



**Ann Arbor Area**  
**community foundation**

**GIFT ACCEPTANCE POLICY**  
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# **ANN ARBOR AREA COMMUNITY FOUNDATION GIFT ACCEPTANCE POLICY**

## **PURPOSE**

The purpose of the gift acceptance policy of the Ann Arbor Area Community Foundation (hereafter referred to as the “Community Foundation”), is to define the standards by which the Community Foundation reviews and accepts offers of gifts for various purposes within the scope of the Community Foundation’s status as a 501(c)3 charitable organization, under the laws and regulations of the State of Michigan and the United States of America. The policy also sets out guidelines for gift negotiation with donors and their designated personal representatives and professional advisors. The Community Foundation seeks to provide a variety of giving options that will enable donors to fulfill their own philanthropic objectives in ways that are cost effective and readily understandable in common language. At the same time, the Community Foundation promises to use the funds it receives for the benefit of the communities and organizations it serves and to work actively to identify community needs and support initiatives for community betterment . Given the frequent complexity of gifts of real estate and other forms of personal property, the Community Foundation recognizes the value in carefully screening such proposed gifts. From time to time the Community Foundation may accept other types of non-cash gifts subject to review by the appropriate oversight committee and according to the policies outlined herein.

At all times the purpose(s) of a proposed gift must fall within the broad charitable purpose of the Community Foundation. Gifts accepted by the Community Foundation shall not place other assets of the Community Foundation at risk or increase the operating costs of the Community Foundation and must be readily convertible into assets that fall within the Community Foundation’s investment policy. The Community Foundation must also be able to administer a proposed gift according to the donor’s wishes without placing undue burden on the Community Foundation’s administrative capacity.

## **FOUNDATION RESPONSIBILITIES**

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

- The irrevocable nature of a gift
- Prohibitions on donor restrictions
- Items that are subject to variability (e.g., market value, investment return, income yield and the amount of distributions)
- Donor’s responsibility for obtaining necessary appraisals, filing appropriate tax returns and defending any challenges to claimed tax benefits
- Administrative and other costs, if applicable, associated with making the gift and administering the fund

- The Community Foundation’s “variance power” with respect to future use of proceeds from a restricted or designated fund
- The Community Foundation’s responsibility to provide periodic financial reports on donor funds
- The Community Foundation’s responsibility to provide a donor bill of rights to donors

Staff shall maintain a 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.

Due to the complexity of charitable gift transactions and their tax consequences, staff should encourage every prospective donor to consult with his or her own legal counsel and other professional advisors prior to making a gift to ensure that the donor receives a full, accurate and independent explanation of all aspects of the proposed gift.

## **ROLE OF THE COMMUNITY FOUNDATION STAFF**

The President on behalf of the Board of Trustees shall officially receive all gifts to the Community Foundation. The President will develop the terms, restrictions, and conditions that apply to each gift in accordance with this policy. Any potential gift that is either not covered by this policy, or includes non-standard terms, restrictions or conditions must be reviewed by the Gift Acceptance Committee (“Committee”) prior to final acceptance. In circumstances where the Committee cannot make a clear determination about a particular gift, the matter will be submitted to the President for consultation with legal counsel or other professionals for ultimate decision by the Board of Trustees.

The President shall be responsible for the maintenance of accurate donor records. The President and Development Director shall also work with the Development Committee to identify new perspective donors and solicit gifts from the community.

Staff shall provide quarterly reports to the Gift Acceptance Committee detailing gifts accepted, but not requiring prior review and approval according to the policies established herein, by the Community Foundation. Such list shall provide summary information outlining the donor name, market value of the gift, asset composition, type of fund, and restrictive provisions, if any. Gifts referred to the Committee for review and approval/declination shall be reported by staff to the Committee. Staff shall provide a quarterly report of all gifts accepted/declined by the Community Foundation to the Board.

## **GIFT ACCEPTANCE COMMITTEE**

One of the most important responsibilities of the Board of Trustees is the safeguarding of the Community Foundation’s assets. Because acceptance of certain types of gifts may subject the Community Foundation to liability, proper review of all proposed gifts is essential to avoid jeopardizing the Community Foundation’s assets. The primary role of the Gift Acceptance Committee (“Committee”) is to review the proposed gift transactions as specified below. The Committee shall also adopt standard forms for agreements with donors, and shall, from time to

time, submit recommendations for changes to the Gift Acceptance Policies to the Board for approval.

The President, Chair of the Board of Trustees, Treasurer of the Board of Trustees, and the Chair of the Finance Committee shall constitute the Committee, and the CFO and Development Director shall be available to consult with the Committee concerning donor intentions and other matters related to the offer of a gift.

## **PROCEDURES FOR GIFTS NOT REQUIRING COMMITTEE APPROVAL**

Some gifts pose little threat to the assets of the Community Foundation, and authorized staff members may accept those type of gifts (identified below) without the prior review or approval of the Committee, subject only to the gift being consistent with these Policies and the purposes and Bylaws of the Community Foundation and being made pursuant to the standard Fund Agreements approved by the Community Foundation's President and legal counsel. The President, or any other officer or staff member designated by the President from time to time, shall be authorized to accept gifts that do not require prior review and approval of the Committee and to negotiate the terms of and execute any gift agreement related thereto on behalf of the Community Foundation.

Gifts that may be accepted without Committee approval are:

1. Cash and Cash Equivalents; and
2. Publicly-Traded Securities; and
3. Gifts of Tangible Property for Foundation Use; and
4. Various charitable trust instruments, including charitable remainder trusts and charitable lead trusts if funded with marketable securities and/or cash and further provided that the Community Foundation does not serve in a trustee capacity.

## **PROCEDURES FOR GIFTS REQUIRING COMMITTEE APPROVAL**

In conjunction with their tax and financial planning, some donors may be interested in making gifts of specific assets that create more risk for the Community Foundation. Those types of gifts (identified below) will require a review by staff and approval of the Committee prior to being accepted. In addition, the President may, in his or her discretion refer any other proposed gift transaction to the Committee for review and advice if he or she has any concerns about the valuation, disposition or other issue which suggests a review of the proposed gift is warranted.

1. Non-Public Securities, including S corporation stock, partnership interests
2. Real Property
3. Tangible Property which is not readily needed for the Community Foundation's use or related to its purpose
4. Life Insurance Policies whose premiums are not paid up
5. Retained Life Tenancy
6. Any gift which falls outside the ordinary purposes, Bylaws, and procedures of the Community Foundation

7. Any gift proposed to be made pursuant to an agreement that is substantially or materially different from the standard Fund Agreements approved by the President and the Community Foundation's legal counsel.
8. Any gift that includes a restriction or suggestion regarding the Community Foundation's use of funds that would raise legal, ethical, policy or practical concerns for the Community Foundation

## **ACTING AS TRUSTEE**

It is the general policy of the Community Foundation not to act as trustee for the various donor vehicles. The Board and staff of the Community Foundation must avoid personal conflicts of interest with respect to any gift to the Community Foundation. No staff member may knowingly serve as a trustee, conservator, executor, or personal representative for one of the Community Foundation's donors or prospective donors unless specifically approved by the Community Foundation President. The Board of Trustees will be made aware of such trusteeships. All officers shall report such relationships annually to the Board of Trustees.

## **RIGHT OF REFUSAL**

The Community Foundation reserves the right to refuse gifts. Reasons for refusing a gift might include:

1. The cost to manage the asset exceeds the eventual benefit of the gift to the Community Foundation, or
2. The gift or gift purpose could potentially jeopardize the Community Foundation's tax exempt status, or
3. The fund purpose is believed to be discriminatory in nature.

The President has the authority to refuse gifts that clearly do not benefit the Community Foundation. If the benefit is questionable or difficult to determine, the Board of Trustees shall make the final decision whether to accept or refuse the gift.

## **GIFTS DECLINED**

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

1. Has, or appears to have, insufficient income and assets remaining after making a gift to provide for his/her needs such as personal support and healthcare.
2. Has, or appears to have, insufficient income and assets remaining after the gift to provide for his/her heirs for whom he/she is financially responsible.
3. Has, or appears to have, an apparent insufficient mental capacity to make a rational decision.
4. Has, or appears to have, insufficient input from competent financial, legal and/or personal counsel.

## **GIFT TYPES**

## **Current Gifts**

The Community Foundation accepts the following forms of assets subject to the conditions described by each asset type. In order to provide written substantiation of gifts over \$250, donors must provide a legal name and a complete address so that the Community Foundation can comply with Internal Revenue Service and State of Michigan gift substantiation requirements.

