heirs as income beneficiaries.

Planned and Testamentary Gifts

The Foundation's planned and testamentary giving program encompasses all forms of gifts whose benefits do not fully accrue to the Foundation until some future time (such as the death of the donor or other income beneficiaries or the expiration of a predetermined period of time), or whose benefits to the Foundation are then followed by the interests of noncharitable beneficiaries.

Donors using planned and testamentary gift techniques may add to or establish any of the fund types listed above. Will, trust, or other documents should specify the Athens Area Community Foundation as the charitable recipient and name the fund to which the donor's gift will contribute. The type of fund and purpose of the fund may be described in detail in a separate fund agreement.

Bequests

Bequests may be from a will or trust and may be specific or contingent in nature.

Representatives of the Foundation are authorized to solicit direct testamentary charitable contributions through wills or trusts, as well as testamentary contributions to establish gift annuities and charitable remainder and lead trusts. Advice offered by representatives of the Foundation must be accompanied by a written recommendation that the prospect consult his/her own attorney and/or tax counsel.

A bequest through will or trust to the Foundation should include the following:

- the name of Athens Area Community Foundation, an Georgia nonprofit corporation located at 1240 S. Lumpkin Street, Athens GA 30602;
- the name of the fund to which the bequest is made (this may be a new or existing fund). In the case of a new fund, the Foundation will, upon notification that the bequest has been included in a will or trust, prepare a separate fund agreement defining the purpose for which the fund has been created.

Charitable Remainder Trusts

Unitrusts

The basic form of Unitrust provides for payment to the donor and/or beneficiary of an amount equal to a set percentage of fair market value of the assets of the trust, valued annually. The percentage is determined at the time the trust is created, is stated in the trust, and is permanent. The payout must equal no less than 5% of the fair market value of the assets placed in the trust when it is created, and may be made quarterly, semiannually or annually. If the annual income and/or realized capital gains do not equal the committed Unitrust percentage, principal is used to supplement the short fall. If there is any excess income or appreciation in excess of the stipulated payment, it is added to the principal. Additional contributions may be made to Unitrusts.

The present value of the remainder interest must be equal to or greater than 10% of the original contribution to the trust.

A variation of the basic Unitrust, known as the Net Income with Make-Up Unitrust, may be used if the donor and the Foundation agree on its use. When the trust is created, it includes a provision which defines the Unitrust's payments to be the lesser of the specified payout rate or the actual annual income generated from the investments in the Unitrust. In subsequent years, any income generated from the Unitrust in excess of the specified payout percentage is used to make up any deficit from previous years and is paid to the income beneficiary/donor prior to being added to the Unitrust corpus. The Unitrust can also be structured to be a Net Income Unitrust. In this case the payout is made from income only, principal is not accessed for payout.

Another variation of the basic Unitrust is known as the Flip Unitrust. A Flip Unitrust starts as a Net Income Unitrust or a Net Income with Make-Up Unitrust. Upon the occurrence of certain specified events (e.g., a specific date, sale of real property, etc.), a Flip Unitrust “flips” to function as a basic Unitrust. A flip provision typically may be attractive to donors who intend to fund their Unitrust with assets that are not producing income, such as undeveloped real property.

Annuities

Donor and/or beneficiary annually receive a payout that is fixed irrevocably at the time of the gift and stated in the trust agreement. The payout must equal at least 5% of the fair market value of the assets placed in the trust when it is created. Income in excess of the annual payment is added to principal. If the income in any year is less than the annual payment the difference is derived from realized capital gain or principal. Additions may not be made to Annuity Trusts.

The present value of the remainder interest must be equal to or greater than 10% of the original contribution to the trust.

