



Gift Acceptance & Fund Establishment Policy

Gift Acceptance

General Purpose

The need for such a policy of the Community Foundation for Mason County (Community Foundation) arises from the fact that donors of charitable gifts must assign a value to their gifts to establish their charitable income tax deduction basis. The tax regulations relating to valuations of charitable gifts are complex, and tax deductions are often dependent on how the donor acquired the property, its current value, and the use to which the gift is being put by the Community Foundation. To avoid misunderstanding or conflict between a donor and the Community Foundation as to valuation when a gift is made to the Community Foundation, the Community Foundation will follow the guidelines set forth below. However, the Community Foundation cannot give assurance that any valuations given will be acceptable to the Internal Revenue Service for charitable tax deduction purposes. In every case, donors must rely on their own professional legal and tax advisors. The Community Foundation will abide by the substantiation rules for valuing charitable gifts as outlined in the IRS Code and regulations.

Scope of the Statement

The basic items to be covered by this policy are:

- Circumstances under which a gift will be accepted.
- Circumstances under which a financial valuation amount will be acknowledged to the donor in the form of a receipt.
- Circumstances under which no financial valuation amount will be acknowledged, but under which only a description of the item received will be issued to the donor in the form of a receipt.

Definition of Kinds of Gifts and Community Foundation Administration

Creation of a Committee

Decisions relating to the acceptance, recording, and acknowledgement of gifts will be made according to these Guidelines and, when necessary, by the Community Foundation Executive Committee. The Executive Committee is annually appointed and ratified by the Community Foundation Board of Trustees.

Function of the Committee

In accepting a gift, the Community Foundation will need to identify the motivation of the donor. If there are any questions about the source or the appropriateness of the gift(s) or the donor,

e.g., the gift might derive from sources inconsistent with the philosophy of the Community Foundation, the decision to accept such a gift must be made by the Community Foundation Executive Committee.

Because of the varied nature of charitable gifts, proposed or offered gifts that have unusual restrictions or that have limited application to the Community Foundation mission must be reviewed by the Executive Committee before acceptance. The Committee must evaluate both if the acceptance of a given gift is in the best interest of the Community Foundation, and if the Community Foundation can administer the terms of the gift to meet the wishes of the donor. Generally, donors will be encouraged to make unrestricted gifts to the Community Foundation.

General Definition of Gifts

Many donors give gifts to the Community Foundation for use by the Community Foundation as the Community Foundation determines (unrestricted gifts), or for some specific purpose (restricted gifts), which is consistent with the Community Foundation's mission. Gifts, whether restricted or unrestricted, are either made outright, allowing the Community Foundation to use the gift immediately (current gifts) or the gifts are made subject to some manner of deferral, resulting in the Community Foundation being unable to use the gifts until some certain or indeterminable time has passed (deferred gifts).

Deferred gifts are usually personal will and trust charitable bequests, although other gifts may involve the payment of income from the donated gift assets to individuals over their lifetime (life income gifts). Where life income deferred gifts are involved, a valuation of the gift assets will need to be established in accordance with IRS regulations to determine the income to be paid to the income beneficiaries and the value of the charitable income tax deduction taken by the donor.

Policy Statements Concerning Specific Types of Gifts

The Community Foundation will accept gifts and issue various types of gift receipts, depending on the nature of the gift.

Cash (including cash equivalents, such as Certificates of Deposit and savings accounts). Receipts, including gift value, will be issued to donors making cash gifts.

Marketable Securities-(stocks, bonds, U.S. Government securities). Gifts of publicly traded securities will be accepted and acknowledged by a receipt for the number of shares given. The donor will be acknowledged by letter stating the median value of the high and low selling prices of the securities on the date of the gift. A donor should consult with tax advisors for a tax deduction determination.