### **1. Cash**

Gifts of cash should include a statement of purpose, or identify the specific fund to which the contribution is being made. Cash gifts are receipted on the date received by a Foundation representative. The Community Foundation may accept gifts by wire transfer to its account.

### **2. Checks**

Checks must be made payable to the Ann Arbor Area Community Foundation. The specific fund should be noted in the lower left corner (memo section) on the face of the check or within the written documentation that accompanies the check. Checks are receipted on the date received in the Community Foundation office. Checks that are dated at the end of the year must also show a postmark no later than December 31<sup>st</sup> for consideration as a gift by the donor in the current year. Checks that are postmarked or hand delivered in January will be receipted as January gifts regardless of the date on the check. This complies with all Internal Revenue Service requirements.

### **3. Securities (publicly traded)**

Securities for which there is a recognized market are valued at the arithmetic mean between the high and low selling prices on the date the stock is transferred multiplied by the number of shares tendered. The value of over-the-counter stocks for which no high and low sale prices are reported on the date of the gift usually will be based on the arithmetic mean between the bid and asked prices on that date. The value of a share in a mutual fund is its public redemption price (the "bid price") in effect at the time of the gift.

The date of the gift is the date the security is:

- a) Unconditionally delivered or mailed in proper negotiable form to the Community Foundation or its agents as identified by the postmark;
- b) The date the security is transferred and held in "street name" on the books of a brokerage firm; or
- c) The date the security is transferred on the books of the issuing corporation when delivered to the corporation for transfer into the Community Foundation's name.

Publicly traded stocks and bonds may be transferred electronically, re-registered in the name of the Community Foundation or conveyed through use of a properly executed stock power form. Staff will provide donor with delivery instructions upon request.

The Community Foundation will make no agreement with the donor prior to or subsequent to the gift regarding its disposition. The Community Foundation will make all decisions regarding the sale or retention of marketable securities. Generally, they will be sold as soon as possible following receipt. The Community Foundation will not knowingly accept

securities which (1) may create a liability for the Community Foundation, (2) by their nature may not be assigned (e.g., series “E” savings bonds), or (3) have no apparent value.

Any stock subject to restrictions on sale under Rule 144 of the SEC will be held until the restriction expires and then will be sold.

#### **4. Non-Public Securities**

Contributions of Non-Public Securities raise special issues that bear on the advisability of accepting the gifts and shall be reviewed on a case-by-case basis with the Committee. Staff will review the relevant documentation to obtain a clear understanding of the Issuer’s business activities, the underlying assets and liabilities, the nature of the interest proposed to be conveyed, the actual or potential liabilities, if any, associated with holding such securities (e.g. unrelated business taxable income “UBIT,” capital calls, or contingent liabilities).

Non-public securities might include the gift of a general partnership interest. In most circumstances the Community Foundation does not accept gifts of general partnership interest due to potentially unlimited liability. In addition, the tax-exempt status of the Community Foundation may be jeopardized if the IRS considers participation as a general partner to constitute non-charitable activities. If the Issuer is a limited partnership, attention will be paid to how allocations are made among the partners, the nature of the partnership’s business activities and the potential for any tax or other liability for the Community Foundation.

Prior to the acceptance of a gift of any non-public securities, the donor will be required to provide, at his or her own expense, the following:

- a. A written agreement signed stating the terms of the gift and the value as provided by the donor. The Community Foundation shall carry the value of such gift as \$1.00 for accounting purposes;
- b. A statement that there are no restrictions of the Community Foundation’s right to use or convey the gifted property;
  - i. Donor will agree to the payment from the affected fund any UBIT and other taxes and all other expenses associated with holding the non-public securities, or, if cash in the fund should be inadequate to pay the taxes and expenses, to make further contributions to pay them
  - ii. To indemnify the Community Foundation and hold it harmless from any liability in the event the Issuer becomes bankrupt or otherwise able to satisfy its obligations or arising from litigation or other claims against the Issuer
  - iii. To fund any further contributions of capital or other amounts required to be paid; and
- c. To obtain any written consents required to be given by other owners of the Issuer pursuant to the agreements to which the donor is a party.

Note: It is the donor’s responsibility to file a completed and signed IRS Form 8283

Generally, if the non-public securities are readily marketable they will be sold as soon as possible. The Community Foundation will not guarantee or pre-arrange a sale of the non-

public securities or make any other agreement that might imply or cause the imposition of a material restriction on the property. The Community Foundation will advise the donor if the Community Foundation sells, liquidates, or otherwise disposes of any non-public securities listed on IRS Form 8283 within two years of receipt of the gift. The Community Foundation is required to file a report with the IRS on Form 8282 reporting the actual proceeds and other facts about the sale of securities, and a copy of such report shall be provided to the donor.

If the non-public securities are not readily marketable at the time of the gift the Community Foundation will hold them in safekeeping until they can be redeemed. The value of the securities based upon sale proceeds will be reflected in the value of the donor's fund account.

## **5. Non-Cash Gifts**

It is the donor's responsibility to provide the valuation of tangible personal property exceeding \$5000 in value (art, antiques, rare books, jewelry, gems, collections, etc.), and closely held stock exceeding \$10,000 for purposes of filing the 8283. The Community Foundation shall carry the value of such gift as \$1.00 for accounting purposes. If the Community Foundation sells the property within two years, the Community Foundation must file IRS Form 8282 informing the donor and the IRS of the sale price of the property. The donor shall pay the cost of an appraisal.

Non-cash gifts with a fair market value of less than \$5,000 may be reported by the donor at the value declared by the donor. Personal property and closely held stock shall be sold at the highest possible price as soon as practical after conveyance, unless the property is to be used in connection with the Community Foundation's exempt purpose. The Community Foundation discourages gifts of personal property that cannot readily be sold or which might incur unusual expenses prior to sale. If a lengthy selling period is anticipated, the Community Foundation may refuse the gift or request that the donor cover the expenses with an additional cash gift.

## **6. Life Insurance**

A donor may make a gift of life insurance by irrevocably assigning to the Community Foundation all right, title and interest as the owner and beneficiary of the policy or by designating the Community Foundation as the only beneficiary or a partial beneficiary of a policy owned by the donor.

If the donor wishes to transfer ownership of a policy, the Community Foundation, through its Committee, will decide on a case-by-case basis whether to accept the gift. If the Community Foundation accepts a policy, the Community Foundation may choose either to cash in the policy for its current cash surrender value or continue ownership and/or payment of the premiums.

Prior to accepting any policy for which premium payments are to continue to be made, staff will discuss with the donor whether the donor is willing to continue to pay the premiums in the future. The donor has the option of agreeing to pay the premiums directly or to make a contribution to the Community Foundation for the amount of the premium at least 10 days prior to each subsequent due date. The Community Foundation will not assume responsibility for payment of delinquent premiums. If the policy is surrendered, the cash

value will be added to the restricted or unrestricted fund in the donor's name based on the donor's instructions and value of assets being transferred according to the policies outlined herein.

The Community Foundation discourages the contributions of life insurance policies subject to policy loans and or other assignments. The Community Foundation will not enter into any split dollar arrangements.

Original policies shall be maintained in the Community Foundation's office. Staff shall cause the cash surrender value of the policies to be updated on an annual basis as noted in the statements provided it by the various insurance companies.

Gifts of newly purchased life insurance policies, in which the Community Foundation is both owner and beneficiary, shall be reported at the amount of premiums paid, in the year the premiums are paid.

The value of a paid-up ordinary life insurance policy accepted as a gift is its replacement cost. The value of a nonpaid-up life insurance policy is determined by adding to the "interpolated terminal reserve" of the policy (which, in a policy that has been owned for a while, will be approximately equal to its cash surrender value) plus an unearned premium and accrued dividends, less any policy loan. The issuing insurance company shall be consulted for assistance with both the transfer of the policy and its valuation.

When a policy is owned by the Community Foundation, regardless of whether the donor or the Community Foundation pays the premiums, the difference between the cash value and the insurance company's settlement at the death of the donor is not reported as a gift, but rather as a gain on the disposition of assets. In those cases where the Community Foundation receives the proceeds of an insurance policy in which it was named beneficiary but not owner, the full amount received shall be reported as a gift on the date received.

## **7. Real Property**

If a donor wishes to contribute real property, or an interest in real property, to the Community Foundation either directly or through a life estate arrangement, the Committee shall consider all facts and circumstances in determining whether to recommend accepting the gift. Final acceptance of any gift of real estate shall require Board approval.