Administration of Remainder Trusts

1. Representatives of the Foundation are authorized to solicit gifts in the form of Charitable Remainder Trusts (including basic Unitrusts, Annuity Trusts, Net Income Unitrusts, Net Income with Make-Up Unitrusts and Flip Unitrusts) with annual payout rates ranging from 5% to 9% of fair market value of trust assets; payout rates of more than 9% must be reviewed for approval by the Acceptance Committee. (Net Income Unitrusts do not require this approval).
2. Donors who elect to self-trustee must be informed of the administrative and tax-reporting responsibilities entailed by their trusteeship. The Community Foundation of Greater Lorain County representative may provide information on vendors providing administrative and tax reporting services.
3. Sample trust agreements provided by the Foundation to the donor shall be accompanied by a letter indicating that the sample does not constitute legal advice and strongly advising that the donor seek legal counsel prior to completing the trust.
4. The Foundation Board of Directors shall ratify any agreements that name the Foundation as trustee.

Charitable Lead Trust

Income earned from the assets within the Charitable Lead Trust is donated for a period of years, or for the remaining life of the donor or beneficiary. The remainder interest is either retained by the donor or given to a non-charitable beneficiary.

A contribution of the income generated from the assets within the trust must be in the form of either an annuity or unitrust interest.

Administration of Lead Trusts

1. Representatives of the Foundation are authorized to solicit gifts for Charitable Lead Trusts. The donor may select any annuity or fixed payout percentage.
2. Sample trust agreements provided by the Foundation to the donor shall be accompanied by a letter indicating that the sample is not a completed legal document and strongly advising that the donor seek legal counsel prior to completing the trust.

3. Any agreements that name the Foundation as trustee shall be ratified by the Executive Committee of the Foundation Board of Directors.

Charitable Gift Annuity

The Foundation and the donor enter into a contract providing a fixed dollar return, for life of the donor and/or other beneficiaries, in exchange for a contribution to the Foundation. The amount of payment is dependent upon the age of the donor and the size of the gift. The date that income payments to the beneficiary begin may be deferred. The annuity contract is a general obligation of the Foundation.

Administration of Charitable Gift Annuities

1. Representatives of the Foundation are authorized to solicit gift annuity agreements. If AACF is to serve as trustee, then AACF must be the sole beneficiary of the Charitable Gift Annuity (CGA). Such annuities will always be administered in conformity with existing state and federal tax laws. AACF retains the right to refuse to accept any or all charitable gift annuities if deemed not in the best interest of AACF.
2. The gift annuity remainder must benefit the Foundation and/or one or more new or existing Endowment Funds at the Foundation.
3. The Uniform Annuity Rates as published by the American Council on Gift Annuities will not be exceeded without Gift Acceptance Committee approval.
4. Disclosure to the Donor must follow state and federal regulations.
5. Gift assets are limited to liquid assets such as cash and securities for which a ready market exists.
6. The gift annuity will be effective on the date AACF first controls the asset.
7. The payout for CGAs will begin when the donor is age 60 or more; in the case of two successive life beneficiaries, the younger of the two must be at least 60.
8. Agreements may provide for income payments to no more than two successive life beneficiaries.
9. The CGA will generally require an initial contribution of at least \$5,000 if the remainder interest is designated for deposit to an existing AACF Fund. If the remainder interest is intended to establish a new Fund, then the residuum must meet the Foundation fund minimum at the time of death. If the residuum does not meet the fund minimum, it will be deposited in memory of the donor to the Community Impact Fund.
10. The CGA Pool shall be separate from the Foundation Endowment Pool and subject to Investment Policies set by AACF. The assets of the CGA Pool shall serve as self-insurance against losses on individual annuities.
11. AACF assumes ultimate responsibility for the risk of all annuities and may, at its discretion, reinsure any or all annuities for which it acts as trustee.
12. Annuities shall be charged a reasonable administrative fee and a proportional share of investment costs.
13. Generally, annuity payments will be made either annually, semi-annually, or quarterly at the donor's discretion.
14. The Gift Acceptance Committee may apply different guidelines in specific cases.

Risk Management Plan

(subject to change at the discretion of the Board of Directors)

Self-Insurance:

Athens Area Community Foundation will self-insure gift annuities of \$150,000 or less in a segregated investment pool with an ideal allocation of 40% equity and 60% fixed income. Once the pool increases to 25 or more annuitants, the minimum may be raised to \$250,000 at the discretion of the Board of Directors.