Insurance Policies-Term insurance policies are not usually accepted by the Community Foundation; however, if the Community Foundation is made the owner of such a contract, a receipt (without gift valuation) which describes the policy will be issued to the donor. If a permanent life insurance policy has a cash surrender value at the time of the gift whole life

insurance or similar product), a receipt containing the policy description and the amount of the policy interpolated terminal reserve plus unearned premium, plus accumulated value of dividends as of the date of the gift, will be issued to the donor. If a new whole life insurance policy is given, a receipt will be issued for the value of the initial premium paid by the donor or paid by the Community Foundation from funds received from the donor.

Real Estate-(non-income producing). An offer of real estate to the Community Foundation must be reviewed by the Executive Committee. Generally, if the real estate has potential for expeditious resale, the gift will be accepted. If the Executive Committee determines that the real estate may be difficult to sell due to prevailing market conditions or concerns about the suitability of the property, consideration will be given to declining the gift. To be acceptable, the property will be subject to all usual and customary due diligence, including an environmental impact study, to determine that no liability will be passed on to the Community Foundation. If accepted, the Community Foundation will issue a receipt containing the legal description of the property in question.

Real Estate-(income-producing). A gift of income-producing real estate must be reviewed by the Executive Committee. Generally, if the real estate has potential for expeditious resale, the gift will be accepted. The receipt of unrelated business income and the administrative burden placed on the Community Foundation will be assessed by the Committee. To be acceptable, the property will be subject to all usual and customary due diligence, including an environmental impact study to determine that no liability will be passed on to the Community Foundation. If accepted, the Community Foundation will issue a receipt containing the legal description of the property in question.

Tangible Personal Property. A gift of tangible personal property may be accepted. Before acceptance of the property, the Community Foundation and the donor will need to agree on whether the property is to be retained by the Community Foundation or if it is to be sold. In general, the Community Foundation will issue a receipt containing the description of the property that has been gifted.

Other Gift Items. All other items that may be offered to the Community Foundation that are not described above must be reviewed by the Executive Committee.

Fund Establishment Policies

General Purpose

The creation and establishment of funds must be approved by the Community Foundation Board of Trustees. The Community Foundation staff will be responsible for working with the donor to ensure that the donor's intent for the fund is realized. Upon the completion of a fund agreement, the Community Foundation staff will present the agreement to the Board of Trustees for its approval and authorization. The Trustees will authorize agreements that are consistent with the mission and intent of the Community Foundation.

Minimum Amounts

The Community Foundation will accept gifts to start a new fund and issue gift receipts of various types depending on the charitable gift's nature. Opening gifts of the following minimum amounts is required.

Fund Type	Fund Fee	Muskegon	Affiliate
Scholarship Funds	2.00%	\$50,000	\$25,000
Designated Funds	1.25%	\$10,000	\$10,000
Donor Advised Funds	1.75%	\$10,000	\$10,000
Field of Interest Funds	1.75%	\$10,000	\$10,000
Unrestricted Funds	1.75%	\$5,000	\$5,000
Nonprofit Funds	1.00%	\$10,000	\$10,000
Strategic Funds	1.75%	\$5,000	\$5,000
Build a Fund	No Fee,	20% of fund min.	20% of fund min.
Strategic Build a Fund	No Fee	\$500 over 10 yrs.	\$500 over 10 yrs.
Community Project Funds	2% of receipts/w \$500 min./yr.	\$500	\$500

Excess Business Holdings

The Pension Protection Act of 2006 amended section 4943 of the Internal Revenue Code to limit ownership of closely-held business interests in a donor-advised fund. A fund's holdings, together with the holdings of disqualified persons (donor, advisor, members of their families, and businesses they control), may not exceed any of the following:

- 20% of the voting stock of an incorporated business;
- 20% of the profits interest of a partnership, joint venture, or the beneficial interest in a trust or similar entity;
- Any interest in a sole proprietorship.

These limitations do not apply if the donor-advised fund holds an interest that does not exceed two percent of the voting stock and two percent of the business's value.

Donor-advised funds receiving gifts of interest in a business enterprise have five years from the receipt of the interest 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. To prevent a violation of these rules, it is the Community Foundation's policy to divest itself of such holdings within five years from the date the Community Foundation acquired the asset. If that is not possible, the asset will be transferred to a new or existing fund that is not an advised fund.

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