Prior to acceptance of a gift of real estate, the donor will be required to provide, at his or her own expense, a signed, written agreement stating the terms of the gift and the value of the gift. The Community Foundation shall carry the value of such gift as \$1.00 for accounting purposes.

The Community Foundation will advise the donor if the Community Foundation sells, liquidates, or otherwise disposes of any real estate listed on IRS Form 8283 within two years of receipt of the gift. The Community Foundation is required to file a report with the IRS on Form 8282 reporting the actual proceeds and other facts about the sale, and a copy of such report shall be provided to the donor.

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

Each potential gift of real property will be reviewed individually with consideration given to an expeditious liquidation. The property will be sold at the highest possible price as soon as possible after conveyance, unless the property is to be used in connection with the Community Foundation's exempt purpose or part of a life estate.

Issues in Acquiring the Property:

- a. Title Review and Insurance – The Community Foundation shall make certain that there is evidence of clear title to the property being donated by the donor. If multiple donors are named on the title each owner must agree in writing to the gift. The Community Foundation will require the donor to provide title insurance.
- b. Survey of the Property – Particularly for commercial properties, a prior survey will be requested or a survey will be done to determine encroachments, easements or other details that cannot be ascertained from the title company. The determination of the need for a survey shall be determined by the Committee.
- c. Type of Deed Involved – Property being gifted by individuals will require a warranty deed. In special circumstances a warranty deed will not be required, such as property being conveyed by a trust.
- d. Environmental Review – For any gifts of real estate the Community Foundation reserves the right to require both a physical inspection and current baseline environmental assessment, particularly if commercial or income-producing property is involved. The donor shall bear the cost of such reviews. As a general rule, the Community Foundation will require adherence to the provisions of the Natural Resources and Environmental Protection Act, as it exists from time to time, which affords protection to entities acquiring property without acquiring environmental liability, provided a baseline environmental assessment has been conducted before or within 45 days after the date of ownership of the property.
- e. Expenses – A thorough review of expenses related to the carrying cost of the property shall be conducted prior to acceptance and, in those instances where such costs are deemed significant and/or the anticipated time period to complete the sale of real estate is sufficiently long, the donor will be asked to provide for payment of expenses via an additional cash donation(s).

See Appendices C (Request for Initial Information), D (Letter of Intent) and E (Real Property Disclosure Checklist) for initial documents to be completed by the donor. See Appendix F for checklist to be completed by AAACF staff.

## **8. Pledges**

All pledges must be in writing and include the fund that will benefit from the gift, the anticipated payment schedule along with the signature of the donor. Pledge payment reminders shall be sent to the donor on the first of the month in which the payment is due.

### **Deferred Gifts (Planned and Testamentary Gifts)**

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

- Retirement assets naming the Community Foundation as a successor or contingent beneficiary upon death of either the retirement asset owner or spouse
- Charitable Life Estates
- Charitable Remainder and Lead Trusts
- Outright bequests per a Will or Trust Agreement

Donors using planned and testamentary gift techniques may establish any of the fund types listed in this policy, provided that the residual meets the required minimum for that fund type. If minimums are not met by such a gift, staff will work with donors and/or their representatives to best meet the donor's objectives. The governing documents should specify the 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 type agreement.

The President will review planned gifts to the Community Foundation. The President is responsible for assuring that all planned gift instruments are valid and are acceptable to the Community Foundation, and will consult with the Committee when necessary. Pertinent information about these gifts will be detailed by the President to the donor and to the donor's advisors, as well as to the representative of the Community Foundation working most closely with the donor.

All donors contemplating a deferred gift to the Community Foundation should be encouraged to consult their own financial, legal and tax advisors.

Donors are discouraged from placing limitations on the use and application of the eventual funds transferred, and must follow the Community Foundation's guidelines for non-discrimination. A statement of the donor's wishes regarding use of the gift (even if designated "unrestricted") shall be obtained at the closing of the gift and maintained both in the donor file and with the original gift documentation such as the trust instrument.

The handling of estate distributions will be coordinated with the President. This office or its designee serves as a primary liaison with any outside parties to the transaction, or to a given transaction, (bank trust department, probate court, executor/administrator of the estate, estate counsel and other advisors).

## **1. Charitable Gift Annuities**

The Community Foundation does not have a Charitable Gift Annuity program at this time. The Community Foundation will work with donors who wish to name the Community Foundation as the ultimate beneficiary.

## **2. Charitable Remainder and Lead Trusts**

### **a. Charitable Remainder Unitrust –**

A charitable remainder unitrust is a gift vehicle that irrevocably transfers the remainder interest on assets to the Community Foundation upon the death of the donor or the named beneficiaries, or at the end of a specified term of years. .

A straight unitrust must pay a fixed percentage of the net fair market value of its assets, valued annually, to the designated beneficiaries. An income only unitrust will distribute the actual amount of ordinary income earned or the established percentage payout rate, whichever is less. An income only unitrust with make up provision uses excess ordinary income from the trust to pay the beneficiaries income lost during the years when earnings were insufficient. Another variation to the basic unitrust is the flip unitrust, which starts out as a net income unitrust or make-up unitrust. Upon certain events a flip unitrust flips to function as a straight unitrust. Donors who fund their unitrust with assets that are not producing income, such as undeveloped property, often use a flip provision.

The payout, which is determined at the establishment of the trust and must equal no less than 5% of the fair market value of the assets in the trust, is permanent.

The present value of the remainder interest must be equal to or greater than 50% of the original contribution to the trust where it is the donor's intent to fund an endowment. When the remainder interest is non-endowed the minimum residual interest is 10%

Additional contributions may be made to a unitrust.

### **b. Charitable Remainder Annuity Trust –**

Similar to the Charitable Remainder Unitrust, a Charitable Remainder Annuity Trust is an income vehicle that irrevocably transfers remainder interest to the Community Foundation upon the death of the income beneficiaries.

The annuity trust pays a fixed dollar amount annually to the income beneficiaries. The amount is specified in the trust document as either a dollar amount or a percentage of the initial fair market value of the assets used to fund the trust. This amount must be at least 5% of the initial value. Once the annual amount is set it may not vary over the life of the trust. If income exceeds the payout the excess is added to principal; if it is less the difference is derived from realized capital gain

or principal. Once the annuity trust is established no additions to the trust are allowed after the initial contributions.

In order to be acceptable to the Community Foundation, a charitable remainder annuity trust must have an anticipated residuum of at least 50% where it is the donor's intent to fund an endowment. When the remainder interest is non-endowed the minimum residual interest is 10%. This requires that payout rates and term lengths be carefully evaluated at the time the trust is established.

General policies governing Charitable Remainder Unitrusts and Charitable Remainder Annuity Trusts include:

- Payout rates of more than 9% must be reviewed for approval by the Committee; Net income makeup trusts do not require this approval;
- Income beneficiaries should be 55 years of age or older;
- The Community Foundation is named as an irrevocable remainder beneficiary, of at least 50% of the remaining assets for residuals funding endowments;
- The Committee may rely on professional advisors to prepare funding and payout analysis
- Donors will be encouraged to retain independent legal counsel at their own expense

### **c. Charitable Lead Trusts**

A charitable lead trust is an arrangement that provides the income generated on assets contributed to the trust to be paid to the Community Foundation for a designated period of years. After the time period has elapsed, the assets pass to a non-charitable beneficiary designated by the donor in the original trust. A contribution of the income generated from the assets within the trust must be in the form of either an annuity or a unitrust interest. See "B" above general policy issues governing Charitable Remainder Annuity and Unitrusts, which also apply to Charitable Lead Trusts.

## **3. Retained Life Estate**

The Community Foundation may accept a gift of a personal residence, vacation home or farm in which the donor retains the right to occupy the property until the death of the donor. During the donor's lifetime the donor may specify the use of any proceeds from the property. Upon death the property vests in the Community Foundation.

In deciding to accept a gift of a remainder interest, the Community Foundation will follow the policies outlined herein for accepting a gift of real property. In addition the Community Foundation will consider, among other things, the following factors:

- a. Age of Donor – As a general rule the life beneficiary should be age 55 or older;
- b. Use of property – The Community Foundation will take into consideration the potential use of the property during the tenant’s lifetime in order to avoid accepting any property which might cause a liability for the Community Foundation in future years;
- c. Disposition – In general the property should be sold within a reasonable time after the donor’s death;
- d. Costs and expenses- The donor must agree to be responsible for all costs of maintaining the property, including but not limited to property insurance, taxes, repairs and maintenance.
- e. Refer to Gift Type Section 6, Real Estate, for other requirements, including the need for an environmental review for all real estate gifts

#### **4. Bequests**

A bequest is an outright gift to the Community Foundation through a will or trust. Foundation representatives may actively solicit bequests as long as the purpose of the gift is in accordance with the charitable purposes of the Community Foundation.