Risk Reduction:

For gifts between \$150,000 and \$300,000, The Athens Area Community Foundation will offer rates of 15% less than the ACGA recommendations. If this lower rate is acceptable, the gift will be self-insured in the CGA investment pool. If the lower rate is not acceptable, the gift will be treated according to risk transfer guidelines.

Risk Transfer:

For gift annuitants who do not wish to reduce the rates between \$150,000 and \$300,000 and for all gifts over \$300,000, the Athens Area Community Foundation will offer ACGA rates and the “reinsure” the obligation with a commercial annuity contract. The 15-30% difference between the original gift and the commercial fee will be invested more aggressively than the CGA investment pool.

Risk Avoidance:

Athens Area Community Foundation will generally not accept illiquid assets in exchange for a gift annuity (e.g., real property and closely held stock), but any such offer may be referred to the Gift Acceptance Committee for review and recommendation.

APPENDIX A

A DONOR BILL OF RIGHTS

PHILANTHROPY is based on voluntary action for the common good. It is a tradition of giving and sharing that is primary to the quality of life. To assure that philanthropy merits the respect and trust of the general public, and that donors and prospective donors can have full confidence in Athens Area Community Foundation, we declare that all donors have these rights.

<p>I. To be informed of the organization's mission, of the way the organization intends to use donated resources, and of its capacity to use donations effectively for their intended purposes.</p> <p>II. To be informed of the identity of those serving on the organization's governing board, and to expect the board to exercise prudent judgment in its stewardship responsibilities.</p> <p>III. To have access to the organization's most recent financial statements.</p> <p>IV. To be assured their gifts will be used for the purposes for which they were given.</p> <p>V. To receive prompt acknowledgment and appropriate recognition for all gifts.</p>	<p>VI. To be assured that information about their donations is handled with respect and with confidentiality to the extent provided by law.</p> <p>VII. To expect that all relationships with individuals representing organizations of interest to the donor will be professional in nature.</p> <p>VIII. To be provided with disclosure of all significant parties involved with the Athens Area Community Foundation.</p> <p>IX. To be assured that the Athens Area Community Foundation will not share mailing lists with any other entity.</p> <p>X. To feel free to ask questions when making a donation and to receive prompt, truthful and forthright answers.</p>
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APPENDIX B

MISSION STATEMENT

The Athens Area Community Foundation, Inc. is a public charity that brings people together who care deeply about Athens, Georgia and surrounding areas and who seek to improve the quality of life and economic well-being of all people in our community through gifts and involvement.

We are committed to connecting donors with what they care about through charitable giving and by serving as a well-informed and effective grant-maker working in partnership with the community and encouraging the entire community to support charitable giving for the benefit of all.

The Foundation fulfills its mission by:

- Supporting implementation of the recommendations of the Partners for a Prosperous Athens;
- Encouraging private giving for the public good;
- Providing a flexible and cost effective vehicle for donors with varied charitable interests and abilities to give;
- Helping to enhance the capacity of service delivery providers in the greater Athens area;
- Serving as a catalyst, convener and partner in reaching and shaping effective responses to problems and opportunities of all our communities.

APPENDIX C

DISCLOSURE STATEMENT

The Disclosure Statement provided to donors considering new funds will contain the following current information:

- Names of the Foundation staff and Board of Directors
- Listing of significant professional advisors to the Foundation
- Listing of the Foundation's investment managers
- A description of the Administrative Fee charged by the Foundation
- A description of the method of allocating Investment Fees
- AACF Guidelines for Donor Advised Funds Handbook

The President/CEO will be responsible for maintaining the Disclosure Statement and ensuring that the information is up-to-date and accurate.

APPENDIX D

GIFTS OF LIFE INSURANCE POLICIES

To maximize the donor's tax benefit, AACF should be named **BOTH** the beneficiary and the *owner* (further, AACF, not a specific Fund, should be the entity so named).

Foundation staff (CEO, CFO, DO) will perform an initial review of the policy illustration for each proposed gift of life insurance. The agent shall provide illustrations with rates at 4-4.5% on fixed policies and 6-7% on variable policies. AACF should expect policies to stay in force to age 100 on the non-guaranteed side and for 5 years on the guaranteed side. For very senior donors, a Class C projection is most conservative.