Bequests received through wills and or trusts, without specific language restricting purpose and /or restricting corpus with endowment language, by their nature are unrestricted. It is the general policy that unrestricted bequests in excess of \$100,000 will be evaluated by the Finance Committee, and a recommendation made to the Board of Trustees on a case-by-case basis to determine the ultimate allocation of such bequest.

### **TYPES OF ENDOWMENTS**

#### **Endowment Funds**

An endowment fund is a permanent endowment fund that prohibits granting from the original corpus of the fund.

#### **Quasi-Endowment Funds**

A quasi-endowment fund is a board designated (versus donor designated) permanent or donor directed fund that functions as an endowed fund but which is not subject to any legal prohibitions against spending. A quasi-endowment is subject to the same spending policy as an endowment fund. However, the Board of Trustees can authorize the spending of principal and can also authorize a change in the nature of the fund.

### **TYPES OF FUNDS**

The Community Foundation offers a broad range of funds designed to be responsive to donor interests. While all philanthropy adds value to the community, each type of Foundation fund can provide added value to philanthropy in the community. A Fund Agreement is required to

establish a fund with the Ann Arbor Area Community Foundation. The minimum fund balance for each fund type is outlined in detail later in this policy.

### **Unrestricted Fund**

Unrestricted funds allow the Community Foundation the flexibility in meeting the challenges of our community. These funds are directed to emerging needs of the community as identified by the Community Foundation's Board of Trustees and the Distribution Committee. It is through the judicious use of these funds over the years that the real strength of a community foundation is demonstrated.

### **Field of Interest Fund**

Donors may use Field of Interest Funds to support specific areas such as the arts, children and youth, ecology, services for the elderly geographic location, or health and human services. Within these broad fields, the Board of Trustees has the flexibility to make grants that address the current and changing needs of the community. The Community Foundation's Field of Interest funds have advisory committees that make grant recommendations to the Board for final approval.

### **Designated Fund**

Income from a designated fund is given regularly to specific named charitable organizations. If the named charity is no longer active or providing a needed service, or if the purpose of the fund becomes impractical or impossible to fulfill, the Board of Trustees of the Community Foundation may select another recipient with a similar purpose.

The Community Foundation has a variety of designated fund categories for specific purpose(s), programs or organizations.

- **Agency Fund**

Created by individuals, businesses or nonprofit organizations. The Community Foundation holds legal title to the fund. The Community Foundation grants the available annual distribution back to the agency as an ongoing source of support. The agency may elect to re-invest the annual grant amount back into the fund.

In certain circumstances the Community Foundation will accept quasi-endowed agency funds. The primary purpose and intention of the fund needs to be permanent in nature, with spending of principal allowed only with Board approval for a clear purpose of an exceptional nature.

- **Scholarship Fund**

Scholarship funds give area students the opportunity to complete their education. Through such funds, donors can provide scholarships based on specific criteria or they can designate one or more colleges or universities to select the scholarship recipients.

- **Administrative Fund**

Administrative funds provide financial support for day-to-day programs and operations of the Community Foundation. These funds, in part, enable the Community Foundation to charge reduced management fees to other funds, thus preserving more dollars for grantmaking.

### **Donor Advised Funds**

- **Donor Advised Fund**

A donor advised fund allows a donor to maintain the ability to offer recommendations regarding the recipients and amounts of grants from the funds, subject to Board approval. Grant recipients must be recognized as tax-exempt charities by the Internal Revenue Code.

- **Donor Advised Pass-Through Fund**

This donor advised fund is time specific in that the fund has a life of one year.

### **SPECIAL SITUATIONS**

#### **Special Project**

A non-endowed pass-through fund in which the donated amount is paid out for an identified purpose within an identified, short term time frame determined when the gift is made. Typically grant recipients must be recognized as tax-exempt charities by the Internal Revenue Code.

#### **Supporting Organizations**

A supporting organization is a 501(c) 3 charity that is classified as a public charity rather than a private foundation. A supporting organization is a grant making organization that avoids private foundation status by being operated, supervised, and controlled by the Community Foundation. This requirement can be met in part if the Board of the Community Foundation appoints a majority of the board of directors of the supporting organization. Supporting organizations require the approval of the Board of Trustees. See Appendix B for more detailed guidelines and a list of services.

#### **Affiliate Community Funds**

Affiliate community funds are established for the support of a variety of charitable purposes and organizations within a specific community or region. A local advisory committee is appointed within each affiliate community, which has grantmaking and asset acquisition responsibility for that area. Affiliate community funds enable smaller communities to enjoy many of the benefits of a community foundation, including the State of Michigan Tax Credit, while taking advantage of the Community Foundation's services, staff and expertise and avoiding the costs and administrative burdens of a

separate community foundation. Affiliate community funds must abide by the Community Foundation's gift acceptance policies. An Affiliate agreement requires the approval of the Board of Trustees.

## **MINIMUM REQUIRED TO CREATE A NEW FUND**

The current minimum required to create a new named fund at the Community Foundation is as follows:

Unrestricted Fund	\$ 5,000
Field of Interest Fund	\$25,000
Designated Fund	
▪ Agency Fund est. prior to 10-1-05	\$10,000
▪ Agency Fund est. 10-1-05 and after	\$50,000
▪ Quasi-Endowed Agency Fund	\$350,000
▪ Scholarship Fund	\$20,000
▪ Administrative Fund	\$10,000
Donor Advised Fund	\$20,000
Donor Advised Pass-Through Fund	\$50,000
Special Project (Non-Endowed) Fund	\$10,000
Supporting Organization	\$5,000,000*

\*Target balance for Supporting Organizations. The Gift Acceptance Committee may take into consideration anticipated funding size as well as time necessary to meet the targeted balance.

A smaller initial gift will be considered if the donor sufficiently demonstrates that the fund will reach the minimum value through additional gifts by an agreed upon deadline.

## **ACKNOWLEDGEMENT**

Donors shall receive an expression of sincere thanks and appreciation from the Community Foundation and an acknowledgment of the gift in accordance with federal regulations.

## **PUBLICITY**

No public media exposure with respect to a donor's gift shall be generated without the consent of the donor.

## **RESTRICTIONS**

In conformance with Treasury Department regulations governing community foundations, gifts to the Community Foundation may not be directly or indirectly subjected by a donor to any material restriction or condition that prevents the Community Foundation from freely and effectively employing the transferred assets or the income derived there from, in furtherance of its exempt purpose.

## **INVESTMENT OF GIFTS**

It is the policy of the Community Foundation to convert all non-cash gifts to cash as soon as possible and/or appropriate. The Community Foundation reserves the right to make any or all investment decisions regarding gifts in accordance with its Investment Policy.

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

However, when the size of a fund warrants separate investment consideration, the Community Foundation will endeavor to accommodate requests from donors for separate investment of fund assets, or use of a particular investment manager, broker or agent in accordance with the Investment Policy, and may consult with donors on investment options for such funds. Any recommendations for investment advisors which are not currently employed for the general assets of the Community Foundation shall require prior review and approval by the Finance Committee.

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

Except as may be approved by the Committee in unusual circumstances, the costs associated with the acceptance of a gift such as attorney fees, accounting fees, 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 planned gifts of the Community Foundation shall be borne from the assets of the individual funds, except for those special circumstances as determined by the Committee. Custodial, investment, and administrative fees shall be paid from the respective funds in accordance with the Community Foundation's guidelines and fee schedules as approved by the Board from time to time.

Supporting Organizations – See Appendix B for a list of included services to be covered by the fees charged by the Community Foundation and excluded services to be borne by the Supporting Organization unless negotiated with the Gift Acceptance Committee for additional fees. The Gift Acceptance Committee shall consider the following factors in determining the overall fee structure:

1. Asset Size of the Supporting Organization; and
2. Services Requested by the Supporting Organization; and
3. Unrestricted Grants from the Supporting Organization to support services provided by the Community Foundation.

### **CONFIDENTIALITY**

Foundation staff shall maintain strict control over files and information received from or about donors or prospective donors so as to maintain confidentiality of such information. No public media exposure shall be made with respect to a donor's gift without the consent of the donor.