At the discretion of AACF management, every policy is subject to further review by a knowledgeable, disinterested third party (e.g., National Underwriters representative) before acceptance as a gift by AACF.

Before accepting any gift of life insurance, AACF will host a sit-down meeting with the donor and agent to review the projection and each party's responsibilities.

AACF will make certain that the actual policy received matches the illustration (e.g., age, rating, etc.) and will request a corrected illustration for review before the cancellation period expires (10-30 days).

AACF should possess an original of the policy and all pages of the financial illustration (required by law). This is an important piece because it is the insurance company's estimate of what the policy is going to do. It will show cash surrender value and death benefits. If AACF accepts an older policy, this may be hard to get because few people keep this original estimate.

AACF should request annually both of the following:

1. in-force illustration of the ledger - performance record and future estimate; additional explanatory information should be available upon request.
2. annual policy statement - actual policy performance to date.
3. if the payment pattern changes or the donor delays or suspends payment, then AACF will request a new in-force projection to reflect those changes.

As the named owner, AACF will send a copy of the "Premium Due" notice to both the donor and the agent. The donor, not AACF, bears full responsibility for making all premium payments; Contributions for premium-due policies must be made by direct payment to the Foundation at least ten days prior to the premium date. The Foundation cannot assume delinquent premium payments. If a policy is canceled, the cash value will be added to the Unrestricted Fund in the donor's name for the charitable needs of AACF's communities. Donation of policies or annuities written for a year-end tax purpose must have a certifiable date from the insurance company to be a qualified donation for that tax year.

APPENDIX E

CLOSELY-HELD STOCK, LIMITED PARTNERSHIP (LP) AND LIMITED LIABILITY COMPANY (LLC)

Gifts of closely-held stock, Limited Partnership Shares, or Limited Liability Company Interests may be accepted by Athens Area Community Foundation. The following steps should be followed to facilitate a smooth gifting and asset management process:

- 1) AACF staff must discuss with the donor or donor's representative the charitable intent of the donation, the assets that will fund the partnership, the percentage payment of the income to the Community Foundation from the closely-held stock, LP, or LLC and other terms of the partnership.
- 2) AACF must have adequate opportunity to review all documentation and underlying assets, which includes review by AACF legal counsel. Gifts of closely-held stock, LP, or LLC interests offered to The Community Foundation may be accepted or declined based on the response to this review.
- 3) Generally, if the documented present value of the closely-held stock, LP or LLC interest is equal to the amount specified by the Foundation for a fund to be eligible for payout or more, that stock, LP, or LLC interest may be credited to a new, named component fund at AACF. The fund may be treated as an advised, designated, scholarship, field of interest, or unrestricted fund as requested by the donor. Grants may be made only from income generated by the stock, LP, or LLC interest or from other liquid assets in the component fund, provided the fund's documented present value remains at least equal to the amount specified by the Foundation for a fund to be eligible for payout.
- 4) Generally, if the documented present value of closely-held stock, LP, or LLC interest is less than the amount specified by the Foundation for a fund to be eligible for payout, that stock, LP, or LLC interest will be treated as an unrestricted contribution to AACF, and income from the stock, LP, or LLC interest will be treated as unrestricted income to the Community Foundation. In the alternative, the donor may direct the contribution to an existing, named component fund at AACF or combine the stock, LP, or LLC interest with other assets sufficient to bring the total present value of the contribution to at least equal to the amount specified by the Foundation for a fund to be eligible for payout.
- 5) AACF's administrative fees will be as follows:
 - Named component funds are charged an administrative fee based upon the Foundation's expenses and a 12-quarter trailing average of the market value of the total asset base. The administrative fee for the year 2003 is 1%.
 - If the stock, LP, or LLC interests do not produce sufficient income to pay the fees, AACF reserves the right to invoice for annual fees.

- 6) The Community Foundation must receive an annual tax filing or valuation for the stock, LP, or LLC interests (usually in the form of a K-1). This provides the basis for the foundation to book the asset, as required in FASB standards.
- 7) Donors of closely-held stock, LP, or LLC interests must be fully informed by their advisors of the tax implications of the gift of such interests, including the non-income tax deductibility of the annual income payments to AACF as an owner of the stock, LP, or LLC interests.

APPENDIX F

REAL ESTATE

When a donor expresses the desire to donate a gift of real estate, the following guidelines will be followed:

1. The Foundation staff and the donor should meet to visually evaluate the property and develop appropriate gift arrangements with the donor, subject to proper approval. The approval process includes consulting with the Foundation's Gift Acceptance Committee.
2. An appraisal is to be performed by an independent appraiser according to IRS guidelines.
3. The checklist for Real Estate Gifts is to be completed, if applicable (see Attachment G-1).
4. A financial analysis must be performed prior to acceptance to determine whether the gift makes financially sound investment for the Foundation, especially if commercial or income property is involved.
5. Depending on the complexity and value of the property being donated, the staff should discuss an appropriate fee/gift arrangement with the donor to help cover the overhead costs of accepting the gift. These may include realtor commissions, title work, closing costs, legal fees, property taxes, insurance and environmental assessments.
6. The following agreements with the donor may be required: fund agreement, expense reimbursement and fee agreement, deed execution and title insurance policy.

Considerations for Accepting Real Estate Gifts:

1. The Foundation will take into account the depreciation of real estate in considering gift proposals. If the donor has taken accelerated depreciation in excess of straight-line prior to making the gift, the donor will be responsible for making any recapture payments to the Internal Revenue Service.
2. The Foundation will consider encumbered property for acceptance only if the evaluation convincingly demonstrates that the property can be sold at a price that substantially exceeds the aggregate amount of the encumbrances and any costs associated with satisfying them.
3. The Foundation must weigh carefully whether or not it has the desire and ability to manage the property for whatever length of time is necessary to consummate the sale. If the property produces income, the Foundation must consider the amount of income it receives against the ongoing cost of the encumbrances.
4. The Foundation will not pay for appraisals, finder's fees, or the drafting of legal documents without approval of the Acceptance Committee.

Disposition of Property:

Generally, the Foundation will sell property as quickly as possible after the gift is completed.

1. The Foundation should consider its investment objectives before selling.
2. The Foundation should avoid selling property at a distressed price. A quick distress sale may jeopardize the donor's charitable contribution deduction and might negatively impact the market values in the area.

Environmental/Pollution Concerns:

In most cases, a Phase One Inquiry will be required prior to acceptance of proposed real estate gifts. The inquiry should include site observations, building observations, interviews with the current owners and adjacent site reconnaissance.

If concerns are raised by the Phase I Inquiry, additional assessment may be required.

Final Documents for Gift Acceptance Should Include:

A seller/donor agreement containing environmental/pollution disclosure and liability.

Known and unknown liabilities from transfer documents should not included in the agreements.

Gifts Related to Real Estate:

The Foundation may accept trust deed notes and mortgages as gifts. In most cases, a qualified appraisal would determine the value, taking into account the unpaid principal balance, the interest rate payable under the loan, and the current interest rates.

Bargain Sale of Real Estate and Personal Property:

Gifts in the form of a bargain sale need to be appraised by an independent appraiser with the fee to be paid by the donor.

In addition, the asset will be readily marketable (maximum estimated selling period of one year) or a reasonable current use to the Foundation. The minimum gift valuation should be \$50,000 net of the Foundation's investment.

Gifts of Real Estate with Retained Life Tenancy:

Consideration of a life tenancy gift requires the Foundation staff to follow the stated guidelines for acceptance of real property. The donor pays for the appraisal and all transfer fees and costs. The gift value and anticipated value of property at the end of the life tenancy will be calculated the Foundation when the gift is made.

There should be reasonable expectation that the property can be sold within one year after the death of the donor or donor's relinquishment of the property.

In accepting gifts of real estate with retained life tenancy, the Foundation will also take into consideration the potential use of the property during the life tenancy to avoid acceptance of a property that may become a liability in future years.

The Foundation should agree to participate in a gift of real estate with retained life tenancy only if:

- The life tenancy beneficiary is age 55 or older;
- The property value initiating the life tenancy is a minimum of \$300,000;

- The Foundation is named as irrevocable remainder beneficiary, for endowment purposes, for a minimum of 50% of the remaining assets.