### **PUBLIC FUND RAISING**

Fundraising undertaken by donors in connection with funds of the Community Foundation require special consideration. See Appendix A.

## **AUTHORITY TO NEGOTIATE**

The Community Foundation management and administrative officers authorized to accept letters of direction and amendments thereto and to negotiate and sign charitable giving agreements with prospective donors are:

- President/CEO
- Chair of the Board of Trustees
- Vice-Chair of the Board of Trustees

As adopted by the Board of Trustees  
May 30, 2000

As amended by the Board of Trustees  
December 20, 2001

As amended by the Board of Trustees  
January 16, 2003

As amended by the Board of Trustees  
May 15, 2003

As amended by the Board of Trustees  
May 19, 2005

As amended by the Board of Trustees  
September 25, 2005

As amended by the Board of Trustees  
May 18, 2006

As amended by the Board of Trustees  
January 15, 2009

## **Gift Acceptance Policy**

### **Appendix A: Public Fundraising for Funds of the Community Foundation**

The Community Foundation is staffed to develop endowment and other assets through the acquisition of major and planned gifts through the stewardship of existing donors the cultivation of new relationships. The Community Foundation is not equipped to operate public fundraising events for its funds. In general, the Community Foundation will administer a public fundraising event in association with a fund only when deemed appropriate by the Board of Trustees.

Public fundraising events refer to those special events that are intended to raise dollars for funds. For example, a golf outing, fundraising dinner, raffle or other special event would be considered a public fundraising event. The term “Public Fundraising” is not intended to encompass the Community Foundation’s annual solicitation for endowment support through the year-end letter and other solicitations for purely charitable purposes.

#### **Foundation Approval of Events**

In the event the Community Foundation approves a fundraising event, the following requirements must be met:

- ❑ Before undertaking public fundraising events, the fundraising event coordinator shall define to the Community Foundation each program, event, or other effort to raise money for the fund.
- ❑ The fundraising event coordinator shall then obtain Foundation approval to proceed according to Foundation policies.
- ❑ All uses of the Community Foundation’s name in advertising and promotion must be approved in advance by the Community Foundation.

#### **Responsibilities of the Community Foundation**

The Community Foundation is held accountable for all public fundraising events related to funds of the Community Foundation. It may not delegate this responsibility to any other parties. In considering whether to approve the event, staff shall take into account the following responsibilities:

- Budget and payment of expenses
  - Who will prepare a budget?
  - Who will be responsible for authorization for and payment of expenses?
  - Who will oversee the budget and ensure that the budget is adhered to?
  - Will the Community Foundation assess a special administrative fee for this service?
- Compliance with laws
  - Is the event included under the scope of the annual solicitation license?
  - Is there a need for a special raffle or gambling license?

Are the appropriate sales taxes being collected on items sold and who will file the sales tax return?

Is there a clear understanding that the expenses of fundraising events are not exempt from sales tax?

- Potential liability incurred by the Community Foundation
  - Is there a need for additional general liability or other insurance for the event?
  - Should a letter of credit or a written personal guarantee be provided?
- Acknowledgements
  - If the contributors receive goods or services in return for their payment, who will determine the appropriate charitable portion of the payment so that correct tax acknowledgements will be prepared?
- Management of money and property received from the event
  - Will all checks be made payable to the Community Foundation?
  - Where should checks and other forms of payment be sent?
  - If someone else is collecting cash, what safeguards need to be in place?
- Application of income and principal to charitable uses
  - Can the fund be administered in the manner in which it is advertised?

## **Gift Acceptance Policy**

### **Appendix B: Supporting Organizations – Guidelines & Procedures**

#### Outline:

- I. Preamble
  - II. Advantages for Donors
  - III. Acceptance (Types of SO's)
  - IV. Minimum Gift Size
  - V. Governance
  - VI. Types of Assets Accepted
  - VII. Investment Management
  - VIII. Administrative Requirements
  - IX. Fee Structure
  - X. Service Levels
- 

#### **Guidelines for Supporting Organizations**

The following guidelines are prepared to support the establishment of a supporting organization (SO) to the Ann Arbor Area Community Foundation (AAACF). These guidelines are to protect the interests of both our donors and the Community Foundation. AAACF welcomes the opportunity to work with donors who, after consultation with their legal counsel and financial advisors, desire to support the activities and goals of the Community Foundation through the formation of a supporting organization.

##### **I. Preamble**

A supporting organization is a 501(c)(3) charity that is classified as a public charity rather than a private foundation, because it supports a publicly supported charity such as a community foundation. It is one of the few organizations that qualify as a public charity without having to satisfy the public support test. Public charity status exempts the SO from all private foundation excise taxes and permits a donor to claim the same favorable tax benefits as a gift to a publicly supported organization.

##### **II. Advantages for Donors**

For individual donors, supporting organizations are an excellent way to gain the participation and visibility traditionally associated with a private foundation without the paperwork or overhead. Donor members of the board can serve as officers and, and such, can sign the grant checks and grant award letters. Donors can also elect to remain anonymous. Because the SO is a distinct legal entity affiliated with AAACF, it may have its own letterhead, checkbook, investment manager and may even publish its own annual report. Donors to the supporting organization receive the most generous tax deductions allowable. If closely held stock is used to make a gift, the donor's deduction is based on current market value rather than original cost. Supporting

organizations are not subject to the minimum payout requirements and other restrictive rules that apply to private foundations. SO's may make grants from income or income and principal.

For donors with significant assets and a long-term charitable commitment, the supporting organization is an increasingly popular structure for organizing their philanthropy. It deserves special consideration by:

- Owners of privately held companies
- Donors wishing to establish a foundation with other illiquid assets
- Trustees of family foundations
- Founding benefactors who seek permanent family involvement in his or her charitable legacy.

### **III. Acceptance**

The Ann Arbor Area Community Foundation will typically limit its affiliations to "Type I" supporting organizations. Affiliations with Type II supporting organizations will be considered only under special circumstances, on a case-by-case basis as reviewed by the Community Foundation's Board of Trustees and Finance Committee. Type III supporting organizations will not be considered.

Each request to establish an SO will be submitted to the AAACF Gift Acceptance Committee and the Board of Trustees which will determine if the supporting organization is consistent with the mission, values/principles, philosophy, and geographic service area of the Ann Arbor Area Community Foundation. While not all grants need focus on Washtenaw County, a majority of all grant dollars should address needs within AAACF's service area. AAACF reserves the right to either accept or decline a supporting organization and to resign from the position of a supported organization.

AAACF may provide legal and technical assistance before and during formation to determine that all legal requirements are being fulfilled. An advance ruling from the Internal Revenue Service may be required on the organization's 501(c)(3) status. Costs and expenses of formation will be incurred by the supporting organization.

AAACF and the supporting organization will complete a written agreement which outlines the mutually agreed upon program, financial and administrative services fees.

### **IV. Mission Statement**

A written mission statement for the supporting organization will be required to be developed in order to disclose the creators' charitable intent and desires. This statement will be used by the organization's board of directors to help focus grantmaking efforts in the future.

### **IV. Minimum Gift Size**

AAACF generally recommends that supporting organizations are started with a minimum gift size of \$5 million to provide for sufficient grantmaking resources for future generations. The supporting organization may be built over a period of time not to exceed five years.

## **V. Governance**

### **a. Articles/Bylaws**

Copies of the SO's Articles and Bylaws must be approved by AAACF.

### **b. Board Make Up / Selection Process**

For a Type I supporting organization, a majority of the board of directors must be appointed by AAACF to satisfy the IRS requirement that a supporting organization be “operated, supervised, or controlled by” the public charity. AAACF may not appoint “disqualified persons” – generally, those related to the donors or their business.\* AAACF will seek input from the donors as to their representatives and will generally draw from AAACF's Board, past Trustees and committee members, major donors, and staff. Members will be appointed by AAACF's Board of Trustees in consultation with the CEO and Trustee Committee. AAACF will seek individuals with knowledge of the intended service area and fields of interest, as well as a strong level of knowledge of AAACF's philanthropic beliefs.

\*According to the IRS, a “disqualified person” is defined to include:

- A corporation, partnership, or trust or estate if a substantial contributor has more than a 35% interest.
- If a corporation, partnership, or trust is a substantial contributor, then persons who have a 20% or greater interest in them are also disqualified persons.
- Substantial contributors to the organization (individuals who contributed more than 2% of the total contributions received by the organization).
- Certain members of the substantial contributor's family, spouse, ancestors, children, grandchildren, great-grandchildren, and their spouses. Siblings and great-great grandchildren are not disqualified persons.