Documents to Obtain

Title/Opinion

Date Received

Donor should be asked to supply

Appraisal:

Must be ordered, paid for and submitted within 60 days of deed delivery.

Deed:

Shows how title is vested and is used to prepare the title transfer.

Property Tax Bill:

Shows assessed value of land, improvements, actual tax and any assessments

Income/Expense Pro Forma For Three-Year Period:

If commercial income-producing property.

Association Agreement:

Ownership rights and responsibilities of some properties, primarily residential or condominiums, are governed by an owners association. The agreement should include fees or assessments, together with a statement showing the condition of any reserve fund for deferred maintenance.

Conditions, Covenants and Restrictions:

Conditions, covenants and restrictions are required of most subdivisions. A copy of these will show how the property may be used and what restrictions may apply.

Lease or Rental Agreements:

If the property is leased or rented to others, a copy of each rental agreement should be obtained showing the terms of the agreement term of rental, deposits, etc.

Notes and Trust Deeds or Mortgages:

If the property is leased or rented to others, a copy of each rental agreement should be obtained showing the terms of the agreement, term of rental, deposits, etc.

Current Mortgage Statement:

Will show the current status of a loan and will be helpful in identifying and discussing the loan with the lender.

Insurance Policy:

Will verify cost of Insurance and provide information for the Foundation to transfer insurance, if desired, after gift is made.

Plot Map/Property Line:

This indicates location of property and is an important step in acquiring much of the information for gift analysis.

Inspection Reports:

Where inspection reports are available from previous activity related to the property, such a Code Officers, inspection reports or structural assessment reports by an engineer.

Fund Agreement:

Outline of donor's charitable interest.

Donor/Donee Transfer Agreement:

Must use Foundation approved agreement form (if appropriate depending on type of gift). The agreement should be drafted with legal counsel help to meet the needs of each gift.

ATHENS AREA COMMUNITY FOUNDATION

FOUNDATION FEE SCHEDULE

The Athens Area Community Foundation assesses a fee for the administration and management of the charitable assets in the various Funds established at the Foundation. Foundation fees provide for the operation of the Foundation, including check preparation, grant review and processing, fund valuation, statement and activity reports, mailing, data processing, management, bookkeeping and auditing. Fees are calculated on the average Fund balance and applied each quarter.

❖ **Donor Advised Funds**

- 1.5% - Funds up to \$1.5 million
- 1.25% - Funds from \$1.5 million to \$2 million
- 1% - Funds from \$2 million to \$3 million
- .90% - Funds above \$3 million

❖ **Designated Nonprofit/Agency Funds – Endowed**

- 1% - Funds up to \$1 million
- .90% - Funds above \$1 million

❖ **Designated Nonprofit/Agency Funds – Non-Endowed**

- 1.5% - Any size fund

❖ **Charitable Remainder Trust, Gift Annuities, Charitable Lead Trust, etc.**

- .90% - Balances up to \$500,000
 - .80% - Balances from \$500,000 to \$1 million
 - .50% - Balances \$1 million to \$3 million
 - .40% - Balances \$3 million up
- Plus out of pocket costs including annual tax preparation.

❖ **Pass through gifts**

- 3% - Any size gift

For funds that include assets other than cash, equities, bonds, or mutual funds, the normal Foundation fee is charged plus actual out of pocket costs unique to the management of the asset. Foundation Fees are not assessed on unfunded Agreements.

Fees, commissions and transaction expenses charged by Professional Investment Managers and Mutual Funds are netted from the fund and are considered in calculating total return for performance comparisons. All benchmarks for comparison are also net of investment management fees and expenses. The Foundation's Investment Policy directs that the Investment Committee monitor performance of its investments on a quarterly basis.

Investment advisors who assist with the creation of a fund at the Foundation that use a Mutual Fund as the investment vehicle may receive a fee from the Mutual Fund Company. This is not an additional fee. It is a part of the normal fees charged by the Mutual Fund.

The Investment Committee and Board of Directors of the Foundation negotiate investment management fees and seek to keep those fees below the average for the type of investment chosen.