### **c. Successor Advisors**

If the supporting organization was previously a family foundation, family participation on the board of the SO can continue for generations, without limit.

## **VI. Types of Assets Accepted**

A supporting organization can be created with a gift of cash, publicly traded securities, closely held stock, mutual funds, retirement plan assets, savings bonds, cash value insurance policies, tangible personal property, and variations or combinations of all of the above. Prior to agreeing to the SO relationship, AAACF will review the assets to be contributed to the supporting organization for potential liquidation, risk management, and investment management.

## **VII. Investment Management**

The Board of the supporting organization may choose to maintain a separate portfolio and select a separate investment manager. However, members of the Finance Committee of the Ann Arbor Area Community Foundation shall review all investment performance and asset allocation on a quarterly basis.

## **VIII. Administrative Requirements**

The supporting organization may, or may not, choose to contract with AAACF to provide staff support for any, or all of the following: investment management, grantmaking support, or general finance and administrative support. AAACF does, however, require that an annual audit be

prepared by an AAACF-approved auditor. Grants, minutes, and the IRS form 990 will be reviewed by AAACF, but do not need to be approved by AAACF.

## **IX. Fee Structure**

AAACF has enacted a fee schedule as a guide for providing services to supporting organizations. AAACF offers two tiers of services, described in the following section. Fees do not cover extra costs such as investment management for funds not in AAACF's pooled investments, legal/accounting services beyond those provided by AAACF staff, tax returns, additional costs for Directors and Officers (D&O) insurance, graphic design and production expenses, or exceptional expenses.

Fees are calculated based on the value at the end of each quarter and are deducted quarterly.

- 1% annually (0.25% quarterly) on the first \$2.5 million
- 0.5% annually (0.125% quarterly) on amounts over \$2.5 million

All direct expenses incurred in the creation and operation of the SO (i.e. legal fees, accounting fees, audit fees, printing of stationary, bank charges, meeting cost, etc.) will be charged to the SO.

Annual or multi-year grants to AAACF from supporting organizations may be made in lieu of fees.

*AAACF will consider each situation individually. The Community Foundation's Board may, in extenuating circumstances, make exceptions to the above.*

## **X. Service Levels**

### **Covered Services**

#### Administrative Services

- Assist in establishment of SO
- Assist creation of mission statement
- Meeting scheduling
- Staffing Board meetings
- Preparation of agendas and minutes; follow-up
- Printing of documents, stationary and envelopes
- Donor acknowledgments
- Donor tracking in database

#### Grantmaking Services

- Assist in creation of grant application & grant guidelines
- Preliminary grant screening; verification of 501(c)(3) status of applicants
- Full proposal review and recommendations (due diligence, site visits when requested)
- Staffing grant review meetings
- Processing of grants; grant tracking

- Award/denial letters
- Post-grant evaluations
- Publicity, including press releases

#### Financial Services

- Basic accounting services, including check preparation for grant awards, expenses
- Investment management (includes financial reporting to SO Board) *or* review of investment performance (if funds invested by outside manager)

#### **Non-Covered Services**

- Audit fees
- Preparation of 990's and other tax filings
- Filing fees for state, federal
- Costs of establishing SO, including attorney fees for document preparation
- D&O Insurance
- Basic supplies, telephone, mail service

**Gift Acceptance Policy – Real Estate**  
**Appendix C: REQUEST FOR INITIAL INFORMATION (Gift of Real Estate)**

**[Ann Arbor Area Community Foundation Letterhead]**

The Ann Arbor Area Community Foundation (the “Foundation”) is pleased that you are considering a gift of a real estate interest to the Community Foundation. Because of the unique and sometimes complicated issues that arise in connection with the transfer of a real estate interest, the Community Foundation has established detailed policies and guidelines that must be followed as a condition to the final acceptance of the gift by the Community Foundation. Before embarking on the due diligence inquiries that those policies and guidelines require, the Community Foundation would first like to obtain some basic information from you about the real estate interest you are proposing to give to the Community Foundation. With this information, the staff of the Community Foundation will present this gift opportunity to the Board of Trustees of the Community Foundation, or duly authorized committee of the Board, for a preliminary approval. If this preliminary approval is given, the Community Foundation staff and its advisors will then proceed to work with you in obtaining all of the information necessitated by the due diligence requirements of the Community Foundation’s policies and guidelines.

Thank you for considering a gift to the Community Foundation, and once you have provided the basic information requested on the attached Donor Intake Form, we will promptly bring your proposed gift to the Board for its preliminary review and determination.

Very truly yours,

Ann Arbor Area Community Foundation

By: \_\_\_\_\_

Its: \_\_\_\_\_

**Gift Acceptance Policy- Real Estate  
Appendix D: Letter of Intent (Gift of Real Estate)**

**ANN ARBOR AREA COMMUNITY FOUNDATION**

1. **Name of Donor(s)** \_\_\_\_\_

2. **Description of Property to be Gifted:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. **Type of Gift Contemplated:** \_\_\_\_\_  
\_\_\_\_\_

(Are you contemplating an outright gift of a 100% interest, a gift of less than 100% interest, a gift to a Charitable Remainder Trust or a Charitable Gift Annuity, or some other form of gift?)

4. **Estimated Value of the Property to be Gifted** \$\_\_\_\_\_

(Note: If the property has been appraised within the last three years, please also indicate the value established by the appraisal. \$\_\_\_\_\_ )

5. **Location.** Please attach a plat map or other drawing showing the location of the property to be gifted.

6. **Environmental Conditions.** Is there any reason to believe that the property to be gifted has any environmental contamination? \_\_\_\_\_  
\_\_\_\_\_

7. **Other Information.** (Please provide any other information about the condition of the property, or any special restrictions on the gift property, that the Community Foundation should be aware of.) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_  
(Signature of Donor)

\_\_\_\_\_  
(Type or Print Name of Donor)

Date: \_\_\_\_\_

\_\_\_\_\_  
(Signature of Donor)

\_\_\_\_\_  
(Type or Print Name of Donor)

**Gift Acceptance Policy- Real Estate**  
**Appendix E: Real Property Disclosure Checklist**

**I. Information about Donor(s) and Contemplated Gift**

A. Type of Gift Contemplated (*check one*)

- Outright gift to AAACF
- Undivided interest to AAACF
- Gift to Charitable Remainder Trust
- Gift to Charitable Lead Trust
- Charitable Gift Annuity
- Other (*specify what*)

B. Donor Information:

Donor Name(s): \_\_\_\_\_

Marital Status:  Single  Married  Divorced  Widow/er  
If married, will the donor's spouse join in the gift?  Yes  No  
Donor's Federal Tax Identification Number \_\_\_\_\_

Donor's Address: \_\_\_\_\_

Donor's Phone Numbers:

Home: (    ) \_\_\_\_\_ Office: (    ) \_\_\_\_\_ Fax: (    ) \_\_\_\_\_

C. Name of Donor's Attorney: \_\_\_\_\_

Attorney's Phone Number and e-mail: \_\_\_\_\_

D. List any other professional advisors (and contact information) involved with the gift:

\_\_\_\_\_

E. Gift Information:

1. Will the gift involve any personal property  Yes  No (If yes, the personal property must be segregated into a separate gift)
2. Does any other person or entity have an ownership or beneficial interest in the property?  Yes  No If Yes, provide name and contact information:  
\_\_\_\_\_
3. Is the property marketable immediately?  Yes  No (Please indicate why or why not in Section V)
4. The Community Foundation will require you to obtain a current appraisal of the property and may require you to obtain a Phase I Environment Assessment (and, if necessary, a Phase II Environmental Assessment). Are you willing to pay all costs of investigation and evaluation of the property (including appraisal, Phase I Environmental report, title insurance and, if non-residential property, a survey) and all closing costs?  
 Yes  No
5. Are you aware of any environmental problems in relation to the property?  
 Yes  No

6. Proposed date of gift:  
\_\_\_\_\_
7. Is the property subject to a mortgage, lien or other encumbrance?  Yes  
 No
8. If so, do you intend to pay off or secure the release of the mortgage or other encumbrance prior to making the gift?  Yes  No
9. Are you willing to pay all expenses related to holding the property as a Foundation asset prior to its sale?  Yes  No
10. What is the estimated net value of the property (after costs of sale, holding, improving [if necessary])? \$\_\_\_\_\_
11. What is the estimated net cost of holding the property for one year?  
\$\_\_\_\_\_
12. Do you have an "as built" survey of the property?  Yes  No (If so, please provide a copy to the Community Foundation)
13. What is your best estimate of the time it will take to sell the property?

## II. Description of Property

- A. Type of Ownership (Check one):  Individual  Joint Venture  Tenancy in Common  Tenancy by the Entirety  General Partnership  Limited Partnership  Corporation
- B. Legal name of owner(s) of record:

\_\_\_\_\_  
\_\_\_\_\_

- C. If the donor is not an individual, has the governing body of the owner approved the proposed gift?  
 Yes  No
- D. Date of acquisition/form of acquisition:

\_\_\_\_\_  
\_\_\_\_\_

- E. Type of Property:  Single-family residential  Multi-family residential  
 Condominium  Commercial  Other (specify) \_\_\_\_\_

- F. Address of Property:

\_\_\_\_\_

- G. Legal Description (attach deed):

- H. Land area (acres or sq. ft.):

\_\_\_\_\_

- I. Existing Zoning:

\_\_\_\_\_  
Any pending zoning changes?  Yes  No (If yes, please describe nature and status in Section V)

- J. Current use of property:

\_\_\_\_\_  
Use of surrounding properties:

\_\_\_\_\_  
Prior use of

property: \_\_\_\_\_

- K. Current property insurance (types and amounts of coverage):

\_\_\_\_\_  
\_\_\_\_\_

- L. Amount of annual insurance premiums  
\$ \_\_\_\_\_
- M. Current cost basis (including improvements):  
\$ \_\_\_\_\_
- N. Assessed value for real estate taxes:  
Fiscal tax year: \_\_\_\_\_ Real estate taxes: \$ \_\_\_\_\_  
Land value: \$ \_\_\_\_\_ Building value: \$ \_\_\_\_\_  
Have the current year's real estate taxes been paid?  Yes  No  
If not, when are/were they due? \_\_\_\_\_
- O. Date of most recent appraisal: \_\_\_\_/\_\_\_\_/\_\_\_\_ Appraised value: \$ \_\_\_\_\_  
Appraiser's name and phone number  
\_\_\_\_\_
- P. Has the property been previously listed for sale?  Yes  No (if yes, please indicate when, for how long and at what price in Section V).
- Q. Does the property include mineral rights, water rights, etc.?  Yes  No (If yes, please describe in Section V).
- R. Is the property subject to a mortgage?  Yes  No  
If so, please provide copies of all existing mortgages and indicate:  
Principal balance: \$ \_\_\_\_\_ Interest Rate: \_\_\_\_\_ %  
Term remaining: \_\_\_\_\_ Mortgage Holder \_\_\_\_\_  
Is the mortgage assumable?  Yes  No  
(If more than one, please provide the same information for the other mortgages in Section V.)
- S. Other liens and encumbrances (nature and amount):  
\_\_\_\_\_  
\_\_\_\_\_
- T. Does the property produce income?  Yes  No  
If so, please indicate nature and amount (annually):  
\_\_\_\_\_
- U. Current occupancy status (check one):  
Unimproved (*no building; no occupants*) \_\_\_\_\_  
Vacant (*building has no personal property, no occupants*) \_\_\_\_\_  
Unoccupied (*building has personal property but no occupants*) \_\_\_\_\_  
Occupied (*building has personal property with occupants*) \_\_\_\_\_
- V. Expected occupancy status after conveyance to the Community Foundation?  
\_\_\_\_\_
- W. Description of buildings or other improvements:  
\_\_\_\_\_  
\_\_\_\_\_
- X. Building area (sq. ft. of each floor): \_\_\_\_\_
- Y. Replacement cost of building: \$ \_\_\_\_\_
- Z. Are there any delinquent taxes, assessments or fees related to the property?  Yes  No  
(If yes, please explain nature and amounts in Section V.)

### III. Condition of Property

Please indicate by checking 'yes' or 'no' your awareness or knowledge of any condition or problem which may affect the title or marketability of the property. Use Section V below to provide additional information about any item checked 'yes.'

	Yes	No
A. Title	_____	_____
B. Zoning variances, violations, or special permits	_____	_____
C. Violation of state, county or city code	_____	_____
D. Violation of other law, ordinance or regulation	_____	_____
E. Restrictions, covenants or easements	_____	_____
F. Survey	_____	_____
G. Subdivision approval required to convey property	_____	_____
H. Homeowners association and/or fees	_____	_____
I. Ingress or Egress	_____	_____
J. Subject to Leases(s)	_____	_____
1. Rentals in Arrears	_____	_____
2. Rent or Security Deposits	_____	_____
3. Rent Control	_____	_____
K. Condemnation or similar action by municipal or state government pending or expected	_____	_____
L. Assessments	_____	_____
M. Building or other improvements (timing for potential liens)	_____	_____
1. Foundation/ slab	_____	_____
2. Basement water/dampness/sump pump	_____	_____
3. Roof leaks	_____	_____
4. General structural	_____	_____
5. UFFI ( <i>formaldehyde insulation</i> )	_____	_____
6. Asbestos	_____	_____
7. Lead paint	_____	_____
8. Termites/ants/pests	_____	_____
9. Wood or coal stove	_____	_____
10. Swimming pool	_____	_____
11. Radon	_____	_____
12. Building systems	_____	_____
a. Plumbing	_____	_____
b. Electrical	_____	_____
c. Heating	_____	_____
d. Air Conditioning	_____	_____
e. Hot Water	_____	_____
f. Water Supply	_____	_____
g. Sewage	_____	_____
h. Other fixtures	_____	_____
13. Building or sanitary code violation	_____	_____
N. Condominium or Cooperative Ownership	_____	_____
1. Building Systems	_____	_____
2. Common Area Fees in Arrears	_____	_____
3. Building or Sanitary Code Violations	_____	_____
4. Assessments Pending or Expected	_____	_____
O. Environmental Problems; fuel tanks, well/septic	_____	_____

- |  |       |       |
|--|-------|-------|
| 1. Prior or current use for industrial, commercial, agricultural, manufacturing, waste disposal or any other non-residential purpose   | _____ | _____ |
| 2. Stressed or denuded vegetation or unusual barren areas  | _____ | _____ |
| 3. Discoloration, oil sheens, or foul/unusual odors in water   | _____ | _____ |
| 4. Storm drums   | _____ | _____ |
| 5. Above or underground storage tanks, including gasoline/diesel, vent or filler pipes   | _____ | _____ |
| 6. Evidence of oil or other chemicals in soil  | _____ | _____ |
| 7. Evidence of PCBs  | _____ | _____ |
| 8. Evidence of toxic air emissions   | _____ | _____ |
| 9. Properties adjacent or close to property have conditions requiring "yes" answer to any of questions 1-8 above   | _____ | _____ |
| 10. Flood plain/wetlands/drainage  | _____ | _____ |
| 11. Endangered plants or wildlife  | _____ | _____ |
| 12. Regulatory designation (e.g., wetlands)  | _____ | _____ |
| 13. Flood plain/ wetlands/ drainage  | _____ | _____ |
| P. General   |       |       |
| 1. Are you aware of any other information concerning any part of the land or buildings which might affect the decision of a buyer to buy or affect value of property or affect use by buyer? | _____ | _____ |
| 2. Are you aware of any threatened or pending litigation involving the property or its owners?   | _____ | _____ |

**V. Additional Information on Sections I through IV (continue on additional page(s) if necessary.)**

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## **VI. Acknowledgments**

I hereby acknowledge that I am making a gift of that certain parcel of real property located at \_\_\_\_\_ (the “Property”) to the Ann Arbor Area Community Foundation, Inc. (the “Community Foundation”). In consideration of the Community Foundation’s acceptance of the gift, I hereby make the following agreements, representations and warranties to the Community Foundation:

1. I hereby represent and warrant to the Community Foundation that, to the best of my knowledge:

The Property and all improvements and operations thereon are and have been in all material respects in compliance with the requirements of all applicable federal, state and local laws, statutes, regulations, codes, ordinances and court or administrative orders (including but not limited to those related to environmental matters) and no notice has been served by any governmental body or agency claiming any violation thereof;

There is no litigation or other legal proceeding which is pending, threatened or anticipated with respect to the Property;

There are no pending or threatened private or governmental claims or judicial or administrative actions relating to environmental impairment or regulatory requirements with respect to the Property;

All necessary permits, licenses and governmental approvals have been obtained for use of the Property;

No Hazardous Materials (as hereinafter defined) are or have been disposed of on or released or discharged from any part of the Property or the improvements thereon;

There are not now nor have there been any Hazardous Materials [other than possible asbestos contained in materials commonly used to insulate heating pipes prior to 1978] on, in or under the Property or the improvements constructed on the Property; There are not now and have never been any underground storage tanks located on the Property;

There are no unrecorded easements or other agreements affecting title to the Property nor are there any real property taxes, assessments or other impositions due and owing with respect to the Property, except as set forth in the [Preliminary Title Report] delivered to the Community Foundation; and

I/We have legal title to the Property with full power and authority to sell it.

For purposes of this letter agreement, “Hazardous Materials” shall mean any hazardous or toxic substances, materials, waste, pollutants, or contaminants, as defined, listed or regulated by any

federal, state or local law, regulation or order or by common law decision, including without limitation petroleum by-products and asbestos.

2. I hereby agree to pay (i) all costs and expenses associated with making the gift of the Property to the Community Foundation (including but not limited to costs of required appraisals, environmental analyses, title insurance, survey, legal fees, and recording costs) and (ii) all costs and expenses incurred in connection with the Community Foundation's acceptance, holding and sale of the Property (including but not limited to attorneys' fees, brokers' fees, realtors' commissions, income taxes (including unrelated business income tax), property taxes, repairs, maintenance, depreciation recapture, insurance coverage and management fees). I further agree to reimburse the Community Foundation if the proceeds from the sale of the Property are insufficient to cover any such expenses or any other payments the Community Foundation's has made in connection with the Property.

3. I hereby agree to indemnify, defend and hold the Community Foundation harmless from any and all Claims (as hereinafter defined) which are incurred by or asserted against the Community Foundation. For purposes of this agreement, "Claims" shall mean any and all liabilities, claims, demands, damages, losses and costs, whether known or unknown, foreseeable or unforeseeable, on account of or in any way arising out of the physical condition of the Property, including but not limited to the condition of the soil and/or groundwater on or about the Property, and any such claims, liabilities, damages and costs arising under the Comprehensive Environmental Response, Compensation and Liability Act, as amended.

4. I acknowledge that the Community Foundation is relying on these agreements, representations, warranties and indemnities in agreeing to accept a gift of the Property.

(Donor's signature):

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Donor's Legal Name (printed or typed):

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**Gift Acceptance Policy- Real Estate**  
**Appendix F: Documentation Checklist for Gifts of Real Property**  
**[To be completed by AAACF Staff]**

Donor's Name: \_\_\_\_\_

Location of Property: \_\_\_\_\_

**I. Preliminary Information**

**Staff Member  
Date**

Completed Real Estate Disclosure Checklist \_\_\_\_\_

Made site visit/inspection \_\_\_\_\_

Discussed Policies and advised donor re: donor's responsibilities in connection with the gift (including appraisal and inspections required, all costs associated with the gift and requested indemnities) \_\_\_\_\_

**II. Documents Donor is to provide during review process Date Received**

**Date  
Received**

A. Evidence of clear title \_\_\_\_\_

B. Title Opinion or current title insurance policy \_\_\_\_\_

C. Abstract of Title or owner's duplicate certificate of title \_\_\_\_\_

D. Current appraisal by independent qualified appraiser \_\_\_\_\_

*(Note: Must be ordered, paid for, performed and submitted within 60 days prior to anticipated transfer)*

E. Deed to donor showing legal description \_\_\_\_\_

F. Plat Map showing location of property \_\_\_\_\_

1. If non-residential: Current "as-built" survey of property showing all structures, easements and encumbrances \_\_\_\_\_

2. Most recent property tax bill, showing assessed value of land and improvements, actual tax and any assessments \_\_\_\_\_

G. If income-producing property: \_\_\_\_\_

1. Income/expense pro forma for a three-year period \_\_\_\_\_

2. An Operating Statement \_\_\_\_\_

H. Homeowners' Association Agreement:  
*(The agreement should describe ownership rights and responsibilities and should include fees or assessments, together with a statement showing the condition of any reserve fund for deferred maintenance)* \_\_\_\_\_

I. Copy of Conditions, Covenants and Restrictions indicating how the property may be used and what restrictions apply \_\_\_\_\_

J. Lease or Rental Agreements:  
 If the property is leased or rented to others, provide a copy of each rental agreement showing the terms of the agreement, expiration date, rental amounts, deposits held, etc. \_\_\_\_\_

K. Information re: existing zoning status \_\_\_\_\_

- L. Copies of Promissory Note(s) and Mortgages and current statement(s) for all existing mortgages \_\_\_\_\_
- M. Copies of all other contracts affecting the property \_\_\_\_\_
- N. Originals of all insurance policies currently covering the property and documentation of premium amounts and payment \_\_\_\_\_
- O. Copies of all available inspection reports (e.g., Code Officer's inspection report or structural assessment reports by engineer) \_\_\_\_\_
- P. If acceptable to the Community Foundation, a transactional screening for environmental hazards (residential property only) \_\_\_\_\_
- Q. If required: Phase One Environmental Report dated within six months of gift transfer, including environmental report on any structures located on the property \_\_\_\_\_
- R. Representation letter from donor and/or environmental consultant covering the time period since the date of the assessment \_\_\_\_\_
- S. Phase Two Environmental Report (if requested by AAACF) \_\_\_\_\_
- T. Preliminary title examination and report showing conditions, covenants, liens, restrictions and encumbrances \_\_\_\_\_
- U. If requested by the Community Foundation, percolation testing to determine whether property meets local regulations concerning drainage \_\_\_\_\_
- V. Statement from Homeowners' Association regarding any fees or assessments that are due and payable \_\_\_\_\_
- W. List of personal property and/or fixtures to be included with the gift \_\_\_\_\_

**III. Documents to obtain before accepting title**

- A. Bankruptcy, Judgment and Tax Lien Searches \_\_\_\_\_
- B. If donor is not an individual, appropriate documentation of donor's authority to convey property (e.g., certificate of secretary or general partner) \_\_\_\_\_
- C. If property is rental property: tenant estoppel letters; subordination, non-disturbance and attornment agreements \_\_\_\_\_
- D. Fund agreement outlining donor's charitable intent \_\_\_\_\_
- E. Donor/Donee transfer agreement:  
Must be Foundation-approved form; should be drafted with legal counsel \_\_\_\_\_

- F. Representation and indemnification agreement signed by the donor, protecting the Community Foundation from potential environmental and other liability associated with accepting the property \_\_\_\_\_
- G. Donor's executed, recordable Warranty Deed appropriate to convey the property to the Community Foundation, with no exclusions of known or unknown liabilities \_\_\_\_\_
- H. A completed IRS Form 8283 signed by the donor and appraiser (to be signed by the Community Foundation and returned to donor for filing with donor's tax return) \_\_\_\_\_
- I. Satisfactory Wood Destroying Organisms Inspection Report \_\_\_\_\_
- J. Survey \_\_\_\_\_
- K. Evidence of satisfaction or release of mortgages, liens and other encumbrances affecting the property \_\_\_\_\_
- L. If property is to remain encumbered, a limitation of liability from the lender(s) or a satisfactory legal opinion concerning the recourse/non-recourse nature of the encumbrance) \_\_\_\_\_
- M. Expense reimbursement agreement between donor and Foundation \_\_\_\_\_
- N. Owner's Title Insurance Policy \_\_\_\_\_
- O. If property has multiple owners, written consent to the gift to the Foundation signed by all owners \_\_\_\_\_
- Q. Engineer's Report (if required by Foundation) \_\_\_\_\_
- R. Seller's storage tank affidavit (if applicable) \_\_\_\_\_
- S. Review of ADA Compliance \_\_\_\_\_
- T. Review of Code Compliance \_\_\_\_\_
- U. Individual Sewerage Treatment System Disclosure Agreement \_\_\_\_\_

**IV. Documents reviewed by Foundation's attorney:**

- A. Phase One Environmental Assessment \_\_\_\_\_
- B. Title records \_\_\_\_\_
- C. Local code/ordinance compliance \_\_\_\_\_
- D. Leases \_\_\_\_\_
- E. Mortgages or other encumbrances \_\_\_\_\_

- F. Service or management contracts \_\_\_\_\_
- G. Transfer deed \_\_\_\_\_
- H. Other closing documentation \_\_\_\_\_
- I. Gift agreement if not standard Fund Agreement \_\_\_\_\_

**V. Post-transfer**

- A. Deed recorded \_\_\_\_\_
- B. Title insurance policy received \_\_\_\_\_
- C. List property with broker \_\_\_\_